HOW DO SOCIAL POLICIES AFFECT FERTILITY RATES? A CASE STUDY OF GERMANY AND SWEDEN

Brittany Lenart

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Approved By:
John Stephens
Gary Marks
Liestbet Hooghe
ABSTRACT

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The decline in fertility rates has the possibility to affect the entire world in a negative way, but especially Europe. One of the areas in which countries seek to change the trend is in the development and use of family and work reconciliation policies. Specifically, this thesis will analyze German and Swedish policies starting from 1960 to present day. The purpose of this is to track the changes in policies over time and how those changes influence the fertility rate. Patterns in government are then used to show shifts within each country and how those shifts produce policies that are unusual for either welfare state.
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Chapter 1
Introduction

The decline in the overall fertility rates throughout Europe today is the cause for much concern for the sustainability of the welfare states. Fertility decline has been occurring for decades all around the world, but especially in Europe. The majority of the countries in Europe are below or well-below the necessary rates for a sustainable welfare state. This means that the countries are not producing a fertility rate of 2.0, instead many of the nations are well below that. In response to this decline in rates, the governments have tried to use family and social policy to increase the likelihood for a woman to have children. Many authors have stated that one of the main ways in which governments are able to possibly impact the fertility rates is through reforms to family and social policy. According to Salles, Rossier and Brachet (2010:1058), family policies are seen as a way to encourage family growth through the overall reduction of the cost of children. There are a few ways in which governments can successfully create policies that would be able to do this. Some of those options include helping to create a more egalitarian labor market that encourages women to fully participate, increase childcare facilities and quality, adequate parental leave schemes or even some forms of cash transfers.

Welfare states are distinct to each nation, but many welfare states scholars have argued that they cluster into a limited number of “welfare state regimes.” This thesis will focus specifically on the definitions of those clusters as presented in the work done by Esping-Andersen. The different welfare states need to be defined in order to see how each of the countries that this
thesis focuses on evolve over time. Since the two countries that the analysis will focus on are Germany and Sweden, the only two types of welfare states that this thesis will concern itself with are the Social and Christian Democratic models.

The purpose behind choosing these two specific countries is both their success as economies and their differences in welfare state structure. These two countries are the key examples of each individual welfare state type and each country provides a clear timeline of policies. Each country also showcases the way in which the policies have possible impacts on the fertility rates, either directly or indirectly. The main argument of the thesis will be that the reforms made to family and social policies make it more attainable for there to be successful reconciliation between work and family, which in turn has the possibility of increasing the fertility rate. This is mainly done through the role of partisan governments. The shift in governmental patterns is one of the main conduits for increased family policies that better reconcile family and work. In regards to the two countries chosen for this thesis, Sweden and Germany both exhibit evidence of change in party strength in government that have resulted in a change in family policy.

More specifically, I show that in stage 1, the difference between the two countries in family and gender policy is due to the long term pattern of government, Social Democratic dominance in Sweden and Christian Democratic dominance in Germany. Consistent with the literature on determinants of gender and family policy, Swedish Social Democratic governments passed policies promoting gender equality and work and family reconciliation, while the Christian Democratic governments in Germany passed legislation which enabled a male breadwinner/female-carer family pattern. In stage 2, following Morgan (2013), I find that because of the shifting political attitudes of women along with the problem of low fertility, the modernizers in the German CDU pushed the party to support Nordic style work and family
reconciliation policy. However, they were not strong enough alone, they needed the support of the Social Democrats in the Grand Coalition to pass the 2007 and 2008 legislation. The government moved in another direction when the FDP replaced the SPD in the government in 2009. In Sweden, I find consistent government support for strong work and family reconciliation policy, for women’s employment and dual-carer/earner families, and for gender equality until the four party center-right coalition came to power in 2006 and the small Christian democratic party demanded support for policy subsidizing stay-at-home mothers.
Chapter 2
Esping-Andersons Typology of the Welfare State

The welfare state has had its origins in the modern world in the late 1800s. However, the consolidation of such systems were not achieved until the second half of the twenty-first century. Industrialization helped to create a new set of social risks for wage earners and created the need for an institution that would address these risks and has subsequently become a powerful societal mechanism that helps to shape the future of states (Esping-Andersen, 1990:217). The role of industrialization is imperative to understand since it is one of the main causes for the development of welfare states. There was a new demand create that called for public spending, which coupled with the growing dependence on wage labor made it necessary for the state to expand social welfare effort (Myles & Quadagno, 2002:36). In “The Three Worlds of Welfare Capitalism,” Esping-Andersen presents the idea that the welfare states in the world can be seen to belong to one of three main clusters; the Social Democratic, Christian Democratic or Liberal pattern. The basis for the definition of the different clusters is on how their traditional social-welfare policies were created and how those policies then influence employment and the general social structure (Esping-Andersen, 1990:13). For the purpose of this thesis, the main focus will be on the Social and Christian Democratic patterns.

Social Democratic Model

The Social Democratic model can also be referred to as the Nordic or Scandinavian model. The main countries that are defined as having a Social Democratic welfare system are Sweden,
Norway, Denmark and Finland. The socialists adopted the use of parliamentary democracy as the strategy for their own welfare state system. The two main reasons for the use of that specific type of social policy were that workers require social resources, health and education. The second reason was that social policy was seen as not only emancipatory for the workers but it also led to economic efficiency (Esping-Andersen, 1990:22). This model would lead to the eradication of poverty, unemployment and complete wage dependency which made it possible to decrease the social divisions among workers. This goes along with the universalistic approach that is a main characteristic of a Social Democratic welfare state. The universalistic systems main goal was the promotion of equality of status.

