

Social Policy Principles Applied to Reform of Gender Egalitarianism in Parenthood and Employment

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The principal objective of the Gornick and Meyers (G&M) paper is to specify a social policy regime that would support gender egalitarianism. The policy regime proposed by G&M has five main thrusts.

The first is six months paid parental leave for each parent upon the birth of a child with 100% replacement rates (with a high cap) with benefits being non-transferable between parents. The leave can be used flexibly (taken at any time, taken as part-time on a pro-rata basis) over an eight year period but with substantial notification periods required for employers. The leave would be financed by a new social insurance fund with contributions by employers and/or employees. Premiums would not be experience-related at the enterprise level. The government does not contribute financially to this scheme but would set up an employment referral agency to help employers with temporary absences. The second is a reasonable number of days each year of paid, casual leave for caring purposes, paid from the social insurance system and available to all workers, not just parents. The third relates to work hours (standard full-time work hours of 35-39 hours per week.

The fourth thrust is that all employees have the right to flexible or shorter hours subject to the agreement of the employer. Employers can refuse on business grounds. Refusal would be subject to government review. Small businesses excluded. All part-time work would be subject to pro-rata benefits. Finally, the fifth thrust covers affordable, quality early childhood education and care. The amounts of care are not specified beyond 'limited' amounts of infant care, 'modest' amounts of toddler care (one and two year olds) and 'more extensive' for 3-4 year-olds. Eighty per cent of the cost (uncapped?) to be met by government. The remaining 20 per cent would derive from fees subject to an income test (dropping to zero cost for the poorest families). There would be choice of the type of arrangement type and of the caregiver. This would be associated with adoption and enforcement of standards of care.

In this discussion of the G&M proposals, I begin with a specified set of social policy principles or issues associated with the potential policy areas affected and discuss the proposed gender egalitarian policies against these principles. Along the way, the relevance of other policy areas is addressed. The issues or principles to be considered are the following: institutional versus individual-level explanations of outcomes; gender egalitarianism or gender equity; family support policy (horizontal equity); family support policy (vertical equity); child development; labor market efficiency and business profitability; a lifetime perspective; simplicity and transparency; fiscal responsibility and affordability; political and cultural acceptability including multicultural considerations; feasibility in the sense that it is not revolutionary, builds on/modifies existing institutional arrangements.

Institutional versus individual-level explanations of behavior

The authors correctly take an institutional approach to explanation of behavior but might have been more explicit about this. Often, academic work in this policy area is based upon individual econometric analysis within one national policy setting. Such research usually fails to point out that, in a different policy setting, behavior might also be different. Clearly people make their individual decisions in the shadow of the opportunities and constraints that apply to their decision in the particular context. Also, it is difficult for people to imagine a different institutional context – unless they have some experience of it. I have argued strongly that the differences in fertility rates between advanced countries are determined by institutional differences, not by differences between individuals (McDonald 2006). Indeed, it is not uncommon to find in this area of behavior that relationships at the individual level are the opposite of those at the national level. For example, fertility tends to fall with increases in employment participation when individuals are the unit of analysis but to rise when countries are the unit of analysis. The same would almost certainly be the case if we were to examine the relationship between fertility and gender equality.

Gender egalitarianism

A movement for gender egalitarianism must confront the argument that men and women are different and that exact equality should not be the expected goal. This objection is inevitable when it comes from right-wing conservatives who rue the passing of the male breadwinner model of the family and blame all of society's ills upon its passing. However, the opposition becomes more powerful when it is respectable intellectual research that argues that men and women are different (eg. Louann Brizendine, *The Female Brain*) or that motherhood is different in character to fatherhood (eg. Anne Manne, *Motherhood: How We Should Care for Our Children*).

It is useful to think of gender egalitarianism in terms of equity rather than equality. Gender equity can be defined as follows:

In the gender equity model of the family, there is income earning work, household maintenance work and caring and nurturing work, but gender has no relationship to who does which type of work. The gender equity model does not imply exact equality between the man and the woman in any heterosexual couple, rather than that specific roles are not determined on the basis of gender (McDonald 2000a, p. 3).

