

Family-related social benefits vs. women activity rates in the European Union

Grażyna Węgrzyn 

Wrocław University of Economics

e-mail: grazyna.wegrzyn@ue.wroc.pl

Abstract

The aim of the study is to identify and assess the impact of financial support for households on the women activity rates, including flows on the labour market. The discussion is divided into three parts. The first part explains the issues related to financial aid addressed to households in the light of the literature available. The second part contains a description of the data used and the research method used. The third part presents the results of empirical analysis conducted, while the final part presents the key findings. The analysis covered 28 EU member countries and the years 2010–2016; in terms of the labour market flows, the year 2017 was additionally included to make up for time delays. In the European Union, member states implement various forms of support for parents in bringing up and maintaining their children. Some of the benefits available translate very poorly into an increase in birth rates and – to make things worse – encourage women to leave the labour market. Mean-testing of family-related benefits often leads to women's inactivity. The more so if the woman's employment is relatively low-paid or insecure in the long run (e.g. depends on the financial or political situation in the country).

Keywords: family-related social benefits, labour market, activity rate, women, employment

JEL Classification: E24, E62, J21

1. Introduction

The economic situation of households is a very important sphere of interest for economics. It determines the potential for development of every economy. It is also of crucial importance for these aspects of socio-economic life which are usually reflected in the situation of an individual, in their position in the social structure and in their development opportunities in the broad sense (Kowalczyk, Kamiński, 2009, p. 15). Therefore, national governments implement numerous policy measures for the benefit of families. The state determines its family policy and designs a set of its instruments that can be activated in order to create conditions favouring the family – its establishment, development, functioning and its capacity to fulfil all its socially important roles (Kurzynowski, 1991, p. 8). It is not without reason, therefore, that the fluctuations of state institutions engagement in family matters, especially during periods of significant demographic, social, economic or political changes, is of particular interest to economists and other researchers.

The economic situation of households is determined mainly by the condition of the labour market. Periods of prosperity, i.e. a drop in unemployment combined with employment growth, favour an increase in household consumption, while economic slowdown periods contribute to its reduction. The task of the state is, therefore, to support households, for instance financially, during an economic slowdown and restricting such support during an economic upturn when the situation of households improves. It is worth noting that the recent economic crisis of 2007–2010 has clearly altered the climate around social policies in many countries (Szczepaniak-Sienniak, 2015, pp. 100–115). Nowadays, the debate focuses on the extent and form of government interventions in social matters and not on the admissibility of such interventions per se. Support for families with children seems particularly justified because, on the one hand, it improves the financial situation of families, and on the other it encourages having children at all.

The key issue of financial support provision is the need to prevent dependence on social benefits while maintaining the beneficiaries' motivation to be active in the labour market. The aim of the study is to identify and assess the impact of financial support for households on the women activity rates, including flows on the labour market. The discussion is divided into three parts. The first part explains the issues related to financial aid addressed to households in the light of the literature available. The second part contains a description of the data used and the research method used. The third part presents the results of empirical analysis conducted, while the final part presents the key findings.

2. Social benefits for the family – literature review

Family is usually considered a sociological category, implying a type of community whose members are bound together by ties of marriage, affinity, kinship or adoption. In economics, the ties of emotional, cultural, spatial and – above all – economic nature are definitely more important. Therefore, in the economic sciences, the subject of research is not the family, but the household (Świąch, 2013, p. 15). In economics, the family has been reduced to a consumer or household (Tyc, 2007, pp. 17–18). In traditional economic theory, family is treated as a single-person household which maximizes the utility function whose arguments are the goods and services purchased on the market (Blaug, 1995, p. 322). Nowadays, for the purposes of statistical research (Eurostat) a household is defined as either a group of persons, not necessarily related, who live together and share expenditures (a multi-person household) or a self-dependent person, regardless of whether they live alone or with others (single-person household). Family members who live together but do not share expenditures of daily life create separate households (Eurostat, *Słownik: Europejskie Badanie...*, n.d.).

Economic functions of a household result from having production factors and making them available to enterprises, which is a source of income received in the form of work pay, profits, interest, dividends or disability benefits. Another source of household income is payments transferred from the state budget. Low-income families can count on government support, including in the form of cash or non-cash (in kind) benefits. The main purpose of the benefits paid to families with children is to partially cover the expenses for their maintenance or to compensate for earnings/income lost during childcare.