One specific way in which the governments were able to achieve equality was through the use of universal social insurance. Social insurance found in these states is linked closely to a Beveridge-type system. The goal is to offer basic, equal benefits to all without any stipulations on prior earnings, contributions or performance (Esping-Andersen, 1990:33). Decommodification is rather high in this type of system, although still not total. Decommodification refers to the degree in which the workers are freed from dependence upon the market. A higher level of decommodification means that the workers retain a high degree of independence from the market, this is due to both union bargaining and the welfare state itself. The development of the welfare state depended heavily on the formation of the green-red coalition, as well as, the participation of the agrarian population. The new middle class that was created during the twenty first century is essential to the development of the welfare state. In the case of social democracies, the level of decommodification is high due to the more universalistic society that they created. In table 2.2 in “Three Worlds of Welfare Capitalism,” the countries are scored on their level of decommodification and the Nordic countries are very consistently highly
decommodified. Sweden was the highest score at 39.1, with Norway and Denmark at 38.3 and 38.1 (Esping-Andersen, 1990:64).

In regards to the structure of the family in the Social Democratic states, the government is very active in subsidizing the costs of family-hood. Here there is a greater emphasis on the individual independence which has led to greater support for programs that would create those opportunities. This means that most family transfers are made directly to mothers, and takes direct responsibility for the care of children, the aged and those in need (Esping-Andersen, 1990:39). There is also a strong system in place that would allow women the opportunity to reconcile both family and work. This is partially done as a way to encourage and sustain the full employment model that social democratic governments support. It is also an effort to decrease the amount of the population that uses the social transfers as their main source of income. For the Nordic countries there are extensive social services that provide both employment for women and child care. That makes it more probable for women or parents to participate in the labor market (Myles & Quadagno, 2002:40).

Pensions in the Social Democratic countries are a part of the universalistic system. The pensions are based on a universal flat-rate. The benefits remained low and there was an assumption that the state pensions would be complemented by an earnings related pension provide either through legislation or collective bargaining, which turned out to be the case. The overall workforce has always been about maintaining a high level of total employment. The Nordic cluster is shown to have very low exit from the workforce. There is very low unemployment among the older aged population in the Nordic countries. The populations wait much longer before seeking retirement which helps to maintain the desired status of the welfare state (Esping-Andersen, 1996:155). The welfare state also promotes a higher degree of
absenteeism than the other types of welfare states. The idea of absenteeism is applied to things other than illness, and the biggest program that it effects is maternity and paternal leave (Esping-Andersen, 1996:159). This results in a high degree of absenteeism within these countries, which is largely due to female workers taking time off. For the majority of these women, the reason for their absenteeism is directly related to the paid leave programs that are available to them and which they are taking advantage of.

The employment structure of a Social Democratic government helps to provide the full employment model by being a large welfare-state employer. This is important since the welfare state is strongly biased towards full employment, and this in one substantial way in which these governments have been able to accomplish that. Another significant aspect of the employment structure for a social democratic welfare state in the last thirty years has been the increase in part-time work available. The ability to evolve to include a greater service economy has led to the creation of many more part-time jobs that are traditionally filled by women. This is beneficial to the female labor force participation due to the level of flexibility that a part-time job affords (Esping-Andersen, 1996:200).

Christian Democratic Model

The Christian Democratic model can be found in continental Europe and contains characteristics that are very different from the Social Democratic Model. The Christian Democratic model can also be referred to as the conservative or continental European model. The major countries that exhibit this system of welfare are Germany, France, the Netherlands, and Austria. A conservative welfare state usually contains a male-breadwinner model with low female labor force participation, high transfers, corporatism and provide few social services.

The topic of social insurance for the Christian Democratic welfare state is compulsory state social insurance that guarantees fairly strong entitlements, but it hinges on eligibility and benefit
rules (Esping-Andersen, 1990:33). For the purposes of decommodification, the social program benefits are almost entirely depended on contributions, and thus work and employment (Esping-Andersen, 1990:33). This type of system leaves many of those who are unemployed left in poor conditions and unable to access the programs. For conservative governments, benefits are not just based on social rights, but on the rules and procedures attached. The pension plans in the Continental European countries were based on the social-insurance model. The benefits were based upon the contributions that an individual made. In this case women and mobile workers were left out, and the system maturation process was seen as too long to accrue a satisfactory pension. This also led to the use of the private market to offset the public pensions. The social insurance model that was promoted by Bismarck and von Taffe is also a form of class politics and it helped to create two levels of stratification within their society. The first level was the consolidation of the divisions among wage-earners through the creation of different programs for different classes and status groups (Esping-Andersen, 1990:35). The second level tied the loyalties of the individual directly to the central authority. This is the basis for the state-corporatist model that is found in Christian Democratic countries. Historically, in the late 19th century, the corporatist model was a way in which the state could combat the rising labor movements.

In continental Europe the role of the farmers was very different from the Nordic model. The role of the farmers was to help form ‘reactionary’ alliances, which in turn were distrustful of unions and left-wing parties (Esping-Andersen, 1990:41). In the end the farmers were helpful in creating the political isolation of labor. One of the ways in which the effect can be seen from the farmers is in the structure of the stratification within the country. Typically, the continental model is in favor of a strict hierarchy, corporatism or familialism; all of which maintain the
traditional status relations (Esping-Andersen, 1990:71). This form of etatism creates unequal access to welfare benefits and programs, and a certain evolution of the welfare state. The government was directly involved with the creation of the welfare state which is one of the causes for the use of corporatism in continental Europe. A second reason for the development of the conservative welfare states is the relationship with the Catholic Church. The Church wanted to maintain their responsibilities for providing aid to the people who needed it. Therefore, the government did not see the need to create a system in which there was readily available services to the population.

A major influence on the structure of the conservative welfare system was the Church. The Church was influential in the platform of family preservation. This meant that the male breadwinner model was encouraged and it was preferred that women stay home with the children and home (Esping-Andersen, 1990:38). This was further supported by the underdeveloped day care and other family services. This resulted in very low female labor force participation, which was not really addressed until the 1990’s. Another factor in the preservation of family for the state is the importance of the principle of subsidiarity. This means that the state is only going to intervene in the family structure when all other avenues have been completely exhausted. Which was another reason for the lack of family services that the government offered. The government wanted the family to be able to solve their own problems.

