

Family Allowances, Paid Parental Leave and Middle-Class Children

Steven Pressman
Department of Economics and Finance
Monmouth University
West Long Branch, NJ 07764
pressman@monmouth.edu

1. Introduction

Child poverty has many negative consequences that have been documented extensively. In the early 1990s, Robert Solow, a Nobel Laureate economist, added up the many losses and estimated the total cost of child poverty at around \$177 billion annually. This came to 3% of a \$6 trillion GDP.¹ Even ignoring the cost of greater unemployment and health problems in the future, Solow found the annual cost of child poverty to be around 1.5% of GDP. Since Solow made this estimate, both child poverty and health care costs have risen—the former a little bit, the latter substantially.

It is for these reasons that the Center for American Progress,² a Washington, DC think tank, recently estimated even larger costs of child poverty-- \$500 billion per year, or nearly 4% of GDP. It does this through lowering productivity (and hence income), increasing crime rates and raising health expenditures. Each of these factors contributes around one-third of the overall loss.

The Negative Income Tax Experiments³ provide another way to estimate the overall cost of child poverty. These were a set of controlled experiments, the gold standard of science, conducted during the 1970s. Households were randomly divided into two matching groups. One received a guaranteed minimum income; the other did not. This study then measured the consequences of providing such an income floor.

¹ CDF, 1994, p. xix.

²Holzer *et al.* 2007.

³ see Munnell 1986; O'Connor 2001, Ch. 9.

One conclusion of this study is that *each year* spent in poverty as a child reduced expected lifetime earnings nearly \$6,800. In today's dollars, the loss comes to \$33,000. With 15 million poor children in the US, *one year of child poverty* in the US costs \$400 billion, or nearly 3% of current GDP. This estimate includes the costs of future unemployment (which is reflected in the earnings figures), but not the additional health care costs due to child poverty. Using the Center for American Progress figure on additional health expenditures, child poverty cost a little more than 4% of US GDP. When you add in the increased costs of higher crime rates, the total cost exceeds 5% of GDP.

Other nations recognize the large costs of children growing up in poverty and have responded to this problem pragmatically by developing several policies that aid families with children and thereby increasing the probability that children grow up in middle-class families. These policies ensure that children do not start their journey through life way behind because they grow up in a low-income household. This does not mean that all children begin life on an equal footing; all it means is that children do not suffer because they start so far behind everyone else that they can never catch up. In what follows we look at three policies that aid children and make it more likely that they will grow up in middle-class households—family allowances, paid family leave and birth grants. The more important ones are the first two policies, which will be our main focus of attention.

2. Family Allowances

Family or child allowances are regular payments made to families on behalf of their children. They can be made either by the government or by private firms. Payments usually are made without regard to family income and are available to all households with children below a certain age. Some countries, however, make lower payments to households with higher incomes. For example, in Canada, in 2008, the basic benefit was \$2,813 for a family with two children, but rose to \$6,630 for low-income

families.⁴ In Italy, a family with two children is eligible for a monthly benefit of €250.48 (\$359 US) if household income is less than €11,989.56 (\$17,189 US). Those with incomes between €29,066.61 (\$41,673) and €31,911.40 (\$45,764) receive only €38.73 (\$56); those making more than €46,142.56 (\$66,150) get nothing. Payments can also vary by the number of children or the age of the child. Finland provides a basic annual allowance of €1,200 (\$1,721) for one child and €2,526 (\$3,623) for two children, with a €439 (\$630) per child supplement for single-parent families. France pays a monthly €31.82 (\$46) supplement for children over 11 and €56.57 (\$81) for a child over 16 whenever there is more than one child in the family.⁵

The main purpose of family allowances is to aid families with children and help families with a large number of children support their many dependents. Another way to look at this policy is that it keeps families from being penalized economically because they have many children. This policy makes it more likely that families with children will be middle class.

Compared to most other policies aiding middle-class households, family allowances have a very long history. Their ancient predecessors were three laws passed by Roman Emperor Augustus between 18 BC and 9 AD that encouraged marriage and raising children, and provided economic support for these activities. Another forerunner was the French Edict of 1666, which sought to encourage population growth in France by various means. To take just one example of these incentives, fathers with at least ten legitimate children were exempt from paying all taxes, as long as none of the children were priests or nuns.⁶

Modern family allowance programs also began in France. Around 1870, a private firm (Val-des-Bois Works) gave their workers who had children to support a special payment. From a social

⁴ Waldfogel 2009. At current exchange rates, the US dollar figure is close to the Canadian figure given in the text.

⁵ These figures come from LIS institutional data, available from the LIS website.

⁶ Glass 1940, pp. 86- 92.

perspective, this was regarded as a fringe benefit to workers with larger families. But from the point of view of the firm, the plan was seen as a means to keep wage costs down at a time of high inflation and great pressure for higher wages in France.⁷ Their goal was *not* to help families with children as much as it was to control firm payroll. Rather than increasing the wages of all workers, family allowances let them increase wages for just some workers (i.e., those with many children).

It quickly became apparent that a system of child allowances provided by individual firms was problematic. Firms making such payments faced higher production costs; firms that did *not* gained a competitive advantage over their rivals. In addition, employers would hesitate to hire people with large families or who were likely to have large families, thus discriminating against young workers and those with large families.

The initial solution to these problems arose at the industry level. Employer associations, which were prevalent at the time, began to require that *all firms* within an industry contribute to a child allowance fund based on the number of their employees. This fund was then used to make payments to households based on the number of children they had. Firms could no longer gain a competitive advantage in the industry by refusing to pay child allowances, since every firm had to make contributions to the industry fund. The tendency for firms to discriminate against workers with large families was reduced for a similar reason—all employers were required to contribute to the fund, regardless of the number of children supported by their employees.

Austrian pharmacists set up the first industry-wide system of family allowances in 1908.⁸ But France was again at the forefront of this movement. Although their first industry-level program did not begin until May 1918, by 1924 France had 120 employer associations paying family allowances.⁹

⁷ Haanes-Olsen 1972, p. 18.

⁸ Douglas, 1925, p. 119.

⁹ Douglas, 1925, p. 54; Vadakin, 1968, pp. 46-7.

Family allowance systems run by employer associations ran into problems similar to those encountered by individual firms. Industries paying family allowances faced a competitive disadvantage relative to industries lacking such a program. Typically, new industries lacked an employer association and did not provide family allowances; in contrast, established industries tended to pay family allowances, thus finding themselves at a competitive disadvantage relative to new industries. Likewise, younger workers and workers with large families were attracted to those industries with a family allowance program. New and growing industries thus had difficulty attracting young workers. All this put pressure on industry-wide family allowance programs. The solution soon became apparent-- a nation-wide system where *all firms in all industries* provide family allowances to their workers.

This requires a government-run program. The Netherlands took a few steps in this direction between 1912 and 1920, when it granted family allowances to postal employees, then to teachers, and then to all civil servants.¹⁰ But national family allowance programs, encompassing both the public and private sectors, did not develop until after World War I.

Following the war, Europe faced severe inflationary pressures. Wages did not keep up with rising prices and living standards fell. Firms once again saw family allowances as an alternative to increasing wages for all workers. Attempting to control labor costs, they focused on giving wage increases based on need (i.e., family size) rather than across the board. This led to national family allowance programs throughout Europe, with government payments made monthly to the mother of each child.¹¹

Another force pushing for national family allowance programs after World War I was concern about population growth; not our current preoccupation with overpopulation, but a concern with *underpopulation*. France was worried about its low birthrate and the consequences of this should they

¹⁰ Douglas, 1925, p. 129.

¹¹ Vadakin, 1968, p. 47.

get into another war with Germany. Family allowances were seen as a way to increase the birthrate in France so that it could keep up with, or exceed, the birthrate in Germany. Germany, of course, was worried about France for similar reasons. They responded by launching their own family allowance program in 1935—with the express purpose of increasing the birthrate in Germany.¹²

In August 1930, Belgium became the first country to provide a national system of family allowances. France followed suit in March 1932 and, as we just saw, Germany followed closely on the heels of France. One by one, countries throughout the world came to adopt family allowances, including most less-developed nations. When Japan introduced a family allowance system in 1972, the US became the only major industrial nation without such a policy.

By the 1970s family allowance programs were fully formed in most developed nations; over the next several decades, they were generally expanded and strengthened.¹³ In a few cases, particularly in the Nordic countries, benefits expanded even in the face of large budget deficits.¹⁴ During especially difficult economic times in the mid 1990s, monthly child allowances in Sweden were cut from SK 750 (around \$100) per child to SK 640 (around \$80). The result was a sharp increase in child poverty and a reduction in the percentage of middle-class children. But such sacrifice was temporary. Once the economy recovered, benefits were restored to SK 750. Then they were increased to SK 850 in 2000 and SK 950 per month in 2001 (around \$120).¹⁵

Family allowances can provide substantial support to families with children. In France, the mean benefit is €2,163, around \$3,053 at current exchange rates, and comprises 7.7% of disposable income for households with children. Mean payments of 23,280 krone (\$4,147) in Norway provide around 7.5% of disposable income for households with children. Luxembourg is even more generous.

¹² Haanes-Olsen 1972, p. 18.

¹³ Gauthier 1996, 1999; Kamerman & Kahn 1999.

¹⁴ Ploug 1999.

¹⁵ Kamerman 2000; Ploug 1999; Kamerman & Kahn 2001, p. 509. These figures are all in current dollars and SK.

On average, households with children receive €6,141 (\$8,607), or 10.5% of mean household disposable income. To put these figures into comparative terms for the US, a family allowance program providing 8%-10% of disposable income to households with children would require payments to households with children that average \$4,000 to \$5,000, or around \$3,000 per child.

