

Investing in Children: Public Commitment in Twenty-one Industrialized Countries

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Using time series and survey data, this article explores public commitment to children and their families from 1980 through 2001 in 21 industrialized countries. Despite the shrinking child population in all countries and the slowed growth of the welfare state in most, the authors find that spending on children and families has increased in most countries. The authors conclude that the instruments and goals of the family benefit and service package have changed over time and that future public spending on children is increasingly likely to go toward helping families balance their responsibilities as workers and parents and toward enhancing the development of young children.

Given the aging of populations, falling fertility rates, and changing economies, there is growing concern regarding the ability of industrialized countries to afford the social benefits created during the last century. The challenges to financing social benefits come at a time when needs are expanding, particularly those of families with children. Changing family structures, particularly among those families headed by mothers living alone, have made families with children increasingly vulnerable to income poverty and its consequences (Bradbury and Jäntti 2001; Vlemingckx and Smeeding 2001; Kamerman et al. 2003; UN Children's Fund [UNICEF] 2005). In addition, changing gender roles, with more and more married as well as single mothers trying to balance work and family life, have led to increased concern regarding how children are

being cared for and reared (Bradbury and Jäntti 2001; Vleminckx and Smeeding 2001; Kamerman et al. 2003).

This article explores public commitment to children and their families from 1980 through 2001 in 21 advanced industrialized countries, using time series data available from the Organisation for Economic Co-operation and Development (OECD), the United Nations, Eurostat, and previously collected national data on child benefits (Bradshaw and Finch 2002). Public investment in children and families is measured as a share of gross domestic product (GDP), a share of overall public investment in social protection, real spending on benefits and services for families with children, and spending on a per-child basis (within and across countries).¹ To better understand these trends, spending on children and families is evaluated in the context of sociodemographic data and the changing needs of families with children.

The authors conclude that, despite the slowed growth of the welfare state and the shrinking child population in most countries, spending on benefits and services for children and families increased from 1980 through 2000. There are variations, however. In some countries with historically low levels of spending on children and families, the commitment to children and families significantly increased from 1980 through 2000. In others, including several of the most generous countries, spending on children and families declined in the 1990s, but in most of these it has since recovered. Although universal benefit levels remained flat in many of the countries, the benefit and service packages rose for both working and vulnerable families.

The latter part of this article looks at whether spending trends point to new commitments to families and children. It does so by evaluating changes in the policy instruments used to implement family policies, the beneficiaries of these policies, and the goals. The authors conclude that the components of the family benefit and service package have changed over time, that the instruments and goals have changed, and that future public spending on children is increasingly likely to go toward helping families balance their responsibilities as workers and parents, as well as toward enhancing the development of young children.

The Context

The 21 countries included in this analysis are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The other nine OECD countries were eliminated because of missing values in the OECD Social Expenditure (SOCX) database or because the countries were only recently included in the OECD and the relevant expenditure data were not available.

Table 1

CHANGE IN THE NUMBER AND PROPORTION OF CHILDREN IN THE POPULATION, 1980–2000

	% CHANGE 1980–2000	
	Proportion of Children under Age 18	Number of Children under Age 18 (in 1,000s)
Luxembourg	–5.63	12.80
United States	–6.18	15.50
Sweden	–8.22	–2.20
Germany	–10.97	–6.40
United Kingdom	–11.68	–6.70
Finland	–12.52	–5.30
Norway	–12.90	–4.70
Belgium	–15.51	–12.10
France	–15.81	–7.30
Denmark	–16.31	–13.10
New Zealand	–16.45	1.60
Switzerland	–18.67	–7.70
Australia	–18.95	6.50
Canada	–19.27	1.30
Netherlands	–20.67	–10.90
Austria	–21.04	–15.30
Ireland	–26.90	–17.90
Greece	–31.04	–22.00
Portugal	–35.06	–33.40
Italy	–36.09	–34.90
Spain	–42.51	–37.60

SOURCE.—United Nations (2004).

The changing situation of children is a major development during these years (see table 1). In all these countries, the proportion of children under age 18 in the population decreased from 1980 to 2000, and the numbers of children decreased in most of the countries (United Nations 2004). The absolute number of children rose in only five countries: Australia, Canada, Luxembourg, New Zealand, and the United States. All are high immigration countries. In Portugal, Italy, and Spain, the numbers of children fell by more than one-third. Greece, where growth in expenditures on children and their families as a percent of GDP outpaced that of the other 20 countries included in this study, experienced a 22 percent drop in the number of children between 1980 and 2000.

Women are having fewer children than previously (see table 2). The average total fertility rate (the average total number of children a woman will have) for the countries included in this study in 2000 was 1.65, compared to 1.86 in 1980. The total fertility rate averaged 1.5 in the European Union, with the lowest fertility rates in the Mediterranean and Central European countries, largely in the 1.1–1.3 range. These

Table 2

TOTAL FERTILITY RATES IN 21 OECD COUNTRIES, 1980–2000

	TOTAL FERTILITY RATES			% Change 1980–2000
	1980	1990	2000	
Australia	1.91	1.84	1.75	–8.4
Austria	1.65	1.45	1.34	–18.8
Belgium	1.68	1.62	1.66	–1.2
Canada	1.68	1.71	1.54	–8.3
Denmark	1.55	1.67	1.77	14.2
Finland	1.63	1.78	1.73	6.1
France	1.95	1.78	1.89	–3.1
Germany	1.56	1.45	1.36	–12.8
Greece	2.22	1.39	1.29	–41.9
Ireland	3.24	2.11	1.89	–41.7
Italy	1.64	1.33	1.23	–25.0
Luxembourg	1.49	1.6	1.79	20.1
Netherlands	1.6	1.62	1.72	7.5
New Zealand	2.12	2.12	2	–5.7
Norway	1.72	1.93	1.85	7.6
Portugal	2.25	1.57	1.52	–32.4
Spain	2.2	1.36	1.24	–43.6
Sweden	1.68	2.13	1.73	3.0
Switzerland	1.55	1.58	1.5	–3.2
United Kingdom	1.89	1.83	1.65	–12.7
United States	1.84	2.08	2.13	15.8
Average	1.86	1.71	1.65	–8.8

SOURCE.—United Nations (2004).