Due to the emphasis on the male breadwinner model or single-earner model, there is demand for a secure job system. The continental countries have a strong ‘insider-outsider’ model that regulates the labor market provide strong employment protection for insiders which makes it difficult for outsiders to find jobs. In this case, the employment structure in Continental Europe favors very high exit or early retirement. This has led to the development of flexible and early
retirement programs in some of the countries (Esping-Andersen, 1996:154). There is a high probability that older workers will take early retirement and rely on their pensions. However, there are lower levels of absenteeism in a Christian Democratic welfare system. This is connected to lower levels of female labor force participation and much higher rates of early retirement (Esping-Andersen, 1996:159). For this type of welfare system there is an underdeveloped employment by social-welfare, which is part of the stagnation that is currently effecting the continental European states. Prior to the creation of the Single Common Market in the European Union the autonomy of the Central German Bank was one of the primary reasons that there was not a great push for more job creation with lower wages. This was also effected by the de facto marginalization of the Social Democratic Party which was unable to push reforms through (Esping-Andersen, 1996:171). The labor markets were very rigid and catered to high skilled men as the insiders. There was very little development of low skilled, low wage jobs.

While there has been an increase in part-time work, it was accompanied by a decrease in full time jobs. Especially in Germany, there has been an adverse reaction to the post-industrialization of the market. There has not been as great a turn towards more service focused employment like you see in the Nordic or liberal countries.
Chapter 3
Germany

The issue of fertility decline in Germany has been something that is rather recent for the country in terms of trying to change the trend. Even though the country has been experiencing the decline in overall fertility for numerous decades. As a major economic power in the European Union and world, the fertility question is one that needs to be answered sooner rather than later if the government wishes to continue as a major power. One of the major contributing factors in the strategy in dealing with the decline is the reform of the welfare state. However, the welfare state of Germany has been a concrete example of the Christian Democratic model that was talked about in the previous section. As a typical conservative welfare state there has been a lack of support of female labor force participation, decreased social services for things like day care, and little support for maternal leave. All of these things can be seen as essential to the way in which the government can impact the overall fertility rate.

This portion of the thesis is going to map the social and family policies that Germany has put into effect throughout the designated time period. It has been argued by Kimberly Morgan (2013) that German family reforms can be separated into two main stages. Using those stages, the purpose of this analysis will be to see the changes that the government has implemented in order to encourage fertility. While there may be other reasons for certain policies to be enacted, the main concern of this thesis will be their overall effect on fertility rates. The first stage will be from the 1960’s to the end of the 1990’s. It will also solely look at the situation in West Germany
up until 1990, then all of Germany will be included in the analysis following reunification in 1990. The second stage will then focus on the period directly following that, so starting from around 2000 until present day.

Stage One

The fertility rate in Germany had been decreasing since the beginning of the 1900’s and the trend continued throughout much of the century. For the majority of the time period discussed in this section (1960-2000), the fertility rate in Germany fluctuated between 1.3 to 1.5. Between 1960 and 1970 there was a birth surplus that took place which resulted in fertility rates that were between 2.03 to 2.54 (Brady, Huber & Stephens, 2014). However, the surplus was quickly ended by 1972 and Germany once again resumed their low fertility rates that had been steadily decreasing for decades. During this time there is a major change in attitude in Germany from seeing children as desirable to considering them instead to be an undesirable cost (Glatzer et.al, 1992:114). This is also related to the increase that is seen in the age that couple choose to get married. This directly effects the age of the mother when she has her first child, which led to a decrease in the amount of children desired.

Following the end of the second World War, Germany was among those who experienced a boom in industry. With the rapid growth came the demand for a welfare state that would provide for the workers, unemployed and aged. However, the resulting welfare state in Germany left much to be desired in terms of egalitarianism. The social policies during this time were predominately focused on the male breadwinner model and transfers. The single-earner model was the preferred type and was sustainable in an economy that was growing at a vigorous rate. This was also coupled with relatively low inflation and unemployment (Esping-Andersen, 1996:67).
One of the reasons that there was such a great emphasis put onto the male breadwinner model being the mold for German families, was the dominance of the conservative parties. The Christian Democratic party was the dominant political party directly following the end of the Second World War. The CDU was in power from 1949 until the Social Democratic Party (SDP) took over the government in the 1969 elections. However, the CDU would regain control over the government in 1982 and would stay there until 1998.

The importance of the CDU’s dominance is seen in the types of policies that they put into place. The conservative party was protective of the family and the idea that the man of the family was to be the sole earner. For this to happen there needed to be a male wage that would be sufficient to support his dependent wife and children (Moeller, 1993:66). This, of course, left the wife with the ability to stay at home and take care of both the house and the children. This was also a reaction to the past Nazi regime and the rising socialist Eastern Germany. The Western German government did not want to be associated with the types of policies that the past oppressors had been known for, so there was a distinct effort made to be non pro-natalist (Ostner, 2010:212). There was a major draw upon older Weimar and pre-Weimar Catholic social traditions in the beginning of the social policies following the end of the war and German separation (Ostner, 2010:220). These influences would help to create the main pillars of the German welfare state.

However, there were some variances in party control over the government. The SDP-Liberal government was responsible for the reforms that took place in family policy during the 1970’s. Many of which were very significant for the evolution of the welfare state, but still kept with the conservative personality of West Germany. In 1972, the SPD/FDP government passed a slew of liberalizing reforms that focused on family law, criminal law and employment. Some of these
reforms included divorce, legal rights of married women, abortion and, training and re-entry programs for women (Von Wahl, 2008:27). These reforms are important stepping stones to further reforms that took place in the 1980’s and 90’s.

The government again experienced a change in 1982, with the CDU/CSU and FDP coalition. During the time that this government was in charge there were further reforms to the welfare state. These included a new child-raising allowance, an allowance for dependents, extensive parental leave, and pension credits specifically for mothers (Von Wahl, 2008:27). With these reforms there is a slight move towards a more service oriented welfare state.