3. Birth Grants and Paid Parental Leave

Here is an interesting pop quiz question. It originally appeared in the *Wall Street Journal* on June 23, 2010. What do the countries of Lesotho, Papua New Guinea, Swaziland and the US have in common? The correct answer is that these are the only countries in the world with no policy of paid parental leave. Just as the US lacks a family allowance program, it also is the only developed country that does not require paid parental leave for pregnant women or new parents. Anyone who got the correct answer to this question gets a gold star.

Giving birth involves significant costs. There are the obvious medical expenses, such as seeing a doctor for months and having to go to a hospital to give birth. But there are also large opportunity costs. Working women stand to lose many weeks of work and a good deal of income if they take off from work because of pregnancy, birth (or adoption), and caring for newborns and very young children. And they risk losing their job, as well as possibilities for promotion and higher pay. Even if they decide to return to work after giving birth, child care arrangements must be made. To compensate families for the costs of raising the next generation of its citizens, most developed countries have put into place two policies—birth grants and paid parental leave.

Birth Grants

Birth grants (or birth bonuses) are fixed payments made to families when a child is born or adopted. Most countries provide cash to the family; however, some provide an in-kind benefit package that includes such things as diapers, lotions and pacifiers. This policy can be thought of as a child

allowance that is made just once-- when a child is born (although some countries, such as Italy, spread out payments over several months).

Today, around half the OECD nations provide birth grants to new parents, including Australia, Belgium, Finland, France, Italy, Luxembourg, Norway and the UK. In most countries payments are targeted to those with low incomes. For example, in the UK, a payment of £500 (\$810) is contingent on some family member being eligible for some benefit going to low-income households and individuals.¹⁶ Other nations (e.g., Finland) make payments to all families regardless of their economic circumstances.

Generally, birth grants do not amount to a great deal of money. Finland provides €140 (\$200) per child or a slightly more generous package of goods. However, in some nations the payments are rather substantial. Italy makes payments of €1,357.80 (\$1,947) over a period of five months. For the median Italian household with children, birth bonuses provide more than 5% of disposable income. To qualify for this money, household income must be below some income threshold that varies with household size. For a family of three, the threshold is €28,308.40 (\$40,094); for a family of four it is €34,135.39 (\$42,708).¹⁷

Australia also provides large birth bonuses. While socially progressive in the late 19th and early 20th centuries,¹⁸ more recently it has been stingy when it comes to social programs. However, they have been generous with birth bonuses. In the mid 2000s, \$3,000 (\$3,150 US) was available to all families with a new child and single parents received means-tested benefits in addition to this.¹⁹ The current baby bonus, an even more generous \$5,000 (\$5,400 US), is available only to women who do not take paid parental leave. It provides 9% of total disposable income for the median household with

¹⁶ OECD 2009, Chapter 3 Online Annex 2: Special Tax-Benefit Chapters.

¹⁷ OECD 2009, Chapter 3 Online Annex 2: Special Tax-Benefit Chapters.

¹⁸ Australian women received the right to vote in 1902, compared to 1920 in the US.

¹⁹ Brusentsev & Vroman 2007, p. 3.

children in Australia.

Paid Parental Leave

Paid parental leave is the more important policy that aids families with newborn children. It replaces lost wages around the time of birth or adoption, enabling families to care for a new child. This money enables mothers *and fathers* to take time off from paid employment to care for a new child without suffering a large loss of income. In addition, it helps new parents seeking to balance the demands of work and the demands of being a new parent.

Until recently, few women worked for pay outside the home or family business, especially women with children. It was not until the latter part of the 20th century that female labor force participation was the norm rather than the exception. Some reasons for this are psychological and sociological. Others are economic in nature-- the extra income helped families attain a middle-class existence. In the US, the percentage of mothers with children working in the paid labor force increased sharply from 17% in 1948 to 40% in the early 1970s and then to 70% in the 1990s. By the start of the 21st century, the labor force participation rate for married women with infants whose husband's earnings are in the middle three income quintiles was 64%.²⁰ What is true of the US is likewise true of other industrial nations. Women now comprise close to half the labor force in most developed countries; in essence, they are just as likely to work as men.

This creates problems around the birth of a child. For health reasons women need to take some time off from work before they give birth. Studies have consistently found that when women return to work shortly after giving birth, their health is adversely affected; they suffer from increased fatigue, depression and anxiety.²¹ While paid leave was originally thought of as a way to aid mothers who might damage their health by working immediately before and after giving birth, over time, concern

²⁰ Cohany & Suk 2007.

²¹ Hyde et al. 1995; Hock & DeMeis 1990.

has shifted from the mother to the children. A large literature has demonstrated that maternal employment the first year following birth has many negative consequences for a newborn child.²²

First, children benefit from reduced stress during and after pregnancy, which has been linked to slower learning, reduced attention and worse motor skills.²³ Second, maternal employment has been linked to behavior problems in children at age 4 and to lower scores on language and cognitive skills tests, possibly because it harms the social bonding or attachments between mother and child.²⁴ Third, very young children need to be watched, cared for and fed. Finally, public health officials strongly recommend that infants be breast fed because of the health benefits to children; but this may be difficult to do at work, leading some new mothers to take time off from work.

Historically, Germany was at the forefront of the movement for paid parental leave. It began a policy of three weeks *unpaid* leave after the birth of a child in 1878 in order to protect the mother and the child.²⁵ The German Imperial Industrial Code of 1891 then set maximum work hours for new mothers and prohibited the employment of women within four weeks of childbirth. Amendments in 1903 and 1911 increased the leave period to six weeks and also required *paid* time off two weeks before expected delivery.²⁶ France soon followed Germany. In 1913 it gave low-income mothers a benefit 4 weeks prior to and 4 weeks after giving birth on the condition that the child be breastfed.²⁷ The Nordic countries were also early pioneers in making paid parental leave a right for all workers. Norway provided 6 weeks of paid leave before and after giving birth starting in 1909 to protect working mothers and their children.

Then the International Labour Organization (ILO) got into the act. In 1919 they set the first

²² Brooks-Gunn et al. 2002; Han et al. 2001; Waldfogel et al. 2002.

²³ Boyce 1985.

²⁴ Belsky 1988.

²⁵ Erler 2009, p. 121.

²⁶ Frank & Lipner 1988.

²⁷ Fagnani & Math 2009.

international standards to protect working women around childbirth,²⁸ holding that women should be entitled to 12 weeks of maternity leave, to be taken in equal proportions before and after the birth of a child, and be allowed to return to their previous job thereafter.

While it initially provided an opportunity for parents to care for a newborn child, during the 20th century paid leave has evolved into a policy protecting the jobs and incomes of women. Over time, countries have built great flexibility into this benefit, with most countries allowing parental leave on a part-time basis or to be broken up into short segments until the child is old enough to go off to school. In some countries (Denmark, Finland and Germany) national benefits are supplemented by payments from local governments.²⁹ One recent change has been that either spouse could take the leave or to split the leave between them. In practice, however, most paid leave is taken by the child's mother. All told, these programs enable parents to raise their children without suffering a substantial loss of income or without having to give up their middle-class lifestyle.

Parental leave in Europe grew between the 1970s and the early 2000s, although (beginning in the mid 1990s) the trend is one of large increases in the Nordic countries, Belgium and Germany, and small declines in maternity leave in the UK, the Netherlands and Italy.³⁰ Yet the support for paid parental leave has remained strong throughout the world. The European Union adopted a directive in 1992 that requires 14 weeks of paid maternity/parental leave.³¹ In June 2000, the ILO recommended maternity leave of 14 weeks, including 6 weeks after the birth of a child, and that the replacement rate be at least two-thirds of previous earnings plus health benefits.

Most developed nations have followed these recommendations. However, provisions vary from nation to nation in terms of the amount of paid leave and the extent to which the payments replace lost

²⁸ ILO 1997.

²⁹ Moss & Deven 1999, p. 7.

³⁰ Gornick & Meyers 2001; Ruhm 1998.

³¹ European Commission 1994.

wages. In more than half of the OECD nations, the benefit replaces between 70 and 100% of the prior wage, up to some maximum.³² At the low end of our 14 nations offering some paid leave, the UK provides 6 weeks of benefits at 90% of previous wages and another 12 weeks of parental leave at a low flat rate. Canada provides new parents 25 weeks of paid leave, at around 55% of previous wages (with some maximum possible payment). Slightly more generous is Denmark, which provides 28 weeks of paid leave at 60% of previous wages, and Finland, which provides 44 weeks of leave at around 70% of previous wages. More generous are Norway and Sweden, which provide an entire year of leave at 80% of previous wages.³³

To qualify for these benefits, most countries require some prior work history and make benefits contingent on the length of time employed. The money to pay for these benefits usually comes from both the government and the employer, although several countries also require workers to make contributions. Government revenues sometimes come through national disability programs or unemployment insurance programs. Overall, the cost of parental leave programs is relatively small. One study found that they cost around 1% of GDP or less in all OECD nations except for Sweden, where they reach 2% of GDP.³⁴ Part of the reason for this program costs so little is that only women with very young children are eligible for the benefits. A second reason is that not all women are eligible. Women without recent employment histories and women earning high salaries are generally not entitled to paid leave. And some eligible women decide to go back to work as soon as possible in the belief that taking time off will hurt their careers and future incomes.

In 1952, paid leave in Germany was extended to twelve weeks—6 weeks before and 6 weeks

³² Kamerman 2000.

³³ Kamerman 2000.