NOTE.—The total fertility rate represents the ratio between the number of births in a given year and the average number of women of reproductive age. In all OECD countries, the ages considered for the calculation of total fertility rates span from 15 to 49 years (d'Addio and d'Ercole 2005). OECD = Organisation for Economic Co-operation and Development.

rates are among the lowest in the world. In Ireland, the total fertility rate dropped dramatically since 1980 (when it was 3.2) but in 2000 remained among the highest in the European Union at 1.9. The fertility rates in the continental European countries, although relatively stable, have also decreased since 1980. The fertility rates in the Scandinavian countries were relatively low in 1980 but have since increased and are now higher than average for Europe. The rates are now relatively similar throughout the EU-15 and would be even lower if the new EU member countries were included.² In contrast, the total fertility rate of the United States was low in 1980 but has increased since then. It is now the highest among the industrialized nations (United Nations 2004), and the United States is the only country that approximated the natural replacement rate in 2001 (Martin and Kats 2003).

In almost all countries, families are having fewer children than they did in 1980, and children are increasingly likely to spend part of their childhood in a single-parent, mother-only family. Children are also now

Table 3

EMPLOYMENT RATES FOR MOTHERS WITH AT LEAST ONE CHILD, 2000

	EMPLOYMENT RATE OF MOTHERS WITH		
	One Child	Two or More Children	A Child under Age 6 in 2001
Australia	55.3	43.2	45.0
Austria	75.6	65.7	66.0
Belgium	71.8	69.3	66.2
Canada	76.5	68.2	...
Denmark (1998)*	88.1	77.2	74.3
Finland (1997)*	78.5	73.5	...
France	74.0	58.8	58.6
Germany	70.4	56.3	52.8
Greece	53.9	50.3	46.6
Ireland	51.0	40.8	...
Italy	52.1	42.4	46.9
Luxembourg	65.8	50.1	56.8
Netherlands	69.8	63.3	66.4
New Zealand (2001)*	66.9	58.9	...
Norway	83.3	78.0	...
Portugal	78.5	70.3	69.8
Spain	47.6	43.3	43.3
Sweden	80.6	81.8	...
Switzerland	75.5	65.5	...
United Kingdom	72.9	62.3	55.5
United States (1991)	75.6	64.7	61.2

SOURCES.—OECD (2002, table 2.4); OECD (2003, annex tables).

* Maternal employment figures are not available for 2000. Data are substituted from the most recent year, which is indicated in parentheses.

more likely to spend part of their childhood living with two adults, one of whom is not a parent, because their parents divorced, remarried, never married, or cohabit without legal marriage (Martin and Kats 2003). In the EU-15, for example, almost one-third of all births (30 percent) occurred outside of marriage in 2001; births outside of marriage accounted for over 55 percent of the births in Sweden, 45 percent of those in Denmark, and 43 percent of those in France (European Commission 2004). One-third of all births in the United States are to unmarried women, and Canada's rate is approaching 30 percent. As a result of all these developments, children are more vulnerable to economic, social, and emotional instability (Bradbury and Jäntti 2001; Vleminckx and Smeeding 2001; Kamerman et al. 2003).

Most important, the likelihood of a child living with a mother who is in the labor force has risen dramatically during these years. This trend has significant implications for how children are cared for during the day. As table 3 shows, in all countries included, over 40 percent of the women are employed. The employment rates are highest among women with one child, ranging from over 88 percent in Denmark to 48 percent

in Spain. Women with a child under age 6 are less likely to be employed than women with older children or with only one child, and they are about as likely to be employed as women with two children (OECD 2002, 2003).

Trends in Spending on Children and Their Families

The sociodemographic trends since 1980 have created seemingly contradictory pressures on public spending for children and families. The decreased proportion of children in the population would suggest decreased spending on children. At the same time, the changing structure of families and the competing demands on parental time have increased the vulnerability of families and call for greater government support. These contradictory trends occurred during a period of a faltering economic environment for many industrialized countries, one that spurred claims that welfare states were being dismantled (Gornick and Meyers 2001; Kamerman and Kahn 2001; Pierson 2001; Korpi and Palme 2003). How, then, did industrialized countries respond to the growing needs of children and families during a period of economic and social change?

Measures Used to Account for Spending

Trends in social welfare expenditures including child and family benefits are analyzed using the OECD time series social spending data from the SOCX. The database covers 30 OECD countries for the period 1980–2001. It was restructured in 2004 into the following seven major social policy areas: old age, survivors, and incapacity-related (disability) benefits; health; family; active labor market programs; unemployment; housing; and other social policy areas (OECD 2004b).³ We focus here on the family benefits and services domain.

The conventional measure in cross-national comparisons of welfare states is spending as a percent of GDP. While this method of comparison is appealing in the sense that it demonstrates the spending priorities of a country, using it for time series comparisons can lead to distorted findings if the numerator and denominator are changing at different rates (this issue is relevant to several countries in the analysis during the time period studied; Gornick and Meyers 2001). As is also the case in using aggregate expenditures, this method falls short of demonstrating the extent to which needs are being met within a country and over time (Smeeding and Rainwater 2002). Accounting methods used to classify benefits may also distort spending priorities (Gornick and Meyers 2001; Garfinkel, Rainwater, and Smeeding 2005). Some countries use different instruments to deliver the same benefit, and benefits may be classified differently across countries. For example, the OECD SOCX database does not identify early childhood program expenditures as

child and family benefits if those expenditures fall under the auspices of a ministry of education. By contrast, the database does include similar programs if they are administered as social welfare offerings. If a program is represented in the database, it is also included in the family benefit and service package discussed here.

To overcome the shortcomings of each comparative method, multiple methods are used to analyze spending trends. Social and family benefit expenditures are reported as a percentage of GDP, and spending on family benefits is also presented as a share of social spending. Real spending on family benefits from 1980 through 2001 is reported in aggregate amounts after converting to purchasing power parities in U.S. constant 1995 dollars. Expenditures on family benefits are also presented per child as a means of comparing the generosity of each country toward its children.

Child and family benefits refer to the government-provided benefits and services given to children and families with children. These benefits have been used to affect labor market participation, as well as marital and reproductive behaviors of family members. They have also served as instruments for achieving broader political and social goals and for transmitting social values (Kamerman and Kahn 1978). Broadly defined, the components of child and family policies typically include

1. direct cash transfers: these include employment-related transfers and those not linked to employment (e.g., maternity and parental paid leaves and birth grants), universal transfers (e.g., family allowances), and income-tested transfers (social assistance);
2. child and family tax benefits, whether tied to employment (e.g., the U.S. Earned Income Tax Credit) or not (e.g., the U.S. child tax credit): these can include credits (refundable or not) and allowances;
3. maternity, paternity, parental, and family leaves, both paid and unpaid;
4. advanced maintenance or guaranteed child-support payments;
5. policies and programs related to early childhood education and care, as well as out-of-school care;
6. child-conditioned housing benefits; and
7. youth services and benefits, including publicly supported recreational services, civic engagement programs, work training programs, and tuition subsidies.