Female Labor Force Participation
Women during this time were actively encouraged to remain at home and to rely completely on their husband’s wages to support them and their family. This was the typical mindset in the continental European states, and in particular Germany. The welfare state was set up in a way to ensure a stable labor market, which protected the male employment. The German state was dependent on the males retaining a stable job for about forty years, after which they would be able to retire and claim their pensions which would be able to sustain them and their families. According to Esping-Andersen, the female life cycle assumed a short period of employment in their youth which was followed by almost complete withdrawal once they were married and starting a family (1996:76). This would ensure that the female population would be available to be fully responsible for the social care of children and eventually the aged family members.

One of the reasons that it was important for there to be decreased female labor force participation in Germany was to maintain the structure of the welfare state. There were high degrees of familialism and traditionalism which required for there to be a traditional family set up. This was especially true once the German economy started to slow down due to the rise of post-industrialization. There was no room for an increase in female labor force participation.
because the government was already facing employment issues with the male population. Due to the decrease in economic growth the ‘labor shedding’ strategy was put into place, which meant that many workers were forced into retirement in order to maintain high levels of productivity through the use of young men.

This is further supported by the continued ‘insider-outsider’ structure that Germany suffers from throughout this time period. The dependency on the male employment market, coupled with the very slow or stagnant service and public sector growth has left very little room for increased female labor force participation. This strategy continues throughout the 1990’s as well. Even with the growth of part-time work during the 80’s, the government did not push for an increase in female labor force participation.

Child-Care
The subject of child care in Germany is mainly dependent on the role of the female population for this particular time period. Germany represents a familialist welfare regime which means that it delegates the maximum of the care work to private households, which means mothers (Henninger, Winbauer, & Dombrowski, 2008:290). Child care institutions were not given much support by the government since there was very little emphasis on the return of women to the work force after the birth of their first child. With the 1986 reform to parental leave there were also implications to improved childcare, but to the expansion of childcare facilities. The reform instituted a child-care benefit which was means-tested and was given for a duration of 24 months (Henninger, Winbauer & Dombrowski, 2008:288). However, this was not necessarily an increase in access to child care. In fact, this was just another incentive for mothers to remain at home after the birth of their child. The major thought process behind these types of schemes is to make it easier for the women to remain at home. However, this does not necessarily mean that women want to stay at home.
Parental Leave

The issue of parental leave was not something that was given much attention by the West German government in the beginning of the 1960’s. It was not until the 1970’s, under the SDP-Liberal government that the issue was addressed. The government during this time was making remarkable expansions on workers’ social rights, which included the issue of maternal leave. The reform improved the rights of mother’s who were working and granted them four months of paid maternal leave (Ostner, 2010:222). It was a flat rate benefit that was given to all mothers.

Maternity leave was important for West Germany due in part to their type of welfare state. At this point in time, there would have been very little child care institutions set up, so the care of the child would have been entirely left to the family or more likely the mother. In 1986, a gender neutral paternity leave reform was put into place, the Bundeserziehungsgeldgesetz. This granted 3 years of leave combined with a pension related credit, protection against dismissal and an income-tested flat rate benefit for 2 of the 3 years. This was a huge reform for the conservative government (Ostner, 2010:223). Although paternal leave was now applicable for either parent, the real target still remained the mothers. The reform also still reflected the conservative narrative of the Christian Democratic welfare state. It was a way to make it easier for women to stay at home and take care of children.

Cash Transfers

A system of cash transfers has always been a part of the German welfare state. During this first stage, the transfers worked in a way that supported the male breadwinner model. Most transfers were seen as only complimentary to the single-earner model. This goes along with the way in which a conservative welfare state is described by Esping-Anderson. Many of the cash transfers have already been addressed in previous sections. Many of the transfers involve allowances to families whose mother’s remain at home for an extended period of time after the
birth in order to take care of the child. However, the transfers are not necessarily focused on
decreasing the opportunity cost of having a child. These transfers focus more on providing
incentives that increase the likelihood that the mother will choose to leave the work force
entirely once a child has been born.

The effects of reunification on German transfers were significant. The two states had
completely different welfare states and East Germany was pushed into accepting the ways in
which Western German was set up. The increase in cash transfers was a way in which the
governments thought to help make the change easier.

Stage Two

The second stage starts at the end of the 1990’s going into the 2000’s, and it is during this
time that we see a shift in Germany in the overall welfare structure. Specifically, we see a major
shift in the approach used for family and work reconciliation policies. The main point for this
period was to make it easier for women to be both mothers and have a career. This major shift is
characterized by a higher degree of childcare, maternal and paternal leave, and encouragement of
female labor force participation.

A major change for the German perspective by the twenty-first century was the shift away
from familialism. The last decades had been characterized by the familialization of reproduction
work, so in the new century one of the main goals was the process of de-familialization
(Henninger, Winbauer & Dombrowski, 2008:289). De-familialization was described by Esping-
Andersen as a way in which the regime maximizes the independence of the individual from
family obligations (Henninger, Winbauer, Dombrowski, 2008:290). The main goal was to
promote mother’s continuous employment and a shift towards a dual-earner family by de-
familializing families and re-commodifying women (Ostner, 2010:213). The process of de-
familialization shows how the conservative, German state is slowly moving away from the traditional characteristics as described by Esping-Andersen.

The beginning of these changes started with the Red-Green government which had control of the government from 1998 to 2005. During this time, the foundation for later reforms were instituted. The government was mainly focused on increasing monetary benefits initially, but by the end of their term in office more progressive reforms were falling into place (Klamm & Letabilier, 2007:675). In 2005, the CDU and SPD formed the Grand Coalition. It is through this Grand Coalition, that many of the recent changes have happened.

Female Labor Force Participation

There has been a change in the way the Germany approaches the issue of female labor force participation within the last sixteen years. In order to increase the odds that women will choose to have children, the government has attempted to implement policies that give greater support to women who wanted to work. However, this does not mean that there is still not a very conservative discourse surrounding the issue of family and work reconciliation. The overall attitude towards female labor force participation has shifted but it not as progressive as say Sweden.