Gender equity derives from an evaluation of the fairness of a society's gender system from the perspective of rights: social, political, economic and reproductive. Gender equity as the basis for reform leaves room for individual couples to make their own arrangements so long as this is within a context of equal rights and equal resources in relation to the making of decisions. In contrast to gender equity, gender equality refers to symmetrical or identical outcomes between men and women, as groups. In other words, gender equity refers to equality of opportunity whereas gender equality refers to equality of outcome.

A principle of neutrality in relation to gender and the work arrangements of the two parents does not privilege one gender or one division of labor over another (division

of labor is addressed in a later section). In practical terms, neutrality can be achieved by the attaching of benefits, as far as possible, to children rather than to their parents. The existence of a child of a given age triggers the entitlement to the benefit. The G&M proposals are quite consistent with the neutral, gender equity approach. In particular, the paid leave entitlement of six months for each parent represents a strong statement of gender equity in that the same opportunity is provided to each parent but neither is forced to use it. This is more in keeping with gender equity than the approach of some Nordic countries where there is a couple entitlement of twelve months leave but this is reduced if the father does not use at least three months of the leave. In these Nordic countries, the rules are gender-specific.

On the other hand, there is an argument that it would be more equitable to provide the full 12 months of leave to the couple so that they can work out the sharing arrangement that best suits their personal circumstances (without the Nordic ‘use it, or lose it’ arrangement). This may be the case particularly where there are differences in eligibility entitlements between the father and the mother. If the mother has no entitlement but the father does, maybe she should be able to use some of his entitlement. G&M do not discuss eligibility and I shall return to this topic below. There is also an argument that the couple, with full bargaining strength on both sides, may decide that, at this point in time, there is value in investing in the career of one or the other. This may be the outcome of the past history of their relationship and their careers or the intended futures. They may even take the view that full mother care (including breast-feeding) in the first year is in the best interests of the child. Should they be prevented from making these decisions by the parental leave being non-transferable? Of course, the reason that G&M do not propose this approach is that we do not live in a utopian world. For most couples, both sides do not have equal bargaining rights and the effect of providing 12 months shared leave would be that fathers would take none. In a sense, what we are talking about here is how utopian are we willing to be. We are utopian enough to provide leave entitlements to each parent but not to allow them to make their own decisions about how this leave might be shared between them.

Family support policy (horizontal equity)

G&M do not mention the principle of horizontal equity, recognition of the additional costs for those who have children compared to those on the same level of income who do not have children. The G&M focus is upon comparisons between men and women rather than between persons with and without children. Here, the horizontal equity principle could be used to justify both of the large aspects of the G&M policies, paid parental leave (as income replacement) and childcare (as recognizing the costs of children). The horizontal equity argument is underpinned by the proposition that children have a social value. Most people without children are willing to provide some of their taxes for the support of the next generation.

Another consideration is that the provision of horizontal equity measures at the workplace level (higher benefits to parents than to non-parents) may lead to employers discriminating between parents and non-parents in their reward systems (salary, promotion, career development). The created system would then provide individuals with incentives not to be parents. It is also not unusual at the workplace level for those without children to see themselves as doing more work for the same

pay when those with children have more leave. Again, an emphasis upon the social value of children is the best way to promote such policies to those who do not have children.

Family support policy (vertical equity)

This is perhaps where I should address the 'loose ends' of the paid parental leave scheme: who contributes to the social insurance scheme and how much do they contribute? G&M say that contributions will be made by employers and/or employees. We must first settle the 'and/or' question? Is it 'and' or is it 'or'? If the answer is 'and', what are the relative contributions of employers and employees? How are the premiums set? Do employees contribute a fixed amount or a percentage of salary? What is the percentage? Is the benefit contingent upon length of contribution or only upon current salary level? Will a parent on a low salary who has been contributing for 10 years receive a smaller payment than one on a higher salary who has been contributing for one year? The answer seems to be 'yes'. Would this be seen as fair in the US institutional context?