Child health services; primary, secondary, and tertiary education; and other child-conditioned social insurance income transfers that may be important to child well-being are generally not considered part of the child and family benefit package.

The OECD SOCX defines child and family benefits as expenditures that support families (excluding one-person households) and are re-

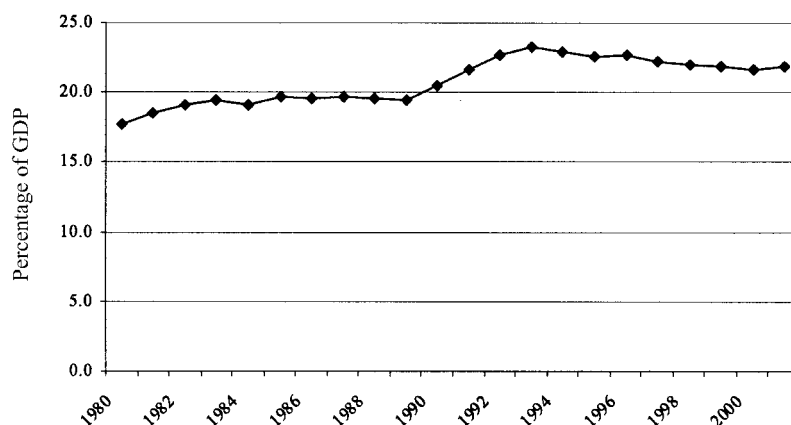


FIG. 1.—Public social expenditures as a percentage of GDP in 21 industrialized countries, 1980–2001. SOURCE.—OECD (2004*b*). NOTE.—GDP = gross domestic product.

lated to the costs associated with raising children or caring for other dependents. There are five subcategories under the SOCX family benefit category, including all the components mentioned above except for the tax benefits: family allowances, parental leaves and related benefits, other cash benefits, child-care and home-help services, and other in-kind services (OECD 2004*b*). Child and family benefits vary from one country to another and are not consistently categorized throughout each of the countries. The analysis presented here is particularly affected by the categorization of child-conditioned tax benefits and early childhood education and care benefits. For example, in a recent survey of family benefits, 15 countries reported 34 child-conditioned tax benefits (Bradshaw and Finch 2002), but only five countries record as many as eight tax benefits under family benefits in SOCX (OECD 2004*b*). Tax expenditures are also treated inconsistently across countries. Canada, Australia, Austria, New Zealand, and the United Kingdom report child-conditioned tax expenditures in the family benefit package, while other countries, such as the United States, do not include these among the family benefits.⁴

Spending on Social Welfare

Across the 21 countries in this study, public social expenditures were level during the 1980s, then rose in the early 1990s, and peaked in 1994 (see fig. 1). Overall spending on social protection ranged from a low of less than 18 percent (as a percentage of GDP) in 1980 to a high of almost 20 percent in 1987, averaging just over 19 percent in the 1980s. In the 1990s, social expenditures rose higher, ranging from 20 percent

to just over 23 percent of GDP. For the decade, the average was over 22 percent, and expenditures fell to under 22 percent in 1999.

The main forces driving the growth in social expenditures since 1980 have been old-age pension expenditures and health care (Kamerman and Kahn 1997; UNICEF 2005). Among the 21 countries, expenditures on old-age benefits grew from 5.6 percent of GDP in 1980 to 7.9 percent in 2001. Health expenditures rose from 5.1 percent to 6.1 percent of GDP. Other social insurance expenditures increased only slightly. Expenditures on child and family benefits and services (the “family” indicator in fig. 2) increased by about 20 percent, from 1.6 percent of GDP in 1980 to 1.9 percent in 2001.

Child and Family Expenditures

Trends in spending on children and their families varied across countries, particularly with regard to spending as a share of GDP. Other important cross-country variations are observed in all public social expenditures, real expenditures, and per-child spending. However, for most countries, spending on child and family benefits increased on most measures. Tables 4 and 5 summarize these findings.

In eight of the countries (Austria, Belgium, Germany, Italy, the Netherlands, Sweden, the United Kingdom, and the United States), family benefit expenditures fell as a share of GDP. Between 1980 and 2001, Greece and Australia appear to have made the strongest commitments to increasing family benefits as a share of GDP. Greece, generally a laggard in family benefits, showed the greatest growth, from 0.3 percent of GDP in 1980 to 1.8 percent in 2001. In Australia, family benefit expenditures rose from 1.0 percent of GDP to almost 3 percent. Denmark, followed by Luxembourg, spent the highest proportion of GDP on family benefits in 2001. The share of GDP spent on family benefits in both of these countries is less than the 4 percent of GDP spent by Sweden in 1980. Swedish expenditures on such benefits rose from 4 percent of GDP in 1980 to 4.5 percent in 1990 but then declined to less than 3 percent by 2001. Among the 21 OECD countries, spending on family benefits averaged under 2 percent of GDP, and among the EU-15, it was over 2 percent in 2001. In 14 of the countries, family benefits decreased as a percentage of public social spending between 1980 and 2001. In countries that increased spending as a percentage of public social expenditures, the growth was more moderate than that in family benefits spending as a share of GDP.

Paralleling this, real expenditures on children and families have increased in all but seven of the countries since 1980. Here, too, there were some variations across countries. In most, expenditures rose steadily and significantly. In Luxembourg, Australia, Norway, Ireland, and Finland, growth was continuous and steep. In other countries (Austria,