In the face of the ongoing demographic changes which result in population aging, employment rates of the population have become one of the key challenges for the socio-economic policies of the European Union (Osiński, 2011, p. 151). Women employment rate seem to be of particular importance because it is definitely lower than that of men, regardless of the level of education.

The results of research on the impact of family benefits on women employment rates are contradictory. The negative influence is indicated, among others, by the studies of M. Myck, L. Morawski and P. Haan (2008), while the positive one by those of O. Bargain et al. (Bargain, et al., 2006, pp. 99–111; Yasuoka, Miyake, 2012, pp. 658–670). Among the reasons for low rates of women employment, the most commonly cited include: family model, unequal distribution of household chores, poor access to childcare institutions and inflexible working time (Wiśniewski, 2018, p. 273). Research done by G. Laroque and B. Salanie indicates that high family benefits have a positive impact on the probability of giving birth to a child, mainly the first one, but if those benefits are paid to unemployed mothers or do not depend on employment, they significantly reduce women employment rates (Laroque, Salanie, 2008). The employment rate is not sufficient to fully assess the situation of women in the labour market. Subject literature clearly lacks in-depth studies on the impact of family-related benefits on women employment rates from the point of view of labour market flows.

3. Data sources and research method

Data used in the study were sourced from Eurostat, which regularly collects and publishes data on the expenditure of individual EU member states on social protection (including benefits). The data are collected with the use of ESSPROS (European System of Integrated Social Protection Statistics) methodology standardized at the European level. In ESSPROS methodology, social protection is defined as “all the interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved (*European system...*, 2016, p. 8). There are eight functions (risks or needs) that may be covered by social

protection: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion not elsewhere classified. In order to get a fuller picture about women's activity in the labour market, apart from comparing their activity rates, the analysis also covered labour market flows, i.e. labour market transitions (*Flow statistics...*, n.d.). In the traditional division of population based on the criterion of employment rate, three basic groups on the labour market are distinguished: the employed, the unemployed (job seekers) and the inactive (Boeri, Our, 2011).

The analysis covered 28 EU member countries and the years 2010–2016; in terms of the labour market flows, the year 2017 was additionally included to make up for time delays.

The study involved a comparative analysis of: social protection expenditure as a percentage of GDP, expenditure on family benefits as a percentage of total social expenditure, the women activity rate and the flows of women on the labour market. The analysis included negative labour market flows, i.e. transition from employment to unemployment, from employment to inactivity and from unemployment to inactivity. They are presented as net inflows/outflows, i.e. the difference between inflow and outflow to specific statuses of economic activity, as expressed in thousands of people.

4. Results

Social protection expenditure is the largest item of public spending in the EU member countries. In 2016, social protection expenditure in the EU-28 accounted for 28.1% of GDP. After the 2007–2010 period of expenditure growth (from 27.8% to 28.6%), which was related to the economic crisis (there were more and more unemployment benefits paid out and decreasing GDP), in the subsequent years there was a slight decrease in expenditure and stabilization of the proportion of social protection expenditure to GDP. In the years 2010–2016, the EU-wide share of social protection expenditure in GDP decreased by 0.5 percentage points. (Figure 1). In the wake of the crisis, a majority of EU countries reduced social spending, with greatest reductions seen in Ireland (9 p.p.), Lithuania (3.7 p.p.), Hungary (3.3 p.p.) and Latvia (3.1 p.p.) but some other countries, including Finland, France, Italy and Sweden, increased their spending on social protection in relation to GDP.

Individual countries differ significantly in their ratios of social security expenditure to GDP – in 2016, the ratio was the lowest in Romania (14.6%) and the highest in France (34.3%). It is also worth emphasizing that these differences are enlarging. In 2010, the difference between the highest and the lowest ratio of social security expenditure to GDP was 16.2 percentage points, and in 2016 it increased to 19.7 percentage points.