Are contributions made by or on behalf of all employees including those who will never have a/another child? Does a person continue to contribute after he/she has had the child? If no, there is a considerable incentive to have the baby as early as possible after contributions commence. If yes, will 55-year old workers agree to a scheme where they can expect to receive very little from the large contributions that they would make? Or, do we start the scheme with a cohort of new entrants to the labor force? Are contributions made by or on behalf of casual employees or those employed only for short periods? How long will an employee (or the employer(s)) have to contribute before he/she is eligible for the benefit?

What happens when a person has been out of the labor force and has a break from contributions before returning? What happens when the parent is no longer employed but has made contributions in the past? What happens when no contributions have ever been made in respect of a new parent? What happens if a parent returns after a first child at a part-time salary level and then has a second child? Is the leave for the second child paid at 100% replacement of the part-time wage only? If so, is this not a disincentive to engage in part-time work after the birth of the first child or an incentive not to have a second child.

Can 'sweetheart' deals between an employer and an employee be prevented? Because the employer does not actually pay the benefit (it is not experience-related), an employer eager to retain a high-profile employee may make a deal to increase the employee's salary in advance of the birth so that the parental leave payment will be higher. The quid pro quo would be a solid gold guarantee of return of the employee to this employer after six months. What happens to the entitlements of those who are already entitled to receive paid parental leave under existing employer-funded arrangements?

These are all annoyingly practical questions that will have to be addressed in developing the parental leave policy. Furthermore, the answers to these questions are fundamental to issues of vertical equity. If for some of the above reasons, there are people who are ineligible to receive an entitlement or a full entitlement, then, there

will be circumstances in which neither parent is eligible or where only one parent is eligible (or receives a low payment). For second or higher order births, the incongruous situation could arise that the father is eligible but the mother is not because she has been out of the labor force caring for other children.

It seems, although not specifically stated, that the fund is a public fund. The actuarial risks of the fund are therefore borne by the government, that is, by the taxpayer. Many of the above problems could be ameliorated to some extent through the government providing a base level of parental payment that was available to any parent. The employer-employee premiums would then raise this base to 100% of salary level for six months. This base level support would also tend to underwrite the viability of the scheme.

Many of the problems described above relate to the apparent separation of benefits from contributions. The proposed scheme is a defined-benefit scheme. Issues of vertical equity can arise when a person receives a very large benefit (as high as \$75,000 per couple) for very little contribution while another person receives little or no benefit after making considerable contribution (eg. a person who has contributed for 10 years but is not employed at the birth of the child). Because of inequities such as this and because of the actuarial risks, defined benefit schemes are now going out of favor. An alternative approach where the government bears all risk is an income-contingent loan system. Under this arrangement, the parental leave payment is made by the government as a loan to the parent who then repays the loan across his/her lifetime through an additional percentage impost on income tax (Chapman 2006). A subsidized interest rate applies and incentives for early repayment can be provided. This is the way in which individuals fund their higher education costs in Australia. The advantage of this type of approach is that individuals can spread the temporary costs of the early years of childbearing across their subsequent income-earning lifetimes. Alternatively, combining the two approaches, the income contingent loan from government could be a fixed base rate paid to every parent upon the birth of the child while, as suggested above, the employer-employee premiums would then raise this base to 100% of salary level. Potentially, the base payment could be tied to the 12 weeks of leave already available to new US parents through the Family and Medical Leave Act. The Australian Government is now providing a payment (not a loan) in respect of all new births that is equivalent to 12 weeks of the minimum wage. This can be considered as equivalent to a nationally-funded 12 weeks paid maternity leave at a base rate. Despite all protestations, this payment has not led to an increase in births among the 'wrong' people, teenagers and the poor.