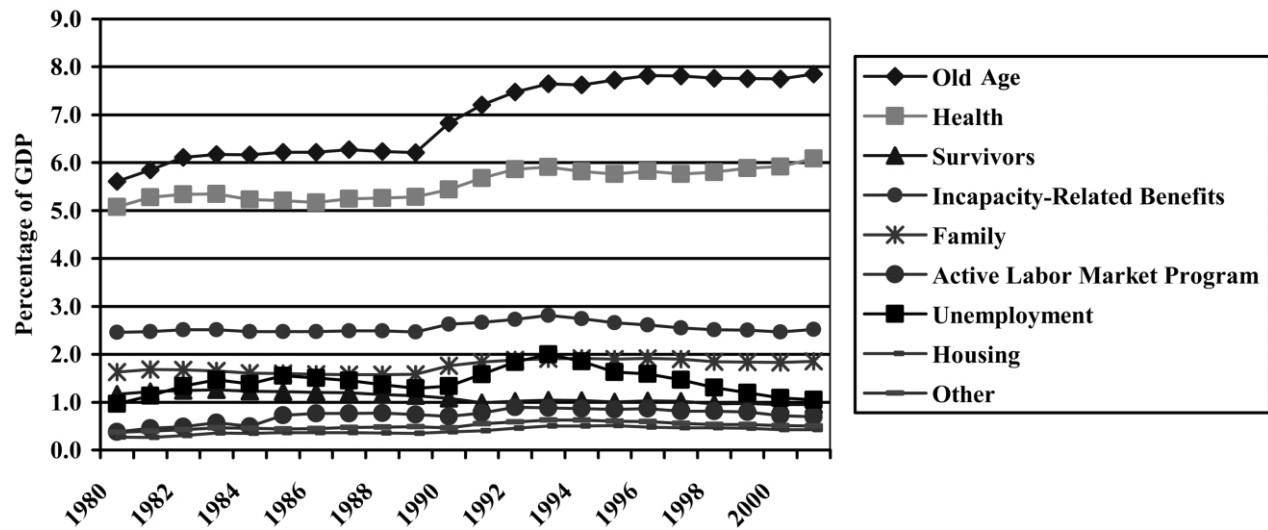


FIG. 2.—Social expenditures by category as a percentage of GDP in 21 OECD countries, 1980–2001. SOURCE.—OECD (2004b). NOTE.—GDP = gross domestic product. OECD = Organisation for Economic Co-operation and Development.

Table 4

FAMILY BENEFITS AS A SHARE OF GDP AND PUBLIC SOCIAL SPENDING IN 21 OECD COUNTRIES, 1980–2001

	FAMILY BENEFITS AS PERCENTAGE OF GDP							FAMILY BENEFITS AS PERCENTAGE OF PUBLIC SOCIAL EXPENDITURES		
	1980	1985	1990	1995	2000	2001	%	1980	2001	%
							Change 1980–2001			Change 1980–2001
Australia	1.0	1.2	1.5	2.6	2.9	2.8	189	8.7	15.6	78
Austria	3.1	2.8	2.7	3.2	3.0	2.9	-7	14.0	11.4	-18.0
Belgium	3.1	2.7	2.3	2.3	2.3	2.3	-25	12.7	8.5	-33.6
Canada	.8	.7	.6	.8	.8	.9	16	5.3	4.5	-15.9
Denmark	2.8	2.7	3.3	3.9	3.7	3.8	33	9.8	12.9	31.6
Finland	1.9	2.6	3.2	4.1	3.1	3.0	60	10.1	12.5	23.7
France	2.5	2.7	2.8	3.1	2.8	2.8	14	11.6	10.0	-13.9
Germany	2.3	1.8	1.7	2.0	1.9	1.9	-17	10.1	7.1	-29.3
Greece	.3	.4	1.6	1.9	1.9	1.8	426	3.0	8.0	164.2
Ireland	1.1	1.4	1.6	1.8	1.6	1.6	49	6.5	11.9	84.1
Italy	1.1	.9	1.0	.8	.9	1.0	-11	6.0	3.8	-36.0
Luxembourg	2.0	1.8	2.1	3.0	3.2	3.4	75	8.3	16.1	93.0
Netherlands	2.5	2.2	1.7	1.3	1.2	1.1	-55	9.5	5.4	-43.3
New Zealand	2.2	2.3	2.6	2.1	2.3	2.2	0	12.7	11.9	-5.9
Norway	1.8	1.9	2.8	3.7	3.1	3.2	78	10.1	13.4	32.7
Portugal	.8	.8	.9	1.0	1.1	1.2	47	7.2	5.3	-27.2
Spain	.5	.3	.3	.4	.5	.5	4	3.0	2.5	-17.0
Sweden	4.0	4.2	4.5	3.7	2.8	2.9	-27	13.8	9.8	-28.6
Switzerland	1.0	1.0	1.0	1.2	1.2	1.2	16	7.3	4.7	-36.0
United Kingdom	2.3	2.3	1.9	2.4	2.2	2.2	-3	12.8	10.1	-21.3
United States	.8	.6	.5	.6	.4	.4	-52	6.0	2.7	-55.1

SOURCE.—OECD 2004*b*.

NOTE.—GDP = gross domestic product; OECD = Organisation for Economic Co-operation and Development.

Denmark, France, Germany, and Switzerland), real spending continued to increase moderately from 1980 through 2000. In Belgium, Canada, and New Zealand, spending decreased from 1980 to 1990 but has since exceeded 1980 spending levels. Greece, Italy, Portugal, Spain, Sweden, and the United States spent less on family benefits in 2000 than in 1980. The strengths and shortcomings of the different methods of measuring growth are perhaps best captured by expenditures in Greece, where growth in family spending as a share of GDP and public social expenditures outpaced the other countries in this study. Greek per-child expenditures continued to grow moderately but have fallen since 1990 in terms of real dollars.

When expenditures per child are used as a frame of reference, other patterns emerge, with all but four countries experiencing increases. Sweden and the United States had the largest losses in spending per

Table 5

TOTAL SPENDING ON FAMILY BENEFITS AND PER CHILD IN 21 OECD COUNTRIES,
1980–2000

	SPENDING IN U.S. 1995 PPPs (in Millions)			CHANGE IN REAL SPENDING, 1980–2000 (%)	SPENDING PER CHILD			CHANGE IN SPENDING PER CHILD, 1980–2000 (%)
	1980	1990	2000		1980	1990	2000	
Australia	31.0	46.5	132.4	327	696	1,027	2,792	301
Austria	38.8	45.0	63.3	63	2,001	2,740	3,856	93
Belgium	51.4	47.3	56.0	9	2,101	2,158	2,605	24
Canada	37.7	34.7	62.9	67	538	504	887	65
Denmark	30.6	34.5	50.4	65	2,343	3,164	4,438	89
Finland	18.5	32.9	37.2	101	1,542	2,882	3,270	112
France	261.6	316.4	413.0	58	1,793	2,260	3,056	70
Germany	245.0	256.4	383.4	57	1,325	1,678	2,216	67
Greece	28.0	35.7	25.8	–8	1,061	1,481	1,253	18
Ireland	5.2	8.5	14.1	171	420	729	1,390	231
Italy	199.5	130.4	114.6	–43	1,299	1,133	1,146	–12
Luxembourg	1.4	2.4	6.0	342	1,576	3,020	6,181	292
Netherlands	48.5	49.7	45.5	–6	1,239	1,483	1,303	5
New Zealand	16.1	13.7	16.8	4	1,583	1,433	1,628	3
Norway	13.3	22.5	37.7	183	1,215	2,280	3,603	197
Portugal	29.0	14.4	16.0	–45	942	578	781	–17
Spain	38.4	21.5	35.3	–8	322	223	475	47
Sweden	84.1	86.3	62.7	–25	4,265	4,622	3,250	–24
Switzerland	14.8	19.3	24.5	66	952	1,383	1,709	79
United Kingdom	248.0	218.2	290.0	17	1,728	1,681	2,165	25
United States	369.8	304.1	336.6	–9	574	459	453	–21

SOURCE.—OECD (2004*b*).