³⁴ Coré & Koutsogeorgopoulou 1995.

after giving birth.³⁵ In the early 1980s benefits were given to both parents, regardless of their employment status. Leave was extended from 10 months in 1986 to 36 months in 1992 because of rising demand for child care by young working mothers and an inadequate supply of child care facilities.³⁶ In 2007, the flat-rate benefit was replaced with a variable-rate benefit equal to two-thirds of previous earnings.³⁷

Norway increased paid leave to 12 weeks in 1947, and to one year in the 1970s, with 18 weeks of paid leave. In the late 1980s, 1990s and 2000s, leave was extended again, with part of parental leave reserved for fathers.³⁸ Today leave runs for 54 weeks at 80% of earnings or 44 weeks at 100% of prior earnings, up to a maximum of 421,536 krone (\$75,876). Most families opt for the longer time period at the lower replacement rate. Parents qualify for this benefit by being in the workforce 6 of the 10 months prior to the birth of their child.

Finland is closer to the continental European model than the Nordic model when it comes to paid leave. Maternity leave was first introduced in 1964, and paid parental leave (of just 6-12 days) was introduced in 1978. Benefits are 90% of earnings for 105 days (17.5 weeks) and a lower percentage for those with high earnings. After that, benefits are 70% of earnings, again with lower percentages for those with high earnings. Their parental leave system arose, like the French plan for family allowances, in order to limit wage increases and keep inflation under control rather than to help families with children. In 1975, the Child Day Care Act was passed to enable women with young children to work by providing childcare services. Finnish parents with young children (under 3) can choose between public childcare and partly paid parental leave.³⁹ However, in rural areas, children still

³⁵ Erler 2009, p. 121.

³⁶ Pettinger 1999, p. 129.

³⁷ Erler 2009, pp. 122-8.

³⁸ Brandth & Kvande 2009, pp. 192-5.

³⁹ Salmi & Lammi-Taskula 1999, p. 85.

remain cared for at home. To help these families, paid leave was increased from 3 months to 7 months, and parents were given the right to choose between cash benefits and care benefits.⁴⁰

Sweden is generally regarded as the gold standard for parental leave policies. Benefits are generous and flexible; in many cases they are supplemented by employers. For families with children, they average nearly 6% of family disposable income. Sweden was the first country giving fathers paid leave to involve them more in the care of their children. A strong national consensus supports this policy. It is thought of as necessary for ensuring that children are well cared for and that they do well.⁴¹

Finally, there is the case of Australia, which until recently lacked a paid leave policy. Following more than 11 years of rule by the conservative Liberal and National Parties, the Australian Labour Party returned to power in 2007. Their electoral success stemmed in large part from emphasizing the needs of working families as well as the importance of early childhood education and child care services. They campaigned on a promise to make paid leave available to all mothers, without imposing costs on businesses. After assuming office, the new Labour government asked the national Productivity Commission⁴² to examine several possible programs and identify their costs and benefits. The Commission recommended 18 weeks of paid leave at the Australian minimum wage to be funded by general government revenues; alternatively, parents could receive the existing \$5,000 birth bonus. On Mother's Day (May 11) in 2009, Australia announced a policy of paid maternity leave, to begin January 1, 2011. Primary care givers are eligible for 18 weeks of benefits if they worked at least 10 of the previous 13 months and had an annual income below \$150,000 (AU).⁴³ This left the US as the only developed nation without paid family leave—leading to the *Wall Street Journal* pop quiz question that began this section.

⁴⁰ Lammi-Taskala & Takala 2009, p. 91.

⁴¹ Haas 1992.

⁴² This is a non-partisan research and advisory board in Australia similar to the US Congressional Budget Office.

⁴³ Productivity Commission 2008. At current exchange rates, this is around \$159,396 (US).

4. The Case of the US

Unlike the rest of the world, US families with children are on their own. There is no family allowance program and no paid leave for new parents; nor do other government programs exist to help households with children. Aid is available to low-income households, but there are no programs focused on helping middle-income households.

Instead, aid to families with children comes mainly through the tax system. The three main tax provisions help families with children-- the earned income tax credit (EITC), the child care tax credit and tax exemptions for children. The EITC, which began in 1975, was designed to rebate a portion of Social Security taxes to low-income households with children.⁴⁴ On the positive side, the credit is refundable, so households owing no income taxes can get a tax rebate. On the negative side, the beneficiaries are mainly single parents, and to qualify for the tax credit someone in the family must work. For single parents wanting to stay at home and care for their new child, this means that the EITC is of little help.

More recently, the 2001 Bush tax cut⁴⁵ established a universal child tax credit of \$600 per child. The credit rose to \$700 in 2005, \$800 in 2009 and to \$1000 in 2010 and thereafter. In contrast to the EITC, however, it is *not* refundable. Households without tax liabilities fail to benefit from the credit, and households with small tax liabilities benefit only to the extent that they owe some money in Federal income taxes. As a result, like the EITC, many middle-class parents (especially single parents) taking some time off around the birth of their child gain unlikely gain very much from this tax provision.

Finally, tax exemptions for children are the main tax benefit aiding families with children in the US. All households receive a tax exemption for each dependent child. This lowers their taxable income

⁴⁴ Hoffman & Seidman 1990.

⁴⁵ Formally, the Economic Growth and Tax Relief Reconciliation Act of 2001.

and the taxes they owe. In 2010, each exemption reduced household taxable income by \$3,650. Like the child tax credit, this tax benefit is not refundable; those who do not owe taxes get nothing. Tax exemptions for children have another serious limitation as a way to help middle-class families—it favors wealthy households in high tax brackets. Effectively it is an upside-down subsidy. In contrast to family allowances, which are usually capped at some income level or fall as income rises, tax exemptions help households in the top tax bracket the most. Low income and middle-income households get less assistance. Given a \$3,650 exemption, your income tax bracket determines how much each child reduces your tax burden. Households in the top (35%) bracket pay \$1,277.50 less in taxes; households in the 10% tax bracket save only \$365 in taxes for the same child exemption (assuming that they owe that much in taxes).

The US does not provide any baby bonuses to new parents. It does have a parental leave policy, but it is not *paid* leave. Some women can take off from work for 12 weeks around the birth of their child. Some firms *voluntarily* provide paid leave to their employees around the birth of a child, but this benefit mainly goes to managers and executives. These are generally the people who least need income during leave and who can most afford to pay for outside help to care their newborn child. Other workers can take paid time off around the birth of a child by using paid sick leave or vacation time they may have accumulated. But since many young women giving birth have not worked a long period of time for their present employer, they are not likely to have accumulated much vacation time or sick leave. Another possibility for women about to give birth is to go on temporary disability. The Pregnancy Discrimination Act of 1979 requires companies offering leave for temporary disabilities to cover pregnancy and childbirth. However, firms are not required to provide temporary leave, and many

firms do not provide such coverage. Paid maternity leave was thus left for the states. Five states⁴⁶ have made maternity leave available under their state disability insurance provisions. Elsewhere pregnant women are likely to be on their own financially.

Women do take some time off from work, out of necessity, but many of them are not paid during this time. The result is lost income for many weeks, if not many months. Families needing a second income to make ends meet may have to rely on credit cards and other debt to fill in for lost income, leading to future economic problems.

It is fortunate that there is even unpaid leave in the US. Beginning in the 1970s several attempts were made to provide unpaid leave to women giving birth and guarantee that their job would still be there when they were ready to return to work. Legislation was introduced in Congress giving women time off from work (without pay) around the birth of a child. However, no bill ever made it through Congress. In 1990 and again in 1991 Congress finally passed a leave bill; but these bills were vetoed by the first President Bush and Congress lacked the votes to override them.

Things changed in 1992 when a Democrat, Bill Clinton, was elected President. With Congress also controlled by the Democrats, this guaranteed that a leave bill would pass Congress and get signed into law. Yet, opposition from the business community was fierce. They complained that the policy restricted free labor exchange between employer and employee, and that it would lead to economic inefficiencies. They argued that the bill would hurt women because employers would be reluctant to hire all women of childbearing age, whether they planned to have children or not. Despite such strong opposition, in February 1993, just one month into his Presidency, Bill Clinton signed the Family and Medical Leave Act (FMLA). It ensures that women who take time off to give birth have some job

⁴⁶ California, Hawaii, New Jersey, New York and Rhode Island. The large size of these states means that close to 20% of US workers are covered through this program.

protection. It requires employers to provide 12 weeks of unpaid, job-protected leave for the birth of a child, adoption, or to deal with a close relative encountering a serious health problem.

Still, FMLA was loaded with all sorts of exceptions for employers. It excludes all part-time workers, it leaves out workers who have not been with their present company for at least a year (something typical for younger workers), and it excludes anyone working for firms employing less than 50 workers. Key workers, generally the highest paid 10% of employees, can also be denied this benefit if their employer claims it would create “substantial and grievous injury” to the firm.

Despite these shortcomings, there is a general consensus that FMLA has been extremely successful. Researchers at the University of Michigan found few employers experiencing problems as a result of the legislation while employees benefited from having this option. Workers gained because they could take leave time to care for their new children. Employers, despite their opposition to the law, came out ahead because the work of those on leave got covered by other employees.⁴⁷

Nonetheless, FMLA does have several noteworthy problems. Less than half of private-sector employees are covered, and 42% of those covered did *not* know about the law or about their eligibility for unpaid leave. Another problem with FMLA is that many eligible workers who are aware of the benefit do not take leave because they cannot afford to. A 2000 survey found that 58% of leave takers did not receive their full pay and found it hard to make ends meet. More than half of leave takers said they would have taken more leave if some additional income was available.⁴⁸ This, of course, requires not just guaranteed leave but paid leave. For reasons such as these, a large majority (76%) of likely voters favor extending FMLA to provide paid leave, including 75% of people who describes themselves as political independents.⁴⁹

⁴⁷ Thus reducing costs to the firm.