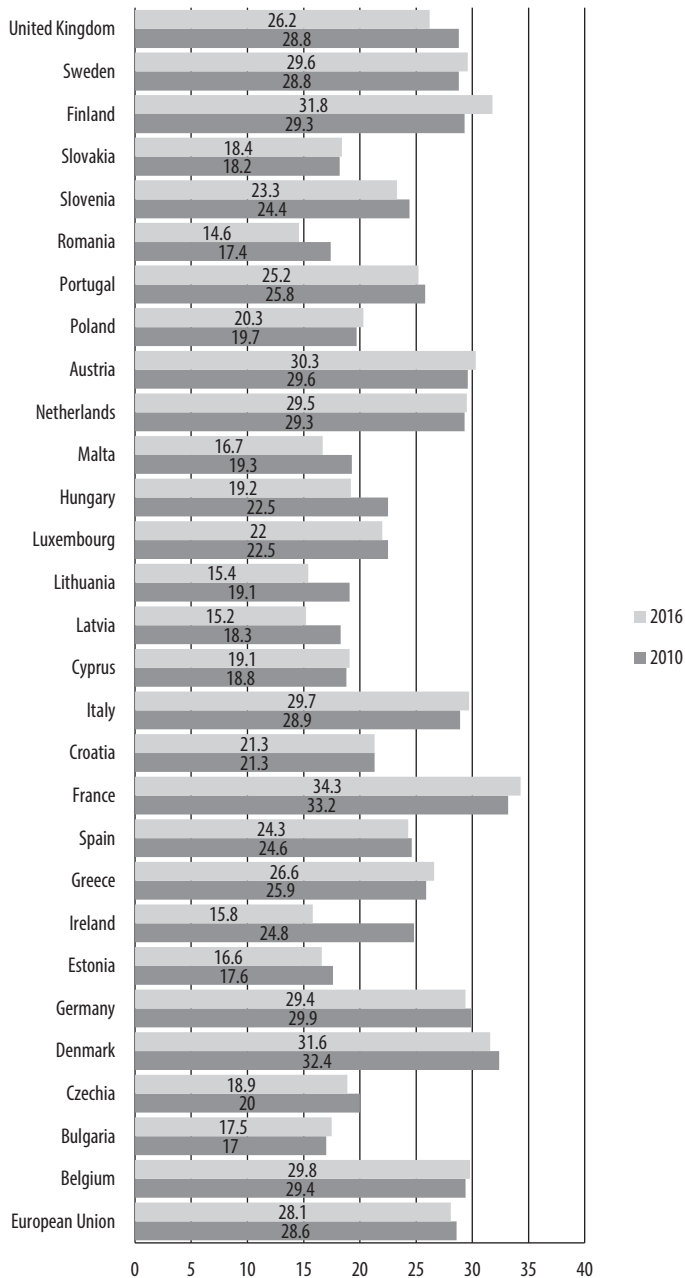


Figure 1. Social protection expenditures in the EU in 2010 and 2016 (% GDP)

Source: Eurostat.

A comparison of the income situation across EU member countries demonstrated significant differences in household incomes. In 2016, the highest levels of GDP per

capita were seen in Luxembourg, Ireland, Denmark, Sweden and the Netherlands. The EU-wide average of the GDP per capita amounted to 29,300 euro. A particularly unfavourable income situation occurred in Bulgaria and Romania, where the levels of GDP per capita were the lowest and amounted to €6,800 and €8,600, respectively.

In the European Union countries, the amount of social spending is strongly related to the level of affluence of a given country (Figure 2). Richer countries, where GDP per capita exceeds 30,000 euro, on average spend on social protection 30% more (in relation to GDP) than the poorer countries of Central and Eastern Europe. Two countries constitute an exception here and these are Slovenia, which spends much more on social protection than other countries of Central and Eastern Europe, and Ireland, which in turn is less protective than other EU-15 countries.