NOTE.—OECD = Organisation for Economic Co-operation and Development; PPPs = purchasing power parities. Purchasing power parities represent a price relative that measures the number of units of country B's currency that are needed in country B to purchase the same quantity of an individual good or service as one unit of country A's currency will purchase in country A.

child, followed by Portugal and Italy. In Luxembourg, Australia, Ireland, and Norway, spending per child more than tripled between 1980 and 2000; in most of the other countries studied, it nearly doubled. What is most striking is that spending on benefits for children and their families rose across countries despite a shrinking child population in each nation. Expenditures-per-elderly (age 65 and over) grew by 45 percent from 1980 to 2000, but the numbers of elderly persons increased by almost 23 percent at the same time (United Nations 2004). In contrast, the population of children decreased as a portion of the population in all these countries, while spending on family benefits generally rose (see fig. 3).

Clearly, spending on family benefits increased on almost all measures. However, in only seven countries (Australia, Denmark, Finland, Greece, Ireland, Luxembourg, and Norway) did family benefits increase as a share of total social spending. Pensions and health care remained a

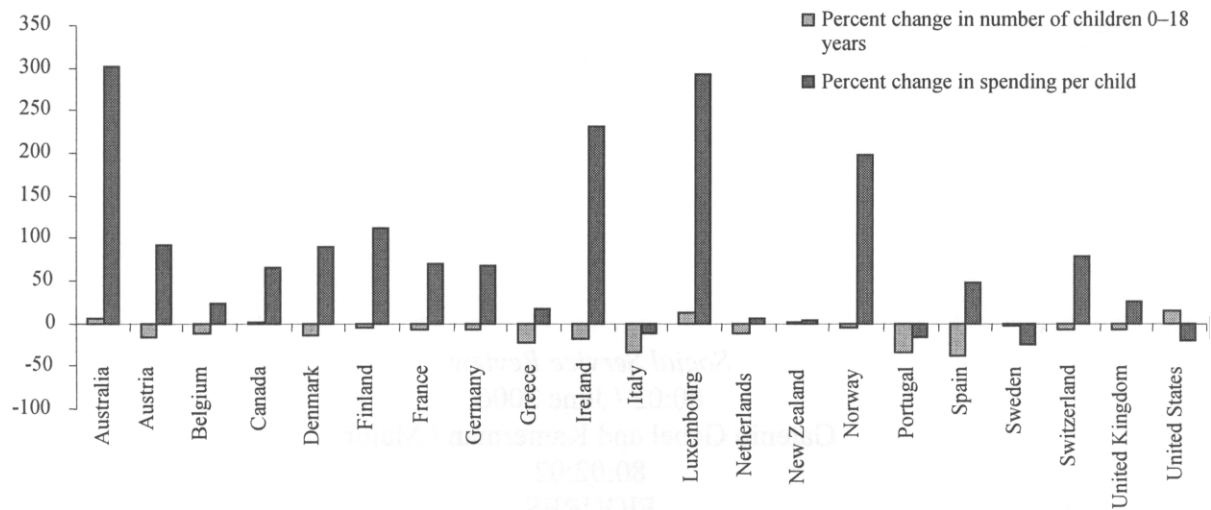


FIG. 3.—Percent change in family benefit expenditures and in number of children in 21 OECD (Organisation for Economic Co-operation and Development) countries. SOURCES.—OECD (2004b); United Nations (2004).

higher priority, and the decline in fertility provided protection against any reduction in per-child expenditures.

What Accounts for the Increased Investment?

Trends in spending levels provide one method of understanding public commitment to families and children, but these are not sufficient to enable one to comprehend how and why a nation's commitment to children and families is changing. The preceding analysis shows that spending on benefits and services for children and their families rose during a period of sluggish economic development and flattened spending on social protection programs. Is spending on children and families a growth area amid a broader social welfare state retrenchment? Does it reflect any movement toward reprioritization of the welfare state functions? Pensions and health care still remain higher priorities in social spending, but family benefit expenditures are sustained according to all other measures (Kamerman and Kahn 1997; OECD 2004*b*). Perhaps the contraction of or growth in expenditures alone is not an adequate measure of the retrenchment or development of the welfare state. Measuring public spending does not provide a full account because spending levels are often a by-product of policy efforts (not the goal) or driven by demographic and economic shifts (Esping-Andersen 1990; Pierson 2001). Paul Pierson argues that retrenchment is not the opposite of welfare state development. Rather, it is a distinctive process embedded in its own policy goals and context. If welfare states are being redefined, it is necessary to look not only at spending priorities but also at how and why benefits are being maintained and developed. Keeping this in mind, one can better understand changes in the public commitment to children by reviewing trends in how benefits are distributed to children and their families, to whom benefits are being allocated, and whether these changes reflect modifications to child and family policy goals.

The discussion below looks at changes in spending on family benefits and services, the instruments used to deliver the benefit and service package, and the recipients of new benefits and services. The discussion is framed by the five OECD subcategories of family benefits: family allowances, parental leaves and related benefits, other cash benefits, child-care and home-help services, and other in-kind services.

Family Cash Benefits

Family cash benefits include cash benefits paid to families with children; cash benefits paid to mothers, fathers, or guardians during a leave from work to care for a child or children; birth grants; cash benefits to families with children whose parents are civil servants or in the military; cash

benefits paid to families with a disabled child; and cash benefits to economically vulnerable families (e.g., poor, large, or single-parent families) with children.

Family allowances.—In 1980, 66 percent of all public expenditures on family benefits and services was spent on family allowances (OECD 2004*b*). Typically, family allowances (sometimes referred to as child allowances or child benefits) are universal cash payments to families based on the number and presence of children in a family. The amount may vary by the ordinal position of the child, the age of the child, and or the employment status of the parent. Allowances are designed to offset some of the costs of rearing a child. For one child, families receive about 10 percent of an average adult wage; allowances increase with additional children. Most countries now supplement the basic child or family benefit with an additional benefit for single parents, large families, and families with disabled children.