⁴⁸ Cantor et al. 2001, Table 4.2 and 4.9.

⁴⁹ Boushey 2009, p. 11.

Some progress is being made towards establishing paid parental leave at the state level. But, as we saw, having a benefit available in some states or provided by just a few employers puts those states and firms at a big disadvantage. Firms operating in states where such benefits are not required, and firms that do not provide such benefits, gain a competitive edge. This puts pressure on firms to either cut or eliminate their benefit, or move their operations to states where it is not necessary to provide such benefits. In addition, women expecting to have families will tend to leave states and companies without benefits and move to where such benefits are provided. This further increases their costs. States and companies cannot make up for these costs with long-run gains, since when women move beyond their child-bearing years they can move to other states and other companies. Benefits must be provided at the national level. At least this is the way other countries have looked at the issue and the reason they have implemented paid parental leave at the national level.

4. Family Allowances, Birth Bonuses Paid Parental Leave and Middle-Class Children

What difference do these policies make for the middle class?

Before we seek to answer this question, we must put to rest one conservative argument against these policies—the question of perverse incentives. Family allowances might discourage work, with many households depending on these benefits for their income. Family allowances might also encourage households to have more children. As we saw, increasing birth rates and family size was a key goal of the French and German family allowance programs. In addition, when the government makes payments to households with children, household income increases; this should increase the demand for children. Since larger families are less likely to be middle class than smaller families, a family allowance program might reduce the size of the middle class.

The good news is that these concerns are not justified. Many studies have shown that existing family allowance programs have not had a large impact on birth rates. In the three years following the

introduction of family allowances in France, although the policy was supposed to increase population, the birth rate in France actually fell.⁵⁰ After Canada introduced a comprehensive system of family allowances (1945-1950), there was no change in the relationship between reproductive rates in Canada and the US; in fact, the reproduction rate in Canada fell below the rate in the US (which did not adopt family allowances).⁵¹ A more detailed and comprehensive cross-national and time-series analysis, covering 22 industrial nations from 1970 to 1990, found that family allowances were positively related to fertility; however, the effect was remarkably small. A rather large 25% increase in the value of family allowances would increase fertility by only .07 children per woman. This study also found no significant effects of maternity leave on birth rates.⁵²

Even if fertility does increase, this will have benefits as well as costs. In many developed nations, female fertility is currently below population replacement rates,⁵³ and demographers predict further declines in the future. Low birthrates put great stress on national retirement programs (more on this later) that operate on a pay-as-you-go basis, taxing current workers in order to provide benefits for current retirees. As the population declines, taxes must rise on workers to pay benefits to retirees. Low birthrates also hurt the economic dynamism of a nation. As John Maynard Keynes noted, population growth is an important pre-condition for economic growth. It leads to greater demand, as new families buy goods for their babies and then different goods as their children age. It also leads to greater optimism, which usually fuels growth.⁵⁴ Finally, because family allowances increase income equality, helping those at the bottom and the middle of the income distribution most, this should increase spending and spur growth. For these reasons, we can ignore secondary changes due to the introduction

⁵⁰ Rathbone, 1924, p. 219.

⁵¹ Vadakin 1968, pp. 96-7; Whitney 1968, p. 132.

⁵² Gauthier & Hatzius 1997. Further support comes from Furstenberg (1976) and Rank (1989), who found that US welfare mothers did not increase their reproductive behavior much as a result of larger welfare payments for each child.

⁵³ 2.1 births for each woman in the population.

⁵⁴ Keynes 1937.

of family allowances. This should not bias our measure of the impact of family allowances on the size of the middle class.

Similar questions have been raised regarding paid leave. Like family allowances, this policy may increase in birth rates. It may also harm women's labor market opportunities because employers are not likely to hire women if they will miss months of work due to taking leave. While this policy is seen as enhancing parental choices regarding work versus child rearing, and improving the well-being of children by having a parent around during their first year of life, there are also some possible negative side effects from this policy. Parental leave can be seen as an incentive for mothers to drop out of the labor force and have their regular wages replaced by government benefits. More extended leave plans have been especially criticized on this account.

Balancing this out may be some positive spillover effects of parental leave on economic growth. Because benefits are contingent on work history in most countries, paid parental leave generally leads to greater female labor force participation (around 3%-4%).⁵⁵ Greater female labor force participation leads to greater government revenues. So this policy may pay for itself or at least the revenues will pay for a good part of any costs. Many employers look at parental leave as a way to attract and retain experienced young women. Parental leave then becomes a means of human resource management. Also, it is a way to limit layoffs in hard economic times.⁵⁶ Another benefit of paid parental leave is that it results in public savings on child-care services.

We now examine how these policies impact the size of the middle class throughout the world. Because any small negative secondary effects of these policies on the middle class will likely be countered by equally powerful positive effects that increase the size of the middle class, we ignore all secondary effects.

⁵⁵ Ruhm 1998.

⁵⁶ Fagnani 1999, p. 80f.

Table #4-1 begins by looking at families with children. For our 14 nations, on average, 55% of households with children are middle-class, figures similar to those for all households. Cross-country patterns are also similar to what we saw for all households. In general, Nordic countries tend to have the largest percentage of children growing up in middle-class families—close to 70%. They are followed by the countries of Continental Europe, where 50% to 60% of households with children are middle class. Finally, in all the Anglo-Saxon countries (except for Australia at 50.5%) less than half of households with children are middle-class households. As with the aggregate figures in Chapter 3, the US falls near the bottom of the list; only 41.6% of US households with children are middle class. This might not be so bad if it was countered by a large percentage of upper-class or upper-income children. But the US has so few middle-class households with children because of the large percentage of households with children in the US having low incomes. We can also see this most clearly in the high US child poverty rates compared to other developed nations. As I have documented elsewhere,⁵⁷ more than 25% of US children are poor, around twice the rate of other major developed countries.

The main reason for high child poverty rates and such a small percentage of children growing up in middle-class families is the lack of adequate policies in the US to counter the costs of bearing and raising young children. In particular, the US has neither family allowances, nor birth bonuses, nor a policy of paid parental leave. To see the impact of these policies, we subtract these benefits from household income and then recalculate the percentage of middle-class families.

Column 2 of Table #4-1 shows the percentage of families with children that would be middle-class had they *not* received family allowances. Column 3 subtracts the figure in Column 2 from the figure in Column 1, giving us the percentage of households that become middle class due family allowances.

⁵⁷ Pressman 2011.

The average increase in the size of the middle class due to family allowances is more than 5 percentage points (close to 6 percentage points if you exclude the US, which does not have a policy of family allowances), but with considerable variation from nation to nation. In Germany, Luxembourg and Norway, child allowances increase the fraction of middle-class families with children by nearly 10 percentage points. Countries with less generous programs (such as Canada and Italy) bring fewer families with children become middle class due to this policy. Lacking family allowances, many fewer children grow up in middle-class households in the US and many more grow up poor.

The next several columns repeat this analysis, but look at the percentage of *children* who are middle class rather than the percentage of families with children. In the first computation *each family* gets counted once no matter how many children in the family; in the latter, *each child* gets counted once. The overall figures here are a little smaller because larger families (with more children) are less likely to be middle class. Again, we subtract family allowances and recalculate the fraction of children growing up in middle-class families. The last column of Table #4-1 shows the impact to be quite large. Child allowances increase the fraction of middle-class children by 6 percentage points-- from 52.1% to 46.1% on average. Excluding the US, the increase in the fraction of children who are middle class is around 6.5 percentage points. Once again, in some nations (Germany and Luxembourg) the increase is even greater-- close to 10 percentage points. The US cannot move children into the middle class with this policy because such a policy does not exist in the US.

Table #4-2 looks at the impact of paid family leave and birth grants on the middle class. Unfortunately, information about household income coming from these policies is not available in the LIS database for many countries, although families with children receive these payments (in some cases, such as Italy, large payments). Nonetheless, the positive impact of these policies is clear. On average, they bring nearly 2 percent of households with children into the middle class. In Scandinavia,

around 5 percent of households with children are brought into the middle class as a result of these policies. Overall, birth grants and paid leave are not quite effective as family allowances in increasing the size of the middle class, but this is mainly because they help families with very young children, just a small percentage of the national population with children, while family allowances help all families with children.

We can get a better sense of the impact of these policies by focusing on just those eligible for birth bonuses and paid leave-- families with children between zero and age 2. The last three columns of Table #4-2 make clear how effective these policies are in helping households with very young children. This is especially true of the Nordic countries. In Norway and Sweden, more than 20% of households with young children grow up in middle-class households as a result of these policies. In Finland, more than 15% of households with young children become middle class as a result of parental leave and birth bonus; in Denmark it is more than 8%.

Table #4-3 brings things together. It estimates the fraction of *families with children* brought into the middle class as a result of policies that aid families with children as well as the fraction of *all families* brought into the middle class as a result of these policies. It shows in stark and compelling terms the difference these policies make to the size of the national middle class.

A few things here warrant emphasis. First, the good news! Ignoring these three policies, the US does not look that bad compared to many other developed countries. The percentage of US households with children that are middle class (41.6%) is not much below comparable figures for Canada, France, the UK and several other nations. We even start off in better shape than Italy and Luxembourg. Only after accounting for family allowances, birth grants and parental leave does the US fall way behind. So it is clear where the problem lies.

A second bit of good news is that it is also clear how to make progress in aiding families with children. Taken together, these three policies make a big difference. For most countries they increase the size of middle-class households with children by 5-10 percentage points; in some countries the gain is 10-15 percentage points. Overall, including the US, they raise the percentage of middle-class families with children by 6.6%. Excluding the US, which does not have such policies, the increase is nearly 8% or around one in twelve families with children. Put simply and rather dramatically, these policies make the difference between 50%-60% of families with children being middle class and around 40% of such families being middle class.