The shift that has occurred is due, in large part, to the issue of fertility decline and the strain on the welfare state. The government has taken the necessary steps in order to create a more female friendly welfare state that helps to decrease the opportunity costs of childbearing and childrearing. However, there is still a major struggle that many women face in deciding on whether or not to have children. There is still the mentality that it is either one or the other, and that women are the ones who have to decide (Hoorens, Clift, Staetsky, 2011:31). This is especially true for women who are more highly educated and earn a higher wage. For these women the trade off or opportunity costs are sometimes deemed to be too high and they then
remain childless (Hamm, Sertz, Werding, 2008:167). In recent cohort fertility groups there has been an increase of childlessness, for example 21% of women born in the 1960 cohort did not have children and an expected 13% from the 1966 cohort will choose to remain childless as well (Lutz, Boehnke, Huinink, Tophoven, 2013: 101). The problem therefore arises of how to entice this particular group of women to have children.

One of the major issues with the German labor force were the high skilled, gender segregated industries that dominated the job market. These particular industries were unlikely to hire more women. This has left women to work primarily in both part-time and low wage positions. The pay gap between men and women in 2011 was 23% and in 2010, 60.5% of the low wage earners were women (Henninger & von Wahl, 2013:7). This large growth in low wage employment is due largely in part to the expansion of the service sector. This was the approach that the Red-Green government used in order to increase the female labor force participation.

Another obstacle in the increase of females in the work force has been the implementation of female quotas. Many sectors of the government have been successful in creating quotas, while others have remained resistant to the idea. Voluntary quotas began in 1982 in regards to electoral ballots in German, which has resulted in about a third of the parliament being female (Henninger & von Wahl, 2013:14). However, the representation of women on the board of large corporations is one of the lowest in Europe, with just 2.5% in 2010 (Henninger & von Wahl, 2013:14). This particular issue has been one that the staunch conservatives have been very insistent about not changing. The German business community has no desire to make gender quotas a necessity and many of the discussions that have been held in the government were later blocked by the conservative private sector. This has been one area where the increase in female participation has
lost, which could be one of the reasons that there is such an over representation of women in the lower wage sector.

One of the reasons for the large portion of females working lower wage jobs is partly due to the increased level of flexibility that is available. Lower wage jobs tend to be more flexible in terms of hours that are available to work. This makes it much easier for women to be home during the times that their children are not in school. It is especially helpful since the majority of schools are still only part-time and part-time work is another way in which women can be both at home when needed and still have a wage. A downside to this though is that it still favors men to have the higher wages between the pair. It once again feeds into the joint taxation benefits, where it is still much better if one of the partners makes significantly less than the other.

Something that the German government has maintained from early years is the use of joint taxation. With joint taxation of married couples, it is still more beneficial to the couple for there to only be one main earner in the family. The other option is for one of the people to earn significantly less than the other, this way they are not penalized too much when filing taxes. This means that many of the females who are entering the labor market are opting to take part-time work rather than full-time positions with higher wages. In the end the joint taxation creates more of a shift towards a one and a half earner model rather than a dual-earner model.

Child-Care

Public child-care grew to be one of the main concerns of the government during this second stage. The new target for child care was specifically focused on the under three age groups, who previously were very under represented in childcare. The beginning of substantial daycare reform started with the 2004 Day Care Expansion Act which promised 1.5 billion euro each year to states and municipalities in order to double the supply of child care by 2010 (Morgan, 2013:96). This was complemented by the 2003 agreement made with the Länder that made 4
billion euro available to them through 2009 for the creation of more full-day schools (Morgan, 2013:96). Another law that helped to further push the expansion of childcare was the reform passed in August 2007 by the Grand Coalition government. The federal government would provide funding to help with the expansion if the Länder expanded their overall childcare facilities by 2013 (Henninger, Winbauer, Dombrowski, 2008:294).

In a counter effective manner, the Christian Democratic-Liberal coalition government elected in 2009 passed a care credit in 2013. This type of credit was given to families who chose not to send their children under the age of fifteen months to childcare. The law was pushed by the conservative Bavarian CSU wing of the Christian Democrats and was a clear representation of the traditional/conservative attitude that was predominant through earlier decades. The credit entailed 100 euro a month for up to 22 months (Henninger & von Wahl, 2013:10).

An important non-policy factor that directly effects the expansion of childcare in Germany still, is the attitude that parents are still solely responsible for their children (Salles, Rossier, Brachet, 2010: 1071). This feeds into the notion that if women want to have children there needs to be a responding withdrawal from the labor market. For most German women there is either a complete withdrawal from the labor market or there is a switch to part-time until their children are eligible to go to kindergarten. However, even when the children are in school there is still a need for a parent to be available since most schools only operate for half days. For instance, kindergarten is usually only open for the morning, and of the 90% of 3-6 year olds that attend kindergarten only 17.3% attend all day (Salles, Rossier, Brachet, 2010:1063). After school care would then be supplied by either the family or a childcare facility.

Parental Leave
There have been significant changes to the approach to parental leave in Germany that brings it closer to the Nordic model. The first step in that process was the 2001 reform to the parental
leave scheme. This particular reform improved the options for parents to combine parental leave with part-time work. It also provided incentives for mothers to return to work faster than previously suggested (Klammer & Letabilier, 2007:675). In 2007 and 2008 the Grand Coalition government adopted policies that combine a twelve-month paid parental leave, with an additional two months for the person not taking the most leave (Morgan, 2013:76). The 2007 reform called Elterngeld was a parental leave benefit, which replaced 67% of the previous wage for the parent who was taking leave (Klammer & Letabilier, 2007:675). The benefit was available for up to 1,800 euros a month for fourteen months. This is an attempt to incentivize the fathers to take time off of work to spend time with their new child. Like the Nordic countries, the main goal is to help families reconcile both work and family, as well as, the at home labor division.