In contrast to 1980, in 2001, family allowances were 43 percent of all family benefits and services. In 11 of the 21 countries studied, family allowance expenditures declined as a share of spending on family benefits; the largest declines were in Switzerland, Portugal, and Spain. During these years, expenditures on family allowances fell by an average of 22 percent, while spending on maternity and parental leave benefits grew by 76 percent, and other family cash benefits, such as supplemental allowances for single parents and guaranteed minimum child support benefits, more than doubled (OECD 2004*b*; see table 6).

By the 1990s, there emerged a general trend toward delivering income support to families with children by using the tax system, providing child-conditioned tax benefits instead of direct cash benefits. Tax benefits, both credits (reductions in tax liability) and allowances (reductions in taxable income) targeted on children or families with children, have emerged as a parallel strategy to raising family income through family allowances. In recent years, the line between the two systems has become increasingly blurred. As table 7 indicates, many countries, especially the English-speaking countries, now supplement their child and family allowances or have replaced earlier tax allowances or exemptions with both refundable and nonrefundable tax credits (Kamerman and Gatenio Gabel 2002*b*; the international literature refers to refundable and nonrefundable credits as “nonwasteable” and “wasteable” tax credits, respectively).

In Australia, Canada, and New Zealand, child benefits are income tested, and they are administered through the tax system as a tax allowance (a reduction of taxable income), a tax credit (a reduction of income taxes), or a direct cash payment to families with children, much like a negative income tax when income is below the tax threshold. The United Kingdom has maintained a universal child benefit and supplemented it with tax credits, most of which took effect after 2001. While the United

Table 6

CHANGE IN SPENDING SUBCATEGORIES OF FAMILY BENEFITS, 1980–2001
(in Constant U.S. 1995 PPPs, in Millions)

	1980 (\$)	2001 (\$)	Change 1980–2001 (%)
Family allowances*	1,172.42	914.58	–22
Parental leaves and related benefits†	117.77	207.42	76
Other cash benefits‡	80.13	193.38	141
Child care and home health§	49.25	318.34	113
Other in-kind benefits	267.52	536.07	100

SOURCE.—OECD (2004b).

NOTE.—PPPs = Purchasing power parities. Purchasing power parities represent a price relative that measures the number of units of country B's currency that are needed in country B to purchase the same quantity of an individual good or service as one unit of country A's currency will purchase in country A.

* Luxembourg is not included due to incomplete data.

† Australia, Luxembourg, the Netherlands, New Zealand, and the United States are not included due to incomplete data.

‡ Australia, Belgium, Canada, Denmark, France, Greece, Ireland, Luxembourg, Switzerland, and the United States are not included due to incomplete data.

§ Canada, Luxembourg, Switzerland, the United Kingdom, and the United States are not included due to incomplete data.

|| Canada, Luxembourg, the Netherlands, and Switzerland are not included due to incomplete data.

States has no universal family allowance, it does reach a broad base of American families with children through several child tax credits. Several countries, such as Canada, Germany, Luxembourg, the Netherlands, and Spain, offer special cash supplements and additional tax credits for single-parent families with children and for families with disabled children.

Not all countries have moved in the direction of tax credits (Bradshaw and Finch 2002). Finland abolished its tax credits in the early 1990s and increased its child benefits. Luxembourg decreased its child tax credits and substantially raised its universal child benefits. Norway incorporated its former child tax deduction into the child benefit. Nonetheless, for a full picture of how countries currently provide additional income to families with children, both tax and cash benefits must be considered.

However, one problem in cross-national analyses of public income transfer policies is that the OECD SOCX data do not incorporate tax credits consistently. According to Willem Adema (2001; see also Adema and Ladaïque 2005), when tax expenditures are accounted for, social expenditures rise significantly and the ranking of generosity across welfare states changes considerably. Irwin Garfinkel, Lee Rainwater, and Timothy Smeeding (2005) found that when the value of cash transfers included taxes, the differences in social welfare expenditures among industrialized countries diminished. For example, the United States is no longer the laggard. The lack of comprehensive data on tax expen-

Table 7

FAMILY CASH BENEFITS IN 21 SELECTED OECD COUNTRIES

BENEFITS BY COUNTRY		
Universal Cash Benefits	Targeted Cash Benefits	Child Tax Benefits
Austria	Austria	Australia
Belgium	Belgium	Austria
Denmark	France	Canada
Finland	Germany	France
France	Greece	Germany
Greece	Ireland	Greece
Ireland	Italy	Ireland
Luxembourg	Norway	Italy
Netherlands	Portugal	Luxembourg
Norway	Spain	Netherlands
Sweden	United States	New Zealand
United Kingdom		Spain
		United Kingdom
		United States

SOURCES.—Bradshaw and Finch 2002; Kamerman and Gatenio Gabel 2002*b*; OECD 2004*b*; Social Security Administration 2004, 2005.

NOTE.—OECD = Organisation for Economic Co-operation and Development.

ditures on families with children and the inconsistent way in which that spending is classified do not permit us to provide a fully accurate analysis of the changing trends in family cash benefits. We suspect that if child-conditioned tax expenditures were included, spending on children since 1980 would be shown to have increased further.

Parental leaves and related benefits.—Maternity, paternity, parental, and family leaves are job-protected and paid or unpaid leaves from employment at the time of pregnancy, childbirth, and sometimes, adoption. Maternity leaves are limited to women and usually cover the period of convalescence following childbirth. Paternity leaves are specifically for fathers, while parental leaves are available to either or both parents and family leaves cover a wider range of needs. Social expenditure databases tend to include all of these types under the heading of parental leave policies. The same approach is taken here.

Cross-nationally, the goals of maternal and parental leave policies are to allow mothers time to prepare for and recuperate from childbirth, to support family work and child rearing and to create an incentive for women to leave the labor force when children are very young, to facilitate women's work outside the home and to help reconcile work and family life by protecting and promoting the well-being of children while their parent (or parents) is in the labor force, and to permit women and parents to choose between the above options to suit their own preferences (Kamerman 2000; Kamerman and Gatenio Gabel 2002*a*). In many countries, policies encourage gender equality by strengthening

mothers' ties to the labor force and encouraging fathers to spend more time in infant caregiving at home (Gornick and Meyers 2003).