Gains are smaller for all households, since many households do not have children and so do not benefit from these child-friendly policies. But these policies are not supposed to help families without children. There are other policies for that. For families with children, the target group, family allowances and paid leave are effective policies and two ways increase the size of the US middle class.

5. Family Allowance and Paid Parental Leave Policies for the US

Since these policies are clearly effective in making sure that children grow up middle-class families, and since there is no need to have to reinvent the proverbial wheel, an obvious question arises. What could such policies do for the US?

It is relatively easy to estimate of the impact of various possible family allowance programs on the size of the US middle class. All we need to do is add the value of family allowances (per child) to household income and recalculate the percentage of middle-class households. As we saw, lacking a policy of child allowances, only 41.6% of US households with children are middle-class households. Instituting a child allowance of \$1,000 per children would increase this to 43%; a \$2,000 allowance would increase this to 44.4%. This would constitute a substantial improvement, but still leave the US behind most other developed nations. Larger payments, of course, would do more. A \$3,000 per child

allowance would increase this to 45.6% and a \$4,000 per child family allowance would increase the fraction of middle-class households with children to 47.1%. But this is just one policy to aid households with children.

A policy of paid parental leave, one that just copies what is done in other nations, would increase the size of the US middle class by another 2 percentage points. Together, these two policies would increase the fraction of US children growing up in middle-class families to nearly 50%, bringing the US close to the average rates for Continental Europe and the Anglo-Saxon nations.

One question you might have at this point is how can we afford such policies in an era of large government budget deficits and opposition to tax increases?

Fortunately, there are a number of ways to implement such programs at little or no cost. First, we should remember that the US already aids households with children through the tax system, but much of that aid gets directed towards those with higher incomes. So tax reform provides one option for financing a policy of family allowances. The simplest change would be to replace tax exemptions for children and the child tax credit with child allowances. To further help finance a program a family allowances, we could make allowances taxable. This would result in greater after-tax payments going to low and middle-income households compared to wealthy ones.

Another possibility is to recognize that these programs are investments in our children and also in our future; like business investments, they will yield large returns in the future. This gain will enable us to pay back any money borrowed plus the interest on this. There were nearly 40 million children in the US in 2004. A \$2,000 allowance would have cost less than \$80 billion, a \$3,000 allowance less than \$120 billion, and a \$4,000 allowance under \$160 billion. A \$3,000 per child allowance would have also cut child poverty in the US by around 40% and a \$4,000 per child allowance would have cut

it nearly in half. If we accept the estimates of Harry Holzer and his colleagues⁵⁸ on the total cost of child poverty, for 2004, a \$3,000 child allowance would have saved the US nearly \$200 billion by reducing child poverty and a \$4,000 allowance would have saved nearly \$250 billion, making this a highly cost effective antipoverty policy. Net, we come out \$80 billion to \$90 billion ahead, while we expand the US middle class.

James Heckman, winner of the 2000 Nobel Prize in Economics, argues that parental attention in the early years of life is an investment in human capital and leads to greater earnings in the future.⁵⁹ Thus, like family allowances, paid parental leave should be viewed as an investment that would be self-financing in the long run. There are many positive benefits of paid leave for children.⁶⁰ Christopher Ruhm of the University of North Carolina at Greensboro, the foremost US expert on the economics of paid parental leave, found parental leave positively impacts pediatric health, and appears to reduce infant and child mortality; this alone could make the program cost effective.⁶¹ But there is more. Parental leave improves child health,⁶² which improves their earnings when they become adults. Probably this arises because it is easier for parents to ensure their children see the doctor and get immunized⁶³ and because of a greater probability of breast feeding.⁶⁴ All together, these benefits of paid leave are substantial enough to make this a cost-effective policy, one that would pay for itself.

There are other simple and easy ways to fund paid parental leave. One approach would be to augment the US Social Security system. Economists Randy Albeda & Alan Clayton-Matthews of the University of Massachusetts at Boston estimate that we could fund paid parental leave, covering 100% of earnings over 12 weeks for new mothers, with a .3 percentage point increase in the Social Security

⁵⁸ Holzer et al. 2009.

⁵⁹ Heckman 2000.

⁶⁰ Brooks-Gunn et al. 2002; Han et al. 2001; Waldfogel et al. 2002.

⁶¹ Ruhm 2000.

⁶² Ruhm 1998.

⁶³ Berger et al. 2005.

⁶⁴ Ryan & Martinez 1989; Blau et al. 1996; Roe et al. 1999.

payroll tax.⁶⁵ We could cover paid parental leave at lower cost by only covering 75% -80% of earnings. Taking account of work-related costs (commuting, food eaten at work, and work clothes) and child care expenses, even with these lower replacement rates most middle-class families should come close to breaking. Alternatively, instead of increasing Social Security tax rates, we could fund 12 weeks of paid leave at 100% of earnings by increasing the wage level to which Social Security taxes apply. Raising the Social Security wage base to \$120,000 would accomplish this.⁶⁶

It is probably not even necessary to increase Social Security taxes; paid parental leave can likely be funded from current Social Security taxes since there is a reasonably good chance that Social Security will be running surpluses over the next 75 years (more on this later!). Moreover, by making employment a condition for paid leave, the increased earnings of young women will increase Social Security receipts (as well as general tax receipts) and help finance such a program.

But even if none of this is doable in our current political environment, where Americans have become like Chicken Little when it comes to deficits and Herman Melville's Bartleby the Scrivener when it comes to any tax hike, we can fund paid parental leave by just increasing the date at which people can collect their full Social Security benefits. In the interest of fairness, any such increase should be split equally between the child's parents, thereby reducing the loss to any individual.⁶⁷ But the delay will not be long. Twelve weeks of paid leave (equal to expected Social Security benefits in real terms) would require the father and the mother to each work an extra 6 weeks to in order collect their full Social Security benefits. For a family with two children, each parent would need to work an extra 12 weeks or 3 months. Parents, of course, can forgo the extra work and collect a bit less each month from Social Security when they retire. Accepting slightly smaller benefits at retirement, they

⁶⁵ Albeda & Clayton-Matthews 2006.

⁶⁶ Boushey 2009.

⁶⁷ When a single parent adopts a child, the government should pick up half the cost, but the benefits to the child and the country should far exceed this cost.

can collect money from Social Security for paid parental leave when they need it to help raise their children. Moreover, having more money now should have significant long-term financial benefits for the family, benefits that will help compensate for any future losses in retirement. If paid parental leave means the family does not need to go into debt because of the lost income during childbearing and child rearing, this alone may be enough to counter any loss of retirement income-- especially if the alternative is to borrow money at high rates of interest through credit cards charging 20% annual interest rates, or through payday loans and tax refund advances that typically charge interest rates of more than 400%.

Funding paid parental has not generated financial problems in Australia, which recently instituted such a policy, and it should not create financial problems in the US. The benefits of such a program would be great in terms of children's health and their future income. And perhaps most important of all, paid parental leave would significantly expand the US middle class.

So economics is not the reason the US has no paid parental leave policy. And it is not the reason the US lacks a family allowance program. Rather, the problem in both cases is a lack of political will and a lack of political power held by low-income and middle-income households in the US. Disenfranchised by government policies that favor the wealthy, they are less likely to vote. They tend to be swayed by false fears that the government is the problem because it spends too much and imposes high taxes, rather than voting their own economic interests. The middle class then suffers the consequences of their own beliefs about government, thereby reinforcing them and further alienating them from politics. They fall right into the hands of conservative Republican strategists (pun intended). The result is a vicious cycle, where politicians are less likely to enact policies that help the middle class because the middle class is not likely to vote their interests and throw politicians out of office who do not support their economic interests.

Finally, another reason the US has no paid parental leave policy and no family allowance policy is a lack of knowledge about what other countries do to help young families live middle-class lives. After all, how many of you earned a gold star for getting the correct answer to the *Wall Street Journal* quiz?

References

- Afxentiou, D. & Hawley, C. (1997) Explaining Female Teenagers' Sexual Behavior and Outcomes: A Bivariate Probit Analysis with Selectivity Correction, *Journal of Family and Economic Issues*, 18, pp. 91-106.
- Albeda, R. & Clayton-Matthews, A. (2006) *Sharing the Costs, Replacing the Benefits: Paid Family and Medical Leave in Massachusetts* (Boston: University of Massachusetts at Boston, Labor Resource Center).
- Baydar, N., Brooks-Gunn, J. & Furstenberg, F. (1993) Early Warning Signs of Functional Illiteracy: Predictors in Childhood and Adolescence, *Child Development*, 64, pp. 815-829.
- Belsky, J. (1988) The 'Effects' of Infant Day Care Reconsidered, *Early Childhood Research Quarterly*, 3, pp. 235-272.
- Belsky, J. (2003) Child Care and Its Impact on Young Children (0-2), in: R. Tremblay, R. Barr & R. Peters (Eds) *Encyclopedia on Early Childhood Development* (Montreal: Centre of Excellence for Early Childhood Development), pp. 1-6.
- Belsky, J. & Eggebeen, D. (1991) Early and Extensive Maternal Employment and Young Children's Socioemotional Development: Children of the National Longitudinal Survey of Youth, *Journal of Marriage and the Family*, 53, pp. 1083-1098.
- Berger, L., Hill, J. & Waldfogel, J. (2005) Maternity Leave, Early Maternal Employment and Child Health and Development in the US, *Economic Journal*, 115, pp. F29-F47.
- Berrueta-Clement, J., Schweinhart, L., Barnett, W., Epstein, A. & Weikart, D. (1984) *Changed Lives: The Effects of the Perry Preschool Program on Youths Through Age 19* (Ypsilanti, MI: High/Scope Press).
- Binsacca, D., Ellis, J., Martin, D. & Petitti, D. (1987) Factors Associated with Low Birthweight in an Inner-City Population: The Role of Financial Problems, *American Journal of Public Health*, 77(4), pp. 505-506.
- Birch, H. & Gusson, J. (1970) *Disadvantaged Children: Health, Nutrition, and School Failure* (New York: Harcourt, Brace & World).