Cash Transfers
The cash transfers were still very much a part of the welfare state even after the changes started to take place. As mentioned previously, the childcare benefit was introduced in 2013 which rewarded parents who avoided putting their child into childcare if they were under 15 months. Those who receive social welfare and the long-term unemployed who receive this benefit would see a reduction in other entitlements that they had previously received (Henninger & von Wahl, 2013:10). There was also an alternative option of the care benefit. Parents could opt to save the benefit for their private pension schemes or the child’s education (Henninger & von Wahl, 2013:10).

Cash transfers are a huge characteristic of a Christian Democratic welfare state and while there has been greater effort put into increasing women in the labor market, there are still transfers that are counterproductive to that. Many of the old transfers are still in place today, although there has been a shift in who can receive such benefits. There was great concern over
the new stratification effects that some of the new transfers policies were capable of creating. For instance, with the care benefit, people who receive long-term unemployment are excluded from the benefit (Henninger & von Wahl, 2013:14). Another reform that caused stratification between parents and women was the introduction of a tax allowance. Angelika von Wahl describes the tax allowance as a way to encourage an expansion of the low-wage labor market and ends up promoting the privileges of the well-off (2008:35). It is possible to see some of these reforms as a way to encourage the middle and higher class women to have children, since the reforms are more beneficial to that group of women.
Chapter 4

Sweden

The welfare state in Sweden is well known for its strength and generosity. The Swedish welfare state is seen as one of the strongest examples of the Social Democratic welfare state type defined by Esping-Andersen. Individualization, decommodification and public services are some of the main building blocks of the Social Democratic welfare state. The Swedish example is shown as being the most successful out of all of the them.

The maintenance of family and work has been a happy byproduct of the Swedish focus on creating an egalitarian society. There are three main points that are responsible for some of the ways in which the government is able to facilitate both work and family for women. The first one is individual taxation and individual based social security. Women are in charge of their own finances and well-being, and being employed is one way in which greater equality is achieved. The second factor is an income-replacement based parental leave system which incentivizes women to establish themselves before having children. The last point is the subsidized childcare which makes it possible for women to work (Andersson, 2010:210).

This section is split into two different stages like the section on Germany. This was done for two different purposes. One was to mirror the organization of the analysis done on Germany, and the second reason was to create a divide in policies that were implemented. While there is no true shift in the second stage, there are some policies that are not usual for Sweden that are interesting to see as evolutions from those seen in stage one.
Stage One

The biggest impact on the Swedish welfare state was the work done by Alva and Gunnar Myrdal. Their initial 1934 book, *Crisis in the Population Question*, tackled the already growing issue of family in the welfare state. The work was published right before the outbreak of the second world war, and was not revisited until the reconstruction stage in the 1960’s. However, many of the policy suggestions made in the book were taken into consideration when the Swedish government was creating policies for the family.

The book really captured the growing population problem and made it into a social problem. The authors highlight the growing changes in family life that were creating the population decline. There was an increasing low marriage rate and family limitation, along with a decline in legitimacy as a result of the growing use and knowledge of contraceptives (Frazier, 1943:263). It is through their work that the connection is made between the behavior of a modern urbanized family that avoids having children because of the increasing differential costs that are associated with childbearing and children (Skaug, 1943:235). The Myrdal’s then suggest that in order for the government to help encourage the birth of children, there needed to be benefits in kind and not cash. Benefits in kind refer to policies that help to coordinate social and economic means (Skaug, 1943:236). Some examples of these types of policies are large scale housing plans, nutritional programs, or medical and education programs.

The fertility rates in Sweden were never as low as those found in Germany, but there were some fluctuations throughout the last forty years. For instance, in the beginning of the 1980’s the fertility rate was 1.6 in 1981, but by 1989 the rate had risen to almost 2.0 (World Bank). The 1990’s show a steep decrease in rates, but this is mainly attributed to the economic problems that took place in the 90’s.
Female Labor Force Participation

The Swedish welfare state has been characterized by the dual-earner model, which is turn has supported higher levels of female labor force participation. Following the end of the World War II, the Swedish government spent a lot of time creating policies that would create a welfare state that would be supportive of its population. One of the main goals was to increase full employment in both men and women. From the 1960’s to the early 90’s female labor force participation increased from 50% to over 80%, with almost 60% of Swedish women involved in either full-time or longer part-time work (Ferrarini & Duvander, 2009:10).

As seen by the definition of a Social Democratic welfare state by Esping-Andersen, Sweden maintained high levels of decommodification, individualism and a universalistic approach. This meant that women were given the same opportunities that men were able to claim. Gender equality was one of the main reasons that many of the reforms discussed in the coming sections took place. The government wanted to create a society in which both men and women were given equal opportunities. This of course had a positive reflection in the number of women who were involved in the labor market.

The main pillar of full female labor force participation rests on the generous parental leave regulations and the extensive availability of highly subsidized, high-quality, public child care (Andersson, Duvander, Hank, 2004:407).

Parental Leave

Parental leave has always been an important factor for the Swedish government. In 1974 the Swedish government introduced paid parental leave for men and women. The state aim was to create greater equality in the labor market for both sexes. The paid benefit was fixed at 90% of the last wage earned (Bruning & Plantenga, 1999:201). The parental leave system offered slightly more than a year of paid leave from work after the birth of the child (Andersson,
The allowance that was given to the parents during this time was based upon past earnings that they received.

Another aspect of the parental leave system was the ability for the parent to take off work in order to take care of a sick child, which was implemented in 1974. This was not something that was included into the initial parental leave time that was given after the birth of a child, but was completely separate. It was also significant that the time taken off by the parent was also not counted to be part of their vacation time from their job (Andersson, 2010:213).

Since gender equality is an important factor in the Swedish society, there was a push to include more specific terms that would spell out the role of father’s in paternity leave. In 1995 the government introduced its first ‘father’ month, which reserved one month for the father from the total amount of leave that is given to parents following the child’s birth (Earles, 2011:188). The true terms spelled out 30 days of leave reserved specifically for each parent. This was just one way in which the welfare state and government tried to support the notion of shared parenting and home work.