There are also vertical equity issues in relation to the childcare proposal. If parents are able to choose their own form of care and the government funds 80 per cent of the cost, those who can afford really expensive care (a live-in, highly-educated nanny) will stand to benefit enormously. Ironically, at zero cost as proposed by G&M, poor families could also have the expensive live-in nanny. For 3-4 year olds, it would be much simpler to set up a free and universal early childhood education system for, say, 20 hours per week. New Zealand has recently done this and there is considerable political pressure in Australia to achieve this goal. Then, in relation to childcare, we are talking about only the additional hours of childcare for 3-4 year olds as well as the unspecified hours at younger ages. The current tax deductibility arrangements in the US provide some relief for these costs. Is this enough? G&M would say no. First,

their scheme is much more generous (outside the free ECEC for 3-4 year olds) than current tax deductibility. Also, tax deductibility does not create a quality childcare system, a goal of the G&M proposals. However, it is clear that G&M need to give greater consideration to what types of childcare will be supported and about funding caps. At the 2004 Australian election, the Coalition Government hurriedly released a new childcare policy that would have paid 30 per cent of the out-of-pocket expenses of parents for childcare. Within a day of announcement, the policy was modified to exclude nannies. After the election, the policy was changed again with the imposition of a cap of \$4,000 per annum. The policy is still under attack for vertical equity reasons as the \$4,000 cap is high and implies expensive childcare only affordable by the well-off.

In a footnote, G&M deal with sole parents allowing them nine months of parental leave. There are questions about why one parent should receive a longer entitlement than another. Why should a child of a sole parent be entitled to three months more of mother-care than a child in a couple family? Should non-custodial parents have a right to parental leave? Should the eligibility of a non-custodial parent be dependent upon agreement of the custodial parent (legally, the answer is almost certainly yes) and/or upon a good child support payment record? Should a stepparent have a right to non-parental leave? If so, how long does the relationship have to exist before the stepparent is eligible? What happens with same-sex couples?

Child development

Policy should be designed such that it is consistent with good child development goals. In keeping with this principle, the G&M parental leave policy provides access of the child to both parents in the child's early years. It would support at least six months of breastfeeding and mother care in the first six months of the child's life, provided all mothers are eligible. If a woman in casual employment had no entitlement to parental leave, she may have to return to work at a time that is detrimental to the child's development. The three days of casual leave for caring purposes would help out when children are sick. In Australia, this form of leave has been extended to 10 days per annum for all employees. Rights to part-time work or flexible working hours also enable parents to arrange their work lives more appropriately in relation to the needs of their children and these are included in the G&M proposals.

Could child development goals be better served if parents were able to transfer their rights to parental leave between each other? There are two answers to this, yes and no. Circumstances can be envisaged where it would be in the child's best interest to be cared for by one parent rather than the other. This would be the case, for example, if one were not a particularly good parent. It may also be the case if the child has some particular chronic need for care that is better provided by one parent rather than the other. On the other hand, it is not a very large step from these arguments to conclude that mothers are always better parents than fathers. In passing, there is another point to be made here. In general, societal arrangements surrounding young children tend to be mother-focused. Mother's groups, for example, are generally not at all welcoming of pioneer father-caregivers particularly when the conversation resolves around breastfeeding and women's bodies. In moving to a greater level of father involvement

in the early years of the child's life, it is not only leave provisions that need to be changed.

In relation to childcare, G&M propose the adoption and enforcement of standards of care. The childcare system is under-specified in the proposal and so it remains unclear exactly how standards would be raised and controlled.

The proposal makes no mention of out-of-school hours care. It should.

Labor market efficiency and business profitability

G&M seem to be acutely aware of potential objections to their policy proposals from employers. In the leave provisions, substantial notification must be provided to employers. The social insurance fund is not experience-rated. While this is designed to minimize (negative) discrimination, as described above, it could promote positive discrimination (sweetheart deals). The proposals could also give rise to the promotion of systems of employment (casual, short-term) or enterprise size (businesses broken into smaller entities) that rendered workers ineligible to receive benefits.

To the extent that these policies enable parents to maintain their attachment to the labor force during the early years of childbearing, they promote labor market efficiency and business profitability. It is important to argue that policies such as these are in the best interests of employers and the promotion of the nation's human capital. However, this is not an easy task. An attempt was made recently in Australia to provide all workers with some of the entitlements that G&M propose (right to part-time work, flexible or negotiated working hours) through the Australian Industrial Relations Commission (the Industrial Court system). The proposals were opposed by the employer organizations and the Government but were supported by the decisions of the Commission. However, before workers could take advantage of these new rights, the Australian Government changed the industrial laws such that these rights did not apply and stripped the Commission of much of its sphere of influence. Many other rights were also lost through this new legislation. The moral here is, don't underestimate the opposition. Selling these proposals to business will be a difficult task. Businesses begin with the premise that any restriction upon their employment practices will destroy their profitability. One could expect that the single most problematic G&M reform for employers will be the simplest: the specification of 37.5 hours per week as standard full-time hours.