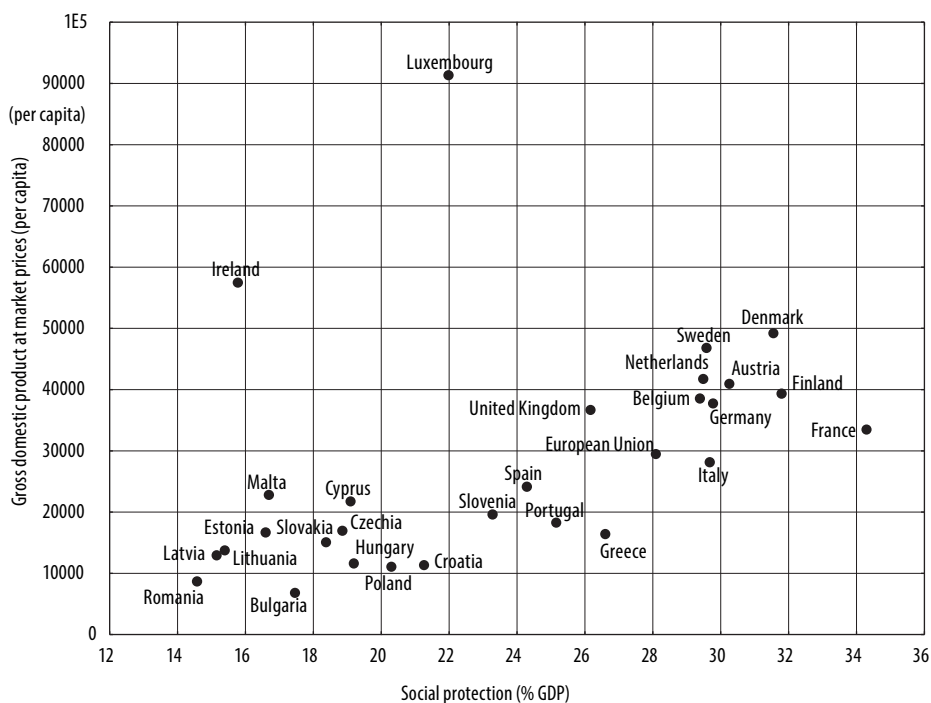


Figure 2. 2016 relation between GDP per capita (in market prices) and social protection expenditure (% of GDP) in the EU member countries

Source: own study.

In the 2016 structure of social protection expenditure in the EU, the largest part were spendings on retirement pensions and disability benefits (43.9% of total social expenditure) and sickness/health benefits (28.4% of the total). Family benefits accounted for 8.4% of the total expenditure on social protection. The average share of individual expenditure types in social protection expenditure conceals large disparities

between individual countries. The largest disparities occurred in expenditure on old-age and disability pensions, the share of which ranged from 32.3% in Ireland to 64.3% in Greece. Countries where expenditure on old-age and disability pensions constitutes more than a half of total social protection expenditure include: Italy (55.6%), Portugal (55.3%), Cyprus (55%), Poland (54.5%), Romania (53.7%) and Malta (52%). Disproportions between countries are partly related to different levels of affluence and reflect differences in social protection systems, demographic trends, unemployment rates and other social, institutional and economic factors.

In the European Union, member states implement various forms of support for parents in bringing up and maintaining their children. Some of the benefits are unconditional and others are means-tested or depend on the child's age. In most countries, the child benefit payouts grow with the total number of family offspring. Across the EU, expenses for family benefits accounted for 8.2% of total social spending in 2010 and 8.4% in 2016. Among the EU member countries there are large disproportions in family-related social expenditure. In 2010, the share of family benefits in total social protection expenditure ranged from 3.9% (the Netherlands) to 17.5% (Luxembourg), while in 2016 from 3.8% in the Netherlands to 15.2% in Luxembourg (Figure 3). A relatively low share of family benefits, less than 5% of the total social expenditure, occurred in Portugal, Greece and Italy. High levels of family-related social expenditure, in excess of 12% of the total, occurred in Ireland, Poland and Hungary. Expenditure on family benefits does not depend on the level of affluence of individual countries, as it was the case with social protection expenditure. This type of expenditure results mainly from the national tradition and the social policies adopted and implemented in individual countries. In 2010–2016, the disproportion between the lowest and the highest share of family benefits in total expenditure decreased among EU countries, i.e. it went down from 13.6 to 11. p.p. The share of family-related expenditure decreased during the analyzed period in most (21) countries, but in seven of them it increased. The largest increase was seen in Poland (5.7 p.p.), while the largest drop took place in Lithuania (4 p.p.).

In Poland, the increase in family-related social payouts from 6.8% to 12.5% was related to the governmental “Family 500 plus” program whose implementation began in April 2016. The goal of the program introduction was to improve the birth rates. Under the program, the child maintenance benefit in the monthly amount of PL 500 (ca. €120) was granted to an average of 3.87 million children up to the age of 18. The cash benefit was paid to over 2.5 million natural families, thereby increasing the disposable income of these households.