Childcare

Public services are one of the hallmarks of the Swedish welfare system. In order for there to be an increase in the participation of women in the labor force, there needed to be services that would take care of the children. Day care has been an extensive part of the welfare system with special application to the age group 1 to 6 (Bruning & Plantenga, 1999:202). The rate at which parents used the day care system had been increasing since its implementation in the 1970’s. Prior to 1975 only 20% of children were enrolled in the day care system, but that number has increased steadily since (Andersson, Duvander, Hank, 2004:409). Reliable childcare was seen as a fundamental requirement of a society that expected both parents to work and the Swedish government took the responsibility of making sure it was available very seriously. For example,
in 1966 the state grants to full-time care centers were doubled in order to encourage further expansion and improve the overall quality of care (Earles, 2011:183). The expansion of childcare was evident in the number of facilities that were accessible. There were under 12,000 facilities in 1965 and over 136,000 by 1980 (Earles, 2011:182).

The way in which the government chose to set up the day care system is also significant. Throughout the 1970’s and 80’s the costs of institutional childcare were predominantly covered by state and municipal governments. Parents only ended up being responsible for around 10% of the total costs (Andersson, Duvander, Hank, 2004:410). This type of support from the government in childcare is one of the ways in which the Social Democratic model is different from the Christian Democratic model. There is a greater emphasis put on the reconciliation of family and work. This is especially true for the Nordic countries because there was a need for everyone to be employed.

Childcare has always been at the forefront the discourse of women who are employed. There has been a push towards reforms and expansions of childcare since the beginning of the increase of women in the work force. In 1995 the government passed an Act on Child Care. This particular reform stipulated that municipalities were obligated to provide childcare with undue delay, cutting the wait time for entrance into a childcare facility to no more than 3 months (Earles, 2011:183).

Cash Transfers

In Sweden the use of cash transfers was something was supposed to act as a support to the family. By 1985 the cash transfer system equaled 12% of the shared net income of the household of an average industrial worker (Wennemo, 1994:104). This is largely due to the influence of the leftist government. Wennemo (1994:108), points to there being a connection
between the strength of left parties and having a strong positive effect on family benefits in general. While traditionally a Social Democratic state would not have such large transfer systems, Sweden during this time did use them in order to offer further support for a dual-earner family.

Stage Two
While the Swedish welfare state has not gone through numerous changes like that of the German welfare state, there have been some important policy continuations since the end of the economic decline in the 1990’s. The welfare state reforms that have been implemented since the conclusion of the decline have been focused mainly on further expanding previous pillars of the Social Democratic welfare state. Since 2000 there has been a slight increase in influence from the center-right and right parties in Sweden, the main influence was through the center-right 4 party coalition government which was in power from 2006 to 2014. However their overall significance is reduced due to the strength of the left wing parties.

Female Labor Force Participation
The goal of increase gender equality is something that is still very important to the welfare state in Sweden. Female labor participation has maintained in Sweden largely through employment by the welfare state itself. There has been a comprehensive increase in women involved in public sector jobs. However, there have been consequences due to this overloading in one particular sector. Ferrarini and Duvander (2009:11) mention in their article that due to the overload of women in the public sector there has been an increase in job segregation and employer statistical discrimination. In the end this tends to help in widening the gender and wage gap, which is something that the Swedish welfare state was supposed to help close.

Sweden has maintained a consistent rise in female participation throughout the last 20 years. According to the World Bank, Swedish female labor participation has fluctuated from 53% at the
beginning of the 1960’s to as high as 79% in 1989. In the recent ten years the female employment rate has remained between 70 to 73% (Brady, Huber & Stephens, 2014).

In regards to the issue of fertility, the large scale participation of women in the work force pushed back the expected age of when they have their first child. Part of this is due to the desire to be stable in their own career before they choose to exit the work force for parental leave. There seems to be a strong correlation between women’s income level and their first birth (Ferrarini & Duvander, 2009:15). This is further supported by the parental leave measures that are currently in place as well.

Another way that Sweden has been able to maintain high levels of female labor force participation is through the job security that they offer for all workers. In Sweden, part-time workers hold the same employment rights and benefits that full-time workers do (Vos, 2009:493). This works in favor of women who are a large part of the part-time workers. This provides greater support for women who choose to have children and decreases the stress of trying to choose between work and family.

Parental Leave
Parental leave was further expanded upon in the 2000’s to focus more on persuading fathers to utilize a greater portion of the allotted leave time. In 2008 there was an equality bonus that was created in order to incentivize parents to better share parental leave (Tunberger, Sigle-Rushton, 2011:227). Part of the reason that this particular reform was created was in response to the fear that women were taking the larger portion of leave after a child was born, creating a decrease in female labor participation and possible backsliding into a one and a half earner model.

Parents are awarded 390 days of parental leave per child with paid benefits at 80% of former income. Already there are 60 days reserved for each parent in the parental leave scheme.
This is an expansion of the previous 1995 law that reserved 30 days for each parent. The new bonus provides 100 SEK for each transferable day of leave that is taken by the parent with the smaller share of leave (Tunberger, Sigle-Rushton, 2011:227).

Childcare

In regards to childcare, there have been only mild reforms to the system since the 1990’s. One of the more significant reforms was the state introduction of a system of maximum fees that the municipalities could charge parents in 2002 (Earles, 2011:186). The end goal of these types of reforms are to make childcare as affordable as possible for parents. Parents in Sweden are still only responsible for a small portion of the actual costs of having a child in daycare.

There has also been a push to increase the level of quality of childcare by making them focus more on early education. In 2003 all children aged four to five were awarded 525 hours of free attendance to a childcare facility per year. This was later expanded to three year olds as well (Earles, 2011:186). All of these measures are way in which to incentivize parents to utilize public childcare both as a way to increase the learning of their children and also as a means to maintain their own participation in the labor force.