A life course approach

A reform agenda should be based on the proposition that families have lifetime strategies based on notions of their likely lifetime income streams and career objectives. Most young couples expect to have a relatively reduced income stream when they have very young children but they also expect that their income stream will increase as the children get older. To do this, parents must maintain their human capital and their attachment to the labor force. The accumulation of human capital by both men and women, but especially by women, prior to the birth of the first child has been the driving force behind the delay of first births in most advanced countries. Women when they become mothers want to be ensured that, during the period of more intensive care of the child, the family income will be adequate and that, after

this period, they will be able to return to the labor force. This implies intensification of government and societal support in the early years of life of the child. The G&M proposals are very much in keeping with this life course perspective. A potential exception, already discussed, is that the ability to transfer leave between parents, in certain circumstances, may have better lifetime outcomes for both parents. Also, as already mentioned, there may be scope to make use of income-contingent loans that enable people to transfer income from their more affluent later years to the years where their incomes are lowered because of the presence of young children.

The life cycle approach is also relevant at the population level through intergenerational accounting. In broad terms, societies fund children and, hence, their parents so that the children can become earners who can be taxed to provide support for the next generation of children and for their parents' generation at older ages.

Simplicity and transparency

To be understood by the electorate, policy programs need as far as possible to be simple and transparent. The principle here is that people should know their entitlements, they should have a simple means of obtaining their entitlement and their entitlement should not change with every dollar change in their income, every additional hour that they work or according to a myriad of other terms or conditions. Achievement of this aim involves a tax transfer and child/parent benefit system that has largely neutral effects as people change their incomes and work force participation. Complexity also involves high administration costs – money that would be better placed in the hands of parents. A transparent system enables parents to determine their entitlements with ease in advance of their decision-making.

It is too early in their development to state whether or not the G&M proposals pass this test. As described above, there are still many important questions to be answered regarding the operation of the parental leave policies and the childcare policies.

The fiscal principle

Any reform must be within the capacity of the country and employers to pay. We can be certain that, ultimately, this principle will be imposed upon the reformer. Thus, cost must always be in the forefront of consideration. Eventually, costing of proposals is absolutely essential. The detail of the costing exercise can also unearth problems that were not previously considered. Of course, the more complex the policy is, the more difficult it is to cost – another argument for simplicity. There is a dollar cost to employers of these policies. To display what the cost actually is will have a positive impact if it is relatively small and if it can be argued that the benefits outweigh the costs. The underwriting of the leave proposals and the direct budget costs of the childcare proposals are a cost to government. How much will this be and will the US Government be comfortable about adding this cost to its already considerable budget deficits?

Political and cultural acceptability

It is obvious also that any proposed policy must be broadly acceptable in political terms. It is inevitable that governments must engage in public discussion about these

issues in order to achieve political acceptance. Only about three per cent of electors will become parents in any year and the percentage is falling as the population ages. Of those who become parents in any year, most would have done so without these policy initiatives, that is, despite our views, many are accepting of the impacts upon them of present policy settings. Thus, the policy program will be immediately and directly relevant to only a very small percentage of voters. The implication from this is that, beyond the immediate beneficiaries, governments must convince a broad range of voters that the policy reform is warranted.

The United States is a massively diverse and heterogeneous country. For example, the diversity of values in the United States is much greater than in Australia even though Australia has twice the US proportion of its population born in another country. Diversity of values makes political acceptance of reform more difficult. Selling Swedish policies in Sweden is straightforward because the vast majority of the population is so Swedish. Selling (Swedish-style?) policy in the United States, however, is a much more difficult proposition because of the diversity of values in the United States.