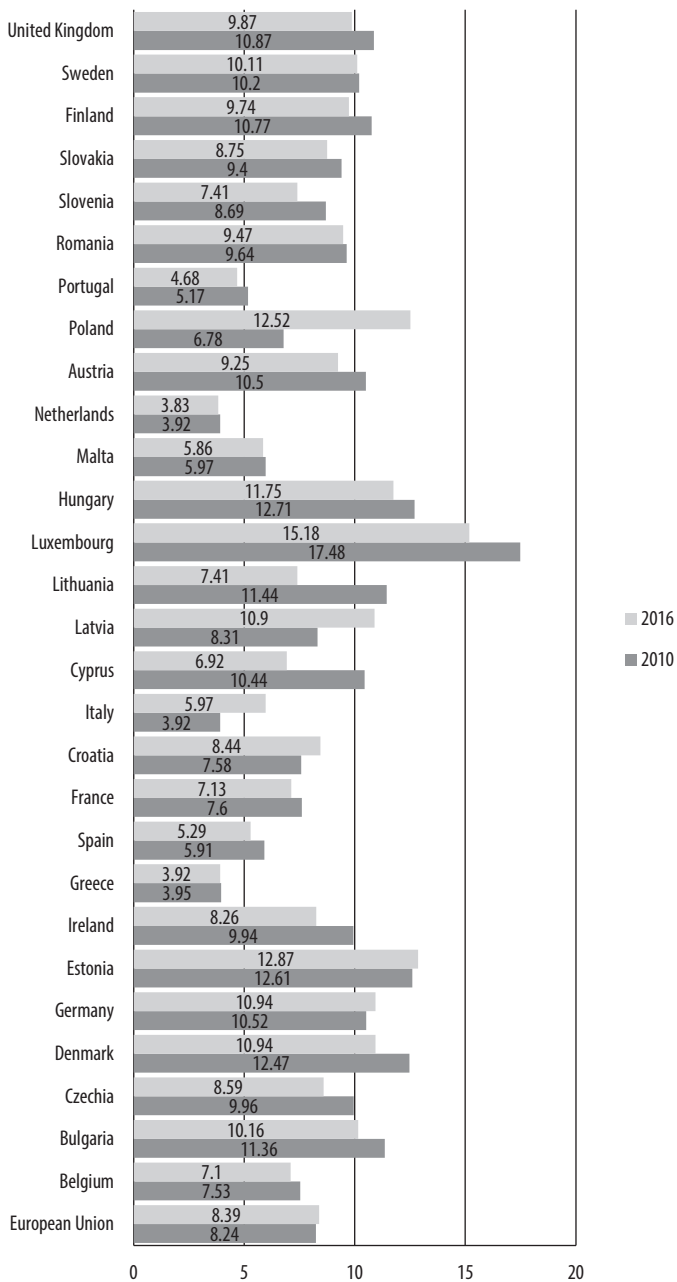


Figure 3. Expenditure on family/children benefits in the EU in 2010 and 2016 (% of total expenditure on social benefits)

Source: Eurostat.

It is worth noting that expenditure on family-related social benefits does not include every type of social benefits awarded to families or children. In many countries, family-related benefits are also available in the form of other social benefits affecting the demographics or financial situation of the family. For example, unemployment-related benefits affect the family's income situation and depend on the condition of the labour market. Expenditure on retirement or disability pensions also improve the economic situation of households and its sum total depends mainly on the age structure of the population.

In 2016, the women activity rate was 67.4% across the EU, while for men it was higher by 11.2 percentage points and amounted to 78.6% of the total male population aged 15–64 (Figure 4). The situation varied significantly between countries. The highest rate of women activity was seen in Sweden (80.2%), Denmark (77.2%), the Netherlands (75%) and Lithuania (74%). At the same time, the lowest women activity rate was observed in Italy (55.2%) and Romania (56.2%).

During the years 2010–2016, women activity rate increased by three percentage points across the EU-28, while men activity rate increased by one percentage point. The largest increase in women activity rate was recorded in Malta (15.5 p.p.), Hungary (7.2 p.p.) and Czechia (6.1 p.p.). The increase in women activity rate was observed in all the EU countries, and only in Romania the indicator remained unchanged.

Noteworthy is the case of Poland where, even though a significant increase in family-related social expenditure was accompanied by a simultaneous increase in women employment in general, the analysis of flows on the labour market demonstrated that the social expenditure increase encouraged women to transit from employment to inactivity (Figure 5). In 2017, 120,000 more Polish women went into inactivity than into employment. This means that the Family 500 Plus program, mainly due to its partially means-tested nature, does not encourage women to remain active on the labour market. The number of women who are neither employed nor seeking employment increased mainly due to the risk of losing child benefits through exceeding the income threshold.

During the period in question, the employment of Greek women decreased mainly due to their transition from employment to unemployment, which is a consequence of the still difficult situation on the labour market in Greece. Despite a slight increase in the employment of Italian women, the country has seen a very worrying trend since 2013 – a transition of women from unemployment to inactivity. The high rates of transition into inactivity among Italian women may be associated the very high rates of long-term unemployment. Certainly these flows into inactivity have increased in Italy along with higher and longer-term unemployment (Rubery et al., 2014, p. 103).