In the article written by Ferrarini and Duvander (2009:8), the estimates show that 77% of all children 1-3 were active in day care with 97% of children 4 to 5. These are large numbers that show that many families utilize the public day care systems that the government has continued to improve upon. There was also a push made by the government to raise pedagogical quality of the public facilities and they introduced guaranteed rights to participate in the programs for all children, regardless of their parents’ employment status (Ferrarini & Duvander, 2009:8). The government has tried to make day care as easily accessible to all as best they can.
Cash Transfers

Direct cash transfers are not very prevalent in the Swedish welfare system and this is largely due to the left party dominance. However, in 2008 the government introduced a cash benefit for home childcare. According to the law, which was pushed through at the insistence of the small Christian Democratic party (KDS), parents would receive a benefit of 3000 SEK per month if one of them extended the period of full-time leave for a child under the age of three. Another way to receive the benefit was if one of the parents cut their hours by 25% (Tunberger, Sigle-Rushton, 2011:227). The benefit was also available if parents decided to use a private home childcare provider rather than putting their child into public day care. This particular reform can be seen as a way to entice parents to stay at home for the first three years of life with their child, much like the conservative systems, which was the Christian Democrats intention.
Chapter 5

Analysis

Healthy fertility rates are important for the continued growth of all welfare states. Through the two case studies it is possible to see how one approach seems to work better than the other. From strictly a policy standpoint, the Swedish approach to a dual-earner family model does more to improve the likelihood of couples having children then the German model. This is further supported by the apparent changes that the German government has made to their own welfare state. While the changes made have not instantly created a more Social Democratic welfare state in Germany, they have pushed the traditional male breadwinner model further from the norm.

Part of the reason for the success of the Swedish model is due in large part to the high levels of female labor force participation. In an article by John Myles and Jill Quadagno, they describe how the increase in female labor force participation creates new demands on the welfare state, particularly in the care of children and the elderly (2002:48). Female labor force participation can be seen as both a cause and effect of the expansion of family-related policies and services. In the case of Sweden, their universalistic and egalitarian goals had already created the need for increased needs for childcare and a job market. Germany has had to respond to the greater desire of women to work with increased policies on day care and parental leave in the last fifteen years. The need for increased participation of women in the labor market is also fueled by the need to have as many people working as the state can get (Myles & Quadagno, 2002:49)
The way in which the government tries to help lower the overall opportunity costs of having children are varied. For the German government, one of the main ways in which they traditionally have tried to do that was through the use of extensive cash benefits. However, while it is not possible to make direct comparisons between the amount of cash transfers given to families and fertility rates, there has not been sufficient improvement to fertility rates in Germany with the benefits available either.

A shift towards greater decommodification and de-familialization has worked very well in Sweden and recent policies in Germany show a greater push towards both of those things. Women have a better chance of being in the labor market when there is a high degree of de-familialization (Vos, 2009:491). The new expansions to childcare and parental leave in Germany will better able parents, especially, mothers with the opportunity to have both a family and a job. The availability of childcare and good parental leave policies establishes suitable conditions for couples to make the decision to have children.

These policies also offer further incentive for women to return to the work force sooner rather than later. In Germany one of the major issues with the extensive cash transfers that are still in place is that it encourages women to take extended leaves from the work force (Vos, 2009:492). It is possible to take almost three years off per child in Germany which can have drastic effects on the pace at which women go back to work, if they choose to go at all. It is important to find a balance between encouraging parents to take time off to spend significant time with their children and going back to work. Sweden allows a little over a year of parental leave which is about half of what Germany currently offers. This could be a possible explanation as to why Germany only maintains a 54% for female labor force participation in 2015 while Sweden is at 60% (World Bank).
An overall increase in female labor force participation can be seen as a successful evolution of the labor market. Nonetheless, there are still things that are a problem for fertility. A current trend has been the delay of childbirth among women across all of Europe. Women have been pushing back children due to the desire for higher education, wanting to establish themselves and the rising age at which they get married. This is also compacted by the decision by many women to remain childless entirely. Many women are unwilling to take the risk to have children when it is much more detrimental to the woman’s career than the man’s.
Chapter 6

Conclusion

Fertility decline is something that is putting many welfare states on edge due to the overwhelming repercussions that can happen if there is not a sufficient replacement rate. The rate needs to be near population reproduction or greater in order for welfare states to be healthy. In response to that threat, many governments have started to seriously look at the way in which family and social policy changes can help to encourage the desire to have children, by reconciling the family and work life.

In this case, the two countries that have been analyzed in this thesis attempt to show how two very different welfare states approach the issue of family policy and the affects the policies can have on increasing fertility rates and what factors account for the variation in family policies across countries and though time within countries. The roles of partisan governments in both Sweden and Germany are clearly seen in the types of policies that are enacted during the periods when there is a higher degree of partisanship. In Germany, the pattern of government did not change until the SDP was able to exert a larger degree of influence starting in 1998. This shift is largely due to the change of political attitudes of women. The Grand Coalition was needed in order to pass the more Nordic style legislation in 2007 and 2008. However, there is a turn again when the FDP replaces the SDP in 2009. For Germany the center-right and right parties are still able to maintain the majority and it is not entirely clear if more reforms will be possible to pass effectively. In the case of Sweden, the pattern of government had managed to last up until 2006
when the 4 party center-right coalition was able to assume power. However, unlike Germany, the Swedish system has largely been maintained to encourage full reconciliation between work and family. The different types of welfare states created very distinct responses and cultures when the issue of family was talked about. In the case of Germany, the government was very hesitant to implement any policy that directly interfered with the choices of the family. However, this approach was also followed by a low fertility rate that has put the country in danger. On the other hand, Sweden has focused on creating a gender equal society. The focus on individualism, rather than familialism has created a more suitable environment for both a family and work life to exist together.

An issue that both countries have faced is the rising number of women who choose to remain childless. While there have always been women who make this choice, in the last twenty years or so there has been a significant increase in childlessness. It is a problem that is somewhat hard to address. While policies can give many incentives for women to have children and successfully reconcile both work and home-life, there are many who end up choosing to not disrupt their own status quo and lifestyle in order to have children. It comes back to the feeling that women must eventually make the choice to either have children or maintain a career. It may not be possible for policies to make a difference in this particular situation.
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