Practical feasibility

Aside from cost and political acceptability, new policy is easier to implement if it is not revolutionary, that is, if it builds on or modifies existing institutional arrangements. If the new policies undermine existing administrative structures and existing benefit structures for some people, they will be opposed. If the new policy requires major new administrative infrastructure, again there may be practical difficulties. If the new policy overlaps state and federal responsibilities, it will be much slower to implement because more political players are involved. My sense is that the paid parental leave provisions are radical and that there is a lot more work to be done on them before they will appear to be feasible in practice.

Government-funded childcare also raises the issue of which level of government will pay for it and which level will deliver it and/or monitor its quality. If the childcare is provided largely by the private sector, how are the fee levels to be controlled if the scheme provides a government refund of a percentage of the fees? Is the government component of the fees paid to parents or to the center?

Impacts of the G&M policies upon fertility

G&M assert that the policy proposals that they make will support US fertility at a desirable level. The emergence of very low fertility rates in many advanced countries has been attributed at least in part to the gender inequities that would be addressed by the G&M proposals.

The theoretical argument (McDonald 2000a, 2000b, 2006) is that the progress of gender equity has been variable across social institutions. As individuals, women have been able to progress rapidly in the institutions of education and employment. In most advanced countries today, young women are more likely to be enrolled in higher education than young men. It is not uncommon for more than 60 per cent of university students to be women. In a growing number of occupations, young women are able to compete equally with young men so long as they are willing to provide extended

hours of work and absolute priority to the company. However, social institutions that are related to family life such as the family itself, the tax-transfer system and employment conditions (as distinct from employment itself) have been slow to adapt to the changes that have affected women as individuals. The consequence has been that women have a clear understanding that their personal aspirations will have to be severely curtailed if they have children. Survey evidence indicates that most young women (and young men) still aspire to have children but, for many women, the choice between work and family is a highly problematic one. The gender inequity is indicated by the fact that there is no such choice for young men.

This theoretical argument has been accepted to a large extent in Europe where it is evidently the case that countries with low levels of gender equity in social policy have very low levels of fertility (under 1.5 births per woman: all Southern European and all German-speaking Western European countries). On the other hand, those countries that have gender equity policies of the type proposed by G&M have relatively high levels of fertility (1.7-2.0 births per woman: all Nordic countries, all French-, English- and Dutch-speaking Western European countries). Most European countries with very low fertility are beginning to implement gender equity policies (McDonald 2006).

Does very low fertility matter? In the short term, fewer births mean lower costs both for families and for nations. Thus, a continually falling birth rate, even to a very low level, will lead to even higher living standards. The principal short term negative effect of very low fertility is not economic but psychosocial. It can be regarded as an unhealthy social trend if those who would prefer to have children do not do so because, in their perception, society is not organized in a way that would make this easy.

In the longer term, around 25 years, very low fertility leads to sharp falls in the size of the labor force at the same time that the population from the baby-boom era is ageing into the older ages. It also means that the age of the labor force itself increases because the falls in labor supply are all at the young ages. There is an argument that young workers play a key role in economic development because, in each generation of new technology, they tend to be the assimilators of the new technology. In other words, very low fertility leads to a future demographic crunch.

The US fertility rate remains relatively high without the implementation of the policy regime that G&M propose so it could be argued that this regime is not required in the US to support fertility. However, it is evident that US fertility has been kept at a relatively high level for reasons that do not apply in other advanced countries and may not continue in the US into the future: the continued high fertility of certain ethnic groups especially Mexicans, the continuation of developing country fertility levels in some US states especially in the south west; the very early childbearing and inefficient use of contraception in the US. It remains the case that vast numbers of US women, especially those that are more highly educated, face the same gender equity issues that lead to very low fertility in other advanced countries. There is a strong argument that US policy should consider the needs of these women.

Concluding remark

It is indeed preferable to create new policy directions in a Utopian way, particularly policies that are so fundamental and important as these. G&M have done an excellent job in this regard and I would be a strong supporter of all of their policy directions – in principle. However, good ideas can founder in the specification and in the implementation. This is an area where scholars, for good reason, are often less comfortable to deal. The next stage might be a Commission set up to examine the feasibility and the implementation procedures for the policy.

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