There has also been a growth in maternal and parental job-protected leaves, as well as in associated benefits that replace all or a significant portion of prior wages. This growth drove much of the increase in family cash benefits. Spending on maternal and parental leave benefits was 9 percent of family cash benefits in 1980 and 14 percent in 2001. In the last decade alone, Austria, Belgium, Canada, France, Germany, Italy, Luxembourg, New Zealand, Norway, Portugal, Sweden, and the United Kingdom have all made significant enhancements to leave entitlements for the purpose of caring for young children. Most countries have increased the duration of the paid leave and extended coverage to fathers or either parent. Some countries have increased benefit levels. Paid parental leaves have largely supplemented earlier paid maternity leaves. The average duration of maternity and parental leaves in the OECD countries has doubled from about 20 weeks in the early 1980s to 40 weeks in 2000 (Kammerman 2000; Kamerman and Gatenio 2002*a*).

The European Union introduced two relevant directives. The first (European Union Directive 92/85/EC [1992]) mandates maternal leave; the second (96/34/EC [1996]) mandates parental leave. The parental leave directive provides parents with at least 3 months of leave for child-care purposes (and is distinct from maternity leave) after the birth or adoption of a child until a given age of up to 8 years. The conditions governing parental leave are defined by national law and collective agreement. There is considerable variation among the countries regarding the directive's implementation.

More specifically, the Nordic countries all increased the duration of paid parental leaves. Belgium, Canada, Ireland, Luxembourg, New Zealand, Portugal, and the United Kingdom have introduced or significantly expanded parental leave; Austria, Germany, Norway, and Sweden have established incentives to encourage fathers to take leave. Portugal and the United Kingdom have increased the length of their maternity leaves as well. Other countries, such as France and Luxembourg, have implemented policies to allow parents more time to care for sick children (Kammerman 2000; Kamerman and Gatenio 2002*a*).

Not all countries with paid statutory maternity and parental leaves offer coverage to all mothers. Labor force attachment is usually the basic qualifying condition for coverage, and in several countries, eligibility is affected by the length of employment, earnings, and contributions to social security. However, in 11 of the countries, maternal and parental leaves are supplemented by birth allowances and grants to new mothers.

Other cash benefits.—Real spending on other cash benefits more than doubled from 1980 to 2001 and increased as a portion of total family benefits from 6 percent to 14 percent. In that time, the number of benefits offered has grown from 26 to 42 across the 21 countries. Most

often, other cash benefits refer to supplementary benefits for single and low-income parents, as well as to special periodic or lump-sum payments for certain groups, such as members of the military forces and civil servants. The inconsistent treatment of other cash benefits makes cross-country comparisons difficult.

Family Benefits in Kind

The OECD defines in-kind benefits as the direct provision of goods and services or noncash transfers (OECD 2004*b*). In-kind family benefits and services grew considerably during these years, contributing further to sustaining or increasing child-conditioned social expenditures. In 1980, there were 78 benefits in-kind among the 21 countries. By 2001, this grew to 135. Expenditures for day-care and home-help services increased by 131 percent, and other in-kind benefits, such as child welfare services, social and recreational services for youth and families, and subsidies to charities, doubled.

Early childhood education and care and home-help services.—Early childhood education and care services (ECEC) constitute another child and family program area that contributed significantly to the growth in family benefit expenditures. Current ECEC programs evolved over time to meet multiple needs that include child protection, early childhood education, helping children with special needs, facilitating mothers' labor force participation, enhancing children's development, and preparing children for primary school. As a result, the delivery of ECEC services is splintered. Some programs (generally for younger children) are administered by social welfare or health ministries. Other programs, especially those targeted on children preparing for school, are administered by education ministries. A survey of administrative auspices (Kamerman 2001) reveals that nine of the 13 studied countries had separate early childhood education and care programs that were administered by education and welfare ministries respectively and sequentially: services for children under the age of 3 are administered by welfare ministries; those for children between the age of 3 and the age of compulsory school entry fall under education (Kamerman 2001).

Public investment in ECEC typically takes one of the following forms: (1) subsidies to child-care providers, (2) reduced fees to parents depending on income, family type (e.g., lone parents), and the number or ages of children in the family, (3) use of tax benefits to offset child-care costs, and (4) increased child benefits for families by family type, parental employment status, and the ages of children in the family (Bradshaw and Finch 2002). Public funding for ECEC is often coupled with income-related parental fees.

Early childhood education and care services have grown significantly since 1980, and much of the growth has been in programs administered

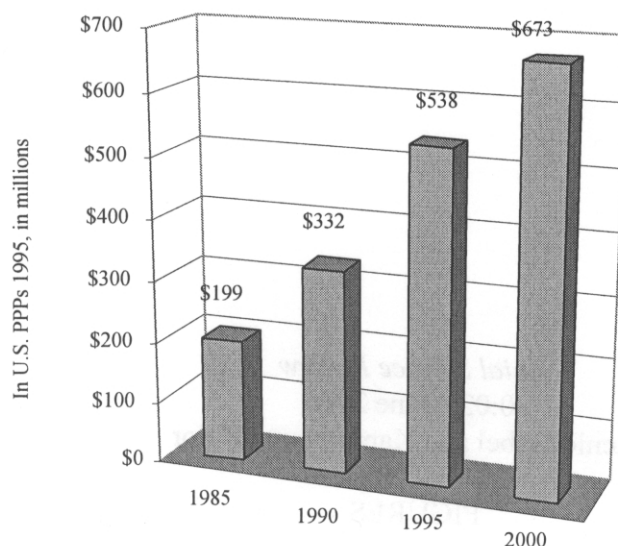


FIG. 4.—Direct government expenditures for educational institutions on preprimary education for 21 OECD countries, 1985–2000. SOURCE.—OECD (2004a). NOTE.—PPPs = purchasing power parities; OECD = Organisation for Economic Co-operation and Development. Purchasing power parities represent a price relative that measures the number of units of country B's currency that are needed in country B to purchase the same quantity of an individual good or service as one unit of country A's currency will purchase in country A. Expenditure on preprimary education refers to spending by the ministries of education on early childhood education and care services and benefits.

by the education ministries. Growth in ECEC spending has been uneven among the countries studied.⁵ In Australia and Italy, ECEC expenditures under the auspices of social welfare ministries grew more than 10 times, while in Austria, Finland, Germany, and Luxembourg, these expenditures more than doubled between 1980 and 2001. In Portugal, Spain, and Sweden, spending decreased during this same period. On average, spending on ECEC benefits and services increased by 76 percent in the countries considered. When the analysis is supplemented by examining spending under education ministries for ECEC expenditures, the trend is most clearly upward. On average, ECEC spending by education ministries more than tripled since 1985 (see fig. 4).