Blau, D., Guilkey, D. & Popkin, B. (1996) Infant Health and the Labor Supply of Mothers, *Journal of Human Resources*, 31, pp. 90-139.

Bolder, K., Patterson, C., Thompson, W. & Kupersmidt, J. (1995) Psychosocial Adjustment among Children Experiencing Persistent and Intermittent Family Economic Hardship, *Child Development*, 66, pp. 1107-1129.

Boushey, H. (2009) *Helping Breadwinners When It Can't Wait: A Progressive Program for Family Leave Insurance* (Washington, DC: Center for American Progress).

Boyce, T. (1985) Stress and Child Health: An Overview, *Pediatric Annals*, 14(8), pp. 539-542.

Brandth, B. & Kvande, E. (2009) Norway: The Making of the Father's Quota, in: S. Kamerman & P. Moss (Eds) *The Politics of Parental Leave Policies: Children, Parenting, Gender and the Labour Market* (Bristol, UK: Policy Press), 191-206.

Brooks-Gunn, J. & Duncan, G. (1997) The Effects of Poverty on Children, *Children and Poverty*, 7, pp. 55-71.

Brooks-Gunn, J. & Furstenberg (1986) The Children of Adolescent Mothers: Physical, Academic, and Psychological Outcomes, *Development Review*, 6, pp. 224-251.

Brooks-Gunn, J., Hun, W.-J. & Waldfogel, J. (2002) Maternal Employment and Child Cognitive Outcomes in the First Three Years of Life: The NICHD Study of Early Child Care, *Child Development*, 73, pp. 1052-1072.

Brooks-Gunn, J., McCarton, C., Casey, P., McCormick, M., Bauer, C., Bernbaum, J. & Scott, D. (1994) Early Intervention in Low Birth Weight, Premature Infants: Results through Age Five Years from the Infant Health Development Program, *Journal of the American Medical Association*, 272, pp. 1257-1262.

Brusentsev, V. & Vroman, W. (2007) Compensating for Birth and Adoption, paper presented at the Canadian Economic Research Forum, Halifax, June 1.

Cantor, D., Waldfogel, J., Kerwin, J., Wright, M., Levin, K., Rauch, J., Hagerty, T. & Kudela, M. (2001) *A Workable Balance: Report to Congress on Family and Medical Leave Policies* (Washington, DC: US Department of Labor, Commission on Family and Medical Leave).

Children's Defense Fund (CDF) (1994) *Wasting America's Future* (Boston: Beacon Press).

Clark, R., Hyde, J., Essex, M. & Klein, M. (1997) Length of Maternity Leave and Quality of Mother-Infant Interactions, *Child Development*, 68, pp. 364-383.

- Cohany, S. & Suk, E. (2007) Trends in Labor Force Participation of Married Mothers of Infants, *Monthly Labor Review*, 130, pp. 9-16.
- Coré, F. & Koutsogeorgopoulou, V. (1995) Parental Leave: What and Where?, *The OECD Observer*, 195, pp. 15-21.
- Dougherty, D., Saxe, L., Cross, T. & Silverman, N. (1987) *Children's Mental Health* (Durham, NC: Duke University Press).
- Douglas, P. (1925) *Wages and the Family* (Chicago: University of Chicago Press).
- Duncan, G. (2006) Income and Child Well-Being, 2005 Geary Lecture, The Economic and Social Research Institute, Dublin.
- Duncan, G. & Brooks-Gunn, J. (1997) *The Consequences of Growing Up Poor* (New York: Russell Sage).
- Duncan, G. & Magnuson, K. (2004) Individual and Parent-Based Intervention Strategies for Promoting Human Capital and Positive Behavior, in: P.L. Chase-Landsdale, K. Kiernan & R. Friedman (Eds) *Human Development Across Lives and Generations: The Potential for Change* (Cambridge: Cambridge University Press), pp. 93-135.
- Duncan, G., Yeung, W., Brooks-Gunn, J. & Smith, J.R. (1998) How Much Does Childhood Poverty Affect the Life Chances of Children?, *American Sociological Review*, 63, pp. 406-423.
- Erler, D. (2009) Germany: Taking a Nordic Turn?, in: S. Kamerman & P. Moss (Eds) *The Politics of Parental Leave Policies: Children, Parenting, Gender and the Labour Market* (Bristol, UK: Policy Press), pp. 119-134.
- European Commission (1994) *Leave Arrangements for Workers with Children* (Brussels: European Commission).
- Fagnani, J. (1999) Parental Leave in France, in: P. Moss & P. Deven (Eds) *Parental Leave Policies: Progress or Pitfall?* (The Hague: NIDI/CBGS Publications), pp. 69-83.
- Fagnani, J. & Math, A. (2009) France: Gender Equality a Pipe Dream?, in: S. Kamerman & P. Moss (Eds) *The Politics of Parental Leave Policies: Children, Parenting, Gender and the Labour Market* (Bristol, UK: Policy Press), pp. 103-116.
- Frank, M. & Lipner, R. (1988) History of Maternity Leave in Europe and the United States, in: E. Zigler & M. Frank (Eds) *The Parental Leave Crisis* (New Haven, CT: Yale University Press), pp. 3-22.

- Frost, J. & Payne, B. (1970) Hunger in America: Scope and Consequences, in: J. Frost & G. Hawkes (Eds) *The Disadvantaged Child: Issues and Innovations*, 2nd ed. (Boston: Houghton Mifflin), pp. 70-83.
- Furstenberg, F. (1976) *Unplanned Parenthood: The Social Consequences of Teenage Childbearing* (New York: Free Press).
- Gauthier, A. (1996) *The State and the Family: A Comparative Analysis of Family Politics in Industrialized Countries* (Oxford: Oxford University Press).
- Gauthier, A. (1999) Historical Trends in State Support for Families in Europe (Post-1945), *Children and Youth Services Review*, 21, pp. 937-965.
- Gauthier, A. & Hatzius, J. (1997) Family Benefits and Fertility: An Econometric Analysis, *Population Studies*, 51, pp. 295-306.
- Gjerdingen, D. & Chaloner, K. (1994) The Relationship of Women's Postpartum Mental Health to Employment, Childbirth, and Social Support, *Journal of Family Practice*, 38, pp. 465-472.
- Glass, D.V. (1940) *Population Policies and Movements in Europe* (London: Frank Cass & Co.).
- Goldstein, N. (1990) Explaining Socioeconomic Differences in Children's Cognitive Test Scores, Kennedy School of Government, Harvard University.
- Gornick, J. & Meyers, M. (2002) Lesson-Drawing in Family Policy: Media Reports and Empirical Evidence about European Developments, *Journal of Comparative Policy Analysis*, 3, pp. 31-57.
- Gornick, J. & Meyers, M. (2003) *Families that Work: Policies for Reconciling Parenthood and Employment* (New York: Russell Sage).
- Gould, M., Wunsch-Hitzig, R. & Duhrenwend, B. (1981) Estimating the Prevalence of Childhood Psychotherapy: A Critical Review, *Journal of the American Academy of Child Psychiatry*, 20, pp. 462-476.
- Haanes-Olsen, L. (1972) Children's Allowances: Their Size and Structure in Five Countries, *Social Security Bulletin*, 35, pp. 17-28.
- Haas, L. (1992) *Equal Parenthood and Social Policy: A Study of Parental Leave in Sweden* (Albany, NY: State University of New York Press).
- Han, W.-J., Waldofgel, J. & Brooks-Gunn, J. (2001) The Effects of Early Maternal Employment on Later Cognitive and Behavioral Outcomes, *Journal of Family and Marriage*, 63, pp. 336-354.
- Harvey, E. (1999) Short-term and Long-Term Effects of Early Parental Employment on Children of the National Longitudinal Survey of Youth, *Developmental Psychology*, 35, pp. 445-459.

- Haveman, R., Wolfe, B. & Spaulding, J. (1991) Childhood Events and Circumstances Influencing High School Completion, *Demography*, 28, pp. 133-157.
- Heckman, J. (1999) Policies to Foster Human Capital, *Research in Economics*, 54, pp. 3-56.
- Hock, E. & DeMeis, D. (1990) Depression in Mothers of Infants: The Role of Maternal Employment, *Developmental Psychology*, 26, pp. 285-291.
- Hoffman, L. (1980) The Effects of Maternal Employment on the Academic Attitudes of Performance of School-Age Children, *School Psychology Review*, 9, pp. 319-335.
- Hoffman, S. & Seidman, L. (1990) *The Earned Income Tax Credit* (Kalamazoo, MI: Upjohn Institute for Employment Research).
- Hogan, D.P. & Kitagawa, E.M. (1985) The Impact of Social Status, Family Structure and Neighborhood on the Fertility of Black Adolescents, *American Journal of Sociology*, 90, pp. 825-855.
- Holzer, H., Schanzenbach, D., Duncan, G. & Ludwig, J. (2007) *The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing Up in Poverty* (Washington, DC: Center for American Progress).
- Hurley, R. (1969) *Poverty and Mental Retardation: A Causal Relationship* (New York: Random House).
- Hyde, J., Klein, M., Essex, M. & Clark, R. (1995) Maternity Leave and Women's Mental Health, *Psychology of Women Quarterly*, 19, pp. 257-285.
- Hyde, J., Essex, M. & Horton, F. (1993) Fathers and Parental Leave: Attitudes and Experiences, *Journal of Family Issues*, 14, pp. 616-638.
- International Labour Organisation (ILO) (1919) *Maternity Protection Conventions* (Geneva: ILO).
- International Labour Organisation (ILO) (1997) *Maternity Protection at Work* (Geneva: ILO).
- Kamerman, S. (2000) *Parental Leave Policies: An Essential Ingredient in Early Childhood Education and Care Policies*, Social Policy Report, 14, #2.
- Kamerman, S. & Kahn, A. (1999) Child and Family Policy in an Era of Social Policy Retrenchment and Restructuring, presented at LIS conference. (2001) in: K. Vleminckx & T. Smeeding (Eds) *Child Well-Being, Child Poverty and Child Policy in Modern Nations: What Do We Know?* (Bristol, UK: Policy Press), pp. 501-525.
- Keynes, J.M. (1937) Some Economic Consequences of a Declining Population, *Eugenics Review*, 29, pp. 13-17.

- Kishiyama, M., Boyce, W., Jiminez, A., Perry, L. & Knight, R. (2009) Socioeconomic Disparities Affect Prefrontal Function in Children, *Journal of Cognitive Neuroscience*, 21, pp. 1106-1115.
- Klebanov, P., Brooks-Gunn, J. & Duncan, G. (1994) Does Neighborhood and Family Affect Mothers' Parenting, Mental Health and Social Support?, *Journal of Marriage and the Family*, 56, pp. 441-455.
- Klerman, L. (1991a) The Association between Adolescent Parenting and Childhood Poverty, in: A. Huston (Ed.) *Children in Poverty* (Cambridge: Cambridge University Press), pp. 79-104.
- Klerman, L. (1991b) *Alive and Well?* (New York: National Center for Children in Poverty).
- Korenman, S. & Miller, J. (1997) Effects of Long-Term Poverty on Physical Health of Children in the National Longitudinal Survey, in: G. Duncan & J. Brooks-Gunn (Eds) *Consequences of Growing Up Poor* (New York: Russell Sage), pp. 70-99.
- Lammi-Taskula, J. & Takala, P. (2009) Finland: Negotiating Tripartite Compromises, in: S. Kamerman & P. Moss (Eds) *The Politics of Parental Leave Policies: Children, Parenting, Gender and the Labour Market* (Bristol, UK: Policy Press), pp. 87-102.
- Lazar, I., Darlington, R., Murray, H., Royce, J. & Snipper, A. (1982) Lasting Effects of Early Education: A Report from the Consortium of Longitudinal Studies, *Monographs of the Society for Research in Child Development*, 47 (2-3, Serial No. 195).
- Lewit, E. & Kerrebrock, N. (1997) Population-Based Growth Stunting, *Children and Poverty*, 7, pp. 149-156.
- Lindberg, L. (1996) Women's Decisions about Breastfeeding and Maternal Employment, *Journal of Marriage and the Family*, 58, pp. 239-251.
- Lyness, K., Thompson, C., Francesco, A. & Judiesch, M. (1999) Work and Pregnancy: Individual and Organizational Factors Influencing Organizational Commitment, Time of Maternity Leave and Return to Work, *Sex Roles*, 41, pp. 485-508.
- Mahaffey, K., Annest, J., Roberts, J. & Murphy, R. (1982) National Estimates of Blood Levels: United States, 1976-1980, *New England Journal of Medicine*, 307(10), pp. 573-579.
- Makosky, V.P. (1982) Sources of Stress: Events or Conditions?, in: D. Belle (Ed.) *Lives in Stress: Women and Depression* (Beverly Hills, CA: Sage), pp. 35-52.
- Marshall, K. (1999) Employment after Childbirth, *Perspectives on Labour and Income*, 11, pp. 18-25.
- Marshall, K. (2003) Benefiting from Extended Parental Leave, *Perspectives on Labour and Income*, 15, pp. 5-11.

- Mayer, S. (1997) *What Money Can't Buy: Family Income and Children's Life Chances* (Cambridge, MA: Harvard University Press).
- Mayer, S. (2002) *The Influence of Parental Income on Children's Outcomes* (Ministry of Social Development, Wellington, NZ)
- McCormick, M., Brooks-Gunn, J., Workman-Daniels, K., Turner, J. & Peckham, G. (1992) The Health and Development Status of Very Low Birth Weight Children at School Age, *Journal of the American Medical Association*, 267, pp. 2204-2208.
- McKim, M., Cramer, K., Stuart, B. & O'Connor, D. (1999) Infant Care Decisions and Attachment Security: The Canadian Transition to Child Care Study, *Canadian Journal of Behavioural Science*, 31, pp. 92-106.
- McLeod, J.D. & Shanahan, M.J. (1993) Poverty, Parenting, and Children's Mental Health, *American Sociological Review*, 58, pp. 351-366.
- McLoyd, V. & Wilson, L. (1991) The Strain of Living Poor, in: A. Huston (Ed.) *Children in Poverty* (Cambridge: Cambridge University Press), pp. 105-135.
- Monheit, A. & Cunningham, C. (1992) Children without Health Insurance, *The Future of Children*, 2, pp. 154-170.
- Morris, P. Duncan, G. & Rodrigues, C. (2004) Does Money Really Matter? Estimating Impacts of Family Income on Children's Achievement with Data from Random-Assignment Experiments, unpublished paper.
- Morris, P. & Gennetian, L. (2004) Identifying the Effects of Income on Children's Development Using Experimental Data, *Journal of Marriage and the Family*, 65, pp. 716-729.
- Moss, P. & Deven, P. (1999) Parental Leave in Context, in: P. Moss & P. Deven (Eds) (1999) *Parental Leave Policies: Progress or Pitfall?* (The Hague: NIDI/CBGS Publications), pp. 1-24.
- Moss, P. & Deven, P. (Eds) (1999) *Parental Leave Policies: Progress or Pitfall?* (The Hague: NIDI/CBGS Publications).
- Moss, P. & Wall, K. (Eds) *International Review of Leave Policies and Related Research*, Employment Relations Research Series #57.
- Munnell, A. (Ed.) (1986) *Lessons from the Income Maintenance Experiments* (Boston: Federal Reserve Bank of Boston).
- O'Connor, A. (2001) *Poverty Knowledge* (Princeton: Princeton University Press).
- OECD (2009) *Doing Better for Children* (Paris: OECD).

- Pettinger, R. (1999) Parental Leave in Germany, in: P. Moss & P. Deven (Eds) (1999) *Parental Leave Policies: Progress or Pitfall?* (The Hague: NIDI/CBGS Publications), pp. 123-140.
- Plantenga, J. & Remery, C. (2009) The Netherlands: Bridging Labour and Care, in: S. Kamerman & P. Moss (Eds) *The Politics of Parental Leave Policies: Children, Parenting, Gender and the Labour Market* (Bristol, UK: Policy Press), pp. 175-190.
- Ploug, N. (1999) Cuts in and Reform of the Nordic Cash Benefit Systems, in: M. Kautto, M. Heikkilä, B. Hvinden, S. Marklund & N. Ploug (Eds) *Nordic Social Policy: Changing Welfare States* (London: Routledge), pp. 79-103.
- Pressman, S. (2011) Policies to Reduce Child Poverty: Child Allowances vs. Tax Exemptions for Children, *Journal of Economic Issues*, 45, pp. 323-332.
- Productivity Commission (2008) *Paid Parental Leave: Support for Parents with Newborn Children* (Canberra, Australia: Productivity Commission).
- Ramey, C., Stedman, D., Borders-Patterson, A. & Mengel, W. (1978) Predicting School Failure from Information Available at Birth, *American Journal of Mental Deficiency*, 82, pp. 525-534.
- Rank, M. (1989) Fertility among Women on Welfare: Incidence and Determinants, *American Sociological Review*, 54, pp. 296-304.
- Ray, R., Gornick, J. & Schmitt, J. (2009) *Parental Leave Policies in 21 Countries* (Washington, DC: Center for Economic and Policy Research). [ck and ck for delete]
- Rathbone, E. [1924](1947) *The Disinherited Family* (London: Allen & Unwin).
- Roe, B., Whittington, L., Fein, S. & Teisl, M. (1999) Is There Competition Between Breast-Feeding and Maternal Employment?, *Demography*, 36, pp. 157-171.
- Ruhm, C. (1998) The Economic Consequences of Parental Leave Mandates: Lessons from Europe, *Quarterly Journal of Economics*, 15, pp. 285-317.
- Ruhm, C. (2000) Parental Leave and Child Health, *Journal of Health Economics*, 19, pp. 931-960.
- Ruhm, C. (2004) Parental Employment and Child Cognitive Development, *Journal of Human Resources*, 39, pp. 155-192.
- Ryan, A. & Martinez, G. (1989) Breast-Feeding and the Working Mother: A Profile, *Pediatrics*, 83, pp. 524-531.
- Salmi, M. & Lammi-Taskula, J. (1999) Parental Leave in Finland, in: P. Moss & P. Deven (Eds) (1999) *Parental Leave Policies: Progress or Pitfall?* (The Hague: NIDI/CBGS Publications), pp. 85-121.
- Smeeding, T. & Torrey, B. (1988) Rich Children in Poor Countries, *Science*, 243, pp. 873-877.

- Smeeding, T., Torrey, B. & Rein, M. (1988) Patterns of Income and Poverty: The Economic Status of Children and the Elderly in Eight Countries, in: T. Smeeding, B. Torrey & J. Palmer (Eds) *The Vulnerable: America's Children and Elderly in an Industrial World* (Washington, DC: Urban Institute Press), pp. 89-119.
- Smeeding, T. & Waldfogel, J. (2010) Fighting Poverty: Attentive Policy Can Make a Huge Difference, *Journal of Policy Analysis and Management*, 29, pp. 401-407.
- Smith, J.R., Brooks-Gunn, J. & Klebanov, P. (1997) The Consequences of Living in Poverty for Young Children's Cognitive and Verbal Ability and Early School Achievement, in: G. Duncan & J. Brooks-Gunn (Eds) *Consequences of Growing Up Poor* (New York: Russell Sage), pp. 132-189.
- Spargo, J. (1907) *The Bitter Cry of Children* (New York: Macmillan).
- Stockwell, E., Swanson, D. & Wicks, J. (1988) Economic Status Differences in Infant Mortality by Cause of Death, *Public Health Reports*, 103(2), pp. 135-142.
- Subramanian, S. & Kawachi, I. (2004) Income Inequality and Health: What Have We Learned So Far?, *Epidemiological Review*, 26, pp. 78-91.
- Tullman, L. & Fawcett, J. (1991) Factors Influencing Recovery from Childbirth, in: J. Hyde & M. Essex (Eds) *Parental Leave and Child Care: Setting A Research and Policy Agenda* (Philadelphia, PA: Temple University Press), pp. 294-304.
- UNICEF (2007) *Child Poverty in Perspective: An Overall View of Child Well-Being in Rich Countries* (UNICEF).
- Vadakin, J. (1968) *Children, Poverty, and Family Allowances* (New York: Basic Books).
- Vroman, W. (2001) *Compensating American Families for Births and Adoptions* (Washington, DC: Urban Institute).
- Vroman, W. & Brusentsev, V. (2005) *Unemployment Compensation Throughout the World: A Comparative Analysis* (Kalamazoo, MI: W.E. Upjohn Institute).
- Waldfogel, J. (1999) The Impact of the Family and Medical Leave Act, *Journal of Policy Analysis and Management*, 18, pp. 281-308.
- Waldfogel, J. (2001) Family and Medical Leave: Evidence from the 2000 Surveys, *Monthly Labor Review*, 124, pp. 17-23.
- Waldfogel, J. (2009) The Role of Family Policies in Antipoverty Policy, *Focus*, 26, pp. 50-55.
- Waldfogel, J. (2010) *What Children Need* (New York: Russell Sage).

Waldfogel J. & Han, W. & Brooks-Gunn, J. (2002) The Effects of Early Maternal Employment on Child Cognitive Development, *Demography*, 39, pp. 369-392.

Weinraub, M. & Jaeger, J. (1991) Timing the Return to the Workplace: Effects on the Developing Mother-Infant Relationship, in: J. Hyde & M. Essex (Eds) *Parental Leave and Child Care: Setting A Research and Policy Agenda* (Philadelphia, PA: Temple University Press), pp. 307-322.

Whitney, V. (1968) Fertility Trends and Children's Allowance Programs, in: E. Burns (Ed.) *Children's Allowances and the Economic Welfare of Children* (New York: Citizens' Committee for Children of New York), pp. 123-139.

Wilkerson, R. & Pickett, K. (2010) *The Spirit Level* (New York: Bloomsbury Press).

Zull, J. (2002) *The Art of Changing the Brain* (Sterling: Stylus Publishing).

**TABLE # 4-1
FAMILY ALLOWANCES AND THE MIDDLE CLASS**

COUNTRY AND YEAR	PERCENTAGE OF HOUSEHOLD WITH CHILDREN THAT ARE MIDDLE CLASS	PERCENTAGE MIDDLE CLASS WITHOUT FAMILY ALLOWANCES	CHANGE DUE TO FAMILY ALLOWANCES	PERCENTAGE OF CHILDREN WHO ARE MIDDLE CLASS	PERCENTAGE MIDDLE CLASS WITHOUT FAMILY ALLOWANCES	CHANGE DUE TO FAMILY ALLOWANCES
Australia (2003)	50.5%	44.1%	6.4	48.3%	41.5%	6.8
Belgium (2000)	60.2%	55.1%	5.1	59.3%	52.4%	6.8
Canada (2004)	48.2%	45.8%	2.4	45.3%	42.7%	2.6
Denmark (2004)	73.3%	67.5%	5.8	70.7%	64.1%	6.6
Finland (2004)	65.8%	59.0%	6.8	62.4%	53.9%	8.5
France (2005)	50.4%	45.7%	4.7	47.7%	41.3%	6.4
Germany (2004)	53.5%	45.3%	8.2	51.8%	42.3%	9.5
Italy (2004)	41.5%	40.4%	1.1	38.1%	36.9%	1.2
Luxembourg (2004)	49.0%	38.6%	11.3	46.9%	35.8%	11.1
Netherlands (2004)	55.4%	51.0%	4.4	50.5%	45.5%	5.0
Norway (2004)	68.0%	59.9%	8.1	64.2%	55.2%	8.0
Sweden (2005)	66.4%	60.3%	6.1	62.6%	54.9%	7.7
UK (2004)	45.8%	42.8%	3.0	42.6%	39.3%	3.3
US (2004)	41.6%	41.6%	0.0	39.2%	39.2%	0.0
AVERAGES:	55.0%	49.8%	5.2	52.1%	46.1%	6.0

Source: Author's computations from the Luxembourg Income Study database.

**TABLE # 4-2
PARENTAL LEAVE AND THE MIDDLE CLASS**

COUNTRY AND YEAR	PERCENTAGE OF FAMILIES WITH CHILDREN THAT ARE MIDDLE CLASS	PERCENTAGE OF MIDDLE CLASS WITHOUT PARENTAL LEAVE	CHANGE DUE TO FAMILY LEAVE POLICIES	PERCENTAGE OF FAMILIES WITH VERY YOUNG CHILDREN THAT ARE MIDDLE CLASS	PERCENT MIDDLE CLASS WITHOUT PARENTAL LEAVE	CHANGE DUE TO PARENTAL LEAVE
Australia (2003)	50.5%	47.3%	+3.2	48.2%	45.2%	+3.0
Belgium (2000)	60.2%	60.3%	-.1	49.1%	49.4%	-0.3
Canada (2004)	48.2%	N.A.	N.A.	48.1%	N.A.	N.A.
Denmark (2004)	73.3%	70.9%	+2.4	67.9%	59.3%	+8.6
Finland (2004)	65.8%	61.8%	+4.0	57.2%	42.1%	+15.1
France (2005)	50.4%	49.8%	+0.6	51.4%	49.7%	+1.7
Germany (2004)	53.5%	52.5%	+1.0	49.5%	44.2%	+5.3
Italy (2004)	41.5%	N.A.	N.A.	37.2%	N.A.	N.A.
Luxembourg (2004)	49.0%	N.A.	N.A.	41.7%	N.A.	N.A.
Netherlands (2004)	55.4%	N.A.	N.A.	55.6%	N.A.	N.A.
Norway (2004)	68.0%	61.5%	+6.5	65.0%	44.1%	+20.9
Sweden (2005)	66.4%	60.0%	+6.4	60.2%	38.9%	+21.3
UK (2004)	45.8%	45.6%	+.2	40.5%	39.8%	+0.7
US (2004)	41.6%	N.A.	N.A.	36.7%	36.7%	+0.0
AVERAGES	55.0%	56.6%	+1.73	50.6%	44.9%	+7.6

Source: Author's calculations from the Luxembourg Incomr Study database.

TABLE # 4-3
THE IMPACT OF CHILD ALLOWANCES, BIRTH GRANTS
AND FAMILY LEAVE ON THE MIDDLE CLASS

COUNTRY AND YEAR	PERCENTAGE OF FAMILIES WITH CHILDREN THAT ARE MIDDLE CLASS	PERCENTAGE MIDDLE CLASS WITHOUT THE THREE POLICIES	CHANGE DUE TO THE THREE POLICIES	PERCENTAGE ALL FAMILIES THAT ARE MIDDLE CLASS	PERCENTAGE OF MIDDLE CLASS WITHOUT THE THREE POLICIES	CHANGE DUE TO THE THREE POLICIES
Australia (2003)	50.5%	42.0%	8.5	40.3%	37.5%	2.8
Belgium (2000)	60.2%	54.9%	5.3	55.0%	53.3%	1.7
Canada (2004)	48.2%	45.8%	2.4	46.2%	45.5%	0.7
Denmark (2004)	73.3%	65.1%	8.2	62.9%	60.7%	2.2
Finland (2004)	65.8%	55.3%	10.3	55.8%	53.2%	2.6
France (2005)	50.4%	45.3%	5.1	51.3%	49.6%	1.7
Germany (2004)	53.5%	44.6%	8.9	52.1%	49.8%	2.3
Italy (2004)	41.5%	40.4%	1.1	46.8%	46.3%	0.5
Luxembourg (2004)	49.0%	38.6%	10.4	54.0%	50.6%	3.4
Netherlands (2004)	55.4%	51.0%	4.4	58.5%	57.2%	1.3
Norway (2004)	68.0%	54.6%	13.4	59.7%	55.9%	3.8
Sweden (2005)	66.4%	54.3%	11.9	61.1%	58.1%	3.0
UK (2004)	45.8%	42.6%	2.8	45.0%	44.1%	0.9
US (2004)	41.6%	41.6%	0.0	38.6%	38.6%	0.0
AVERAGES	55.0%	48.3%	6.6	52.0%	50.0%	1.9

Source: Author's calculations from the Luxembourg Income Study database.