Public spending on ECEC increased in several ways, including the following: increasing the supply of services; expanding the eligibility criteria to make more children qualify; mandating coverage (and thus increasing access); and increasing demand, either as a consequence of growing female labor force participation or of raising the value placed on these programs for improving school readiness or enhancing child development more broadly. In the 21 studied countries, today most

children between the ages of 3 and 6 are in some form of ECEC or in primary school (Bradshaw and Finch 2002; European Commission, Eurydice, and Eurostat 2005). Almost all children are in preschool programs in Belgium, France, Italy, and Spain. The figure is about 95 percent in Denmark, Iceland, and Sweden and approximately 90 percent in the Netherlands and New Zealand. In Germany, there is a guarantee of ECEC for children between the ages of 3 and 6, albeit in a short school day. In Denmark and Sweden, where the previous objective was to cover children with working parents and students, a place is now guaranteed for all children, including those whose parents are employed, from age 1. The United Kingdom and the Netherlands provide early education for all 4-year-olds (Kammerman 2001).

Tracking the full ECEC expenditures for children under age 3 is more complicated than accounting for spending on children between ages 3 and 6. However, it is essential to examine spending on this younger group if one expects to have a full picture of public investments in children. The proportion of children under age 3 who are in some form of ECEC varies from 1 percent in Ireland to 56 percent in Denmark (Bradshaw and Finch 2002; European Commission, Eurydice, and Eurostat 2005); among Danish children between the ages of 1 and 2 years, 78 percent are in some form of ECEC (following the end of the parental leave; Nordic Social-Statistical Committee 2005). Services for children under age 3 are often administered by ministries of social welfare or health, and these expenditures are included in the SOCX database, though they are not always disaggregated from general child-care and home-help services. Many of the services for children under age 3 are provided informally or in the private sector, and the relevant expenditures are not visible. In some countries, some services for children under age 3 may be administered and financed through education ministries. Furthermore, an assessment of ECEC expenditures for children under age 3 must also consider spending in the various postchildbirth leaves (described in an earlier section of this article).

Other family in-kind benefits.—This OECD category includes child-welfare-related services, recreation, and some after-school services, subsidies to social welfare institutions serving families and children, personal social services (information, advice, and counseling services), and in-kind benefits to special population groups (e.g., single mothers, public service employees, and military families). There is considerable variation in what countries include in this category (OECD 2004b). For example, the United States includes the Social Service Block Grant, Child Care Development Block Grant, child welfare services, nutrition programs serving children, and child support enforcement. Spain includes public transportation subsidies. Most countries include child welfare services under this category; spending on these services doubled since 1980.

Conclusions

Gösta Esping-Andersen has observed, “Europe was a youthful continent in the post-war decades and, yet, its social welfare policies came to focus very much on the elderly. Now that our societies are ageing it is becoming quite urgent that we invest far more in the welfare of children. This would all appear a bit paradoxical” (Esping-Andersen 2002, 26). Esping-Andersen contends that life chances increasingly depend on social, cultural, and cognitive capital. Such dependence thus emphasizes the importance of childhood precisely at a time when families with children are becoming ever more vulnerable. The global economy of the twenty-first century disadvantages immigrants, refugees, families that are poor, those that include more than two children, and those headed by a single parent or by parents with low education and inadequate employment skills. It therefore becomes critical for countries to direct resources so that children’s holistic development will be enhanced and their earning potential will be realized when they become adults.

This article documents that, between 1980 and 2001, public investment in children and families with children increased (in most industrialized countries) or was sustained despite the declining numbers of children and despite the political and economic pressures to curtail social spending. Although there are some country variations and family benefits have declined as a share of social expenditures in some countries, the overall trend has been upward. This holds true regardless of the measure: spending as a percentage of GDP, spending as a percentage of social protection expenditures, or spending per child.

In seeking out what accounts for this trend in increased spending on children and their families, the authors find that a major factor is the growth in three categories of benefits and services: maternity, paternity, and parental benefits at the time of childbirth; a package of specialized cash family benefits and early childhood education and care services (and related cash benefits). Indeed, the trend would probably be even more pronounced and the investment greater if we could also include child-conditioned tax expenditures, since tax benefits have emerged as a significant child and family policy instrument during these years, with refundable tax credits playing a particularly important role as a supplement to or substitute for traditional child and family allowances.

However, the increased commitment to children in most of the 21 industrialized countries reflects more than a preparation for the future. The trends in spending and allocation of benefits also reflect changing family policy goals. Whereas the primary goal of family benefits at the close of the 1970s was to supplement the income of families with children (Kamerman and Kahn 2001), the current goals of family policies have expanded to include balancing work and family responsibilities; providing incentives to work; enhancing and strengthening the devel-

opment of young children; targeting help to families considered most vulnerable due to age of children, family size, or family structure; and preparing young children for formal schooling (Gornick and Meyers 2003). Cash transfers continue to be the dominant policy instrument for the allocation of benefits to children and families, although the growth of in-kind benefits has outpaced the growth of cash benefits in several countries and the role of tax benefits is growing. Child poverty rates may not have declined in some countries (Chen and Corak 2005) because the increased public investment has focused more on in-kind benefits, supporting other aspects of child well-being.

The goals of child and family policies in most countries remain concentrated on improving the economic situation of children and their families, but these goals have expanded. The political and economic pressures constraining public investment in children have been restrained, but the demographic and social needs remain and are likely to increase. It seems clear that the new pressures have protected the level of investment thus far, but yet to be confronted are the politics of child policies, why some countries have placed children higher on their political agenda than others, and why some countries have managed to increase or sustain more generous policies while some others have not.

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Notes

1. The article does not deal with private social expenditures, which vary a great deal by country. No database makes current and historical comparative private expenditure data available. However, we know enough about the totals to be convinced that including private expenditures would not alter the overall conclusions (Adema 2001).
2. The European Union-15 (EU-15) is composed of the nations that were EU members prior to 1996. These countries are Luxembourg, Ireland, the United Kingdom, France, Germany, the Netherlands, Belgium, Austria, Greece, Italy, Spain, Portugal, Sweden, Denmark, and Finland.
3. Public social expenditures include the provision of cash or in-kind benefits and services to households and individuals to promote their well-being or to provide support during circumstances that adversely affect their welfare (OECD 2004b).
4. The inconsistent treatment of tax expenditures is a recognized drawback in making cross-national comparisons of public social spending, and efforts are underway to better account for tax expenditures in OECD countries (Adema 2001).
5. The analysis of expenditures on ECEC includes SOCX data for 12 countries between 1980 and 2000. Due to the unavailability of data and classification of ECEC programs in some countries, an accounting of ECEC spending in all countries between 1980 and 2000 was not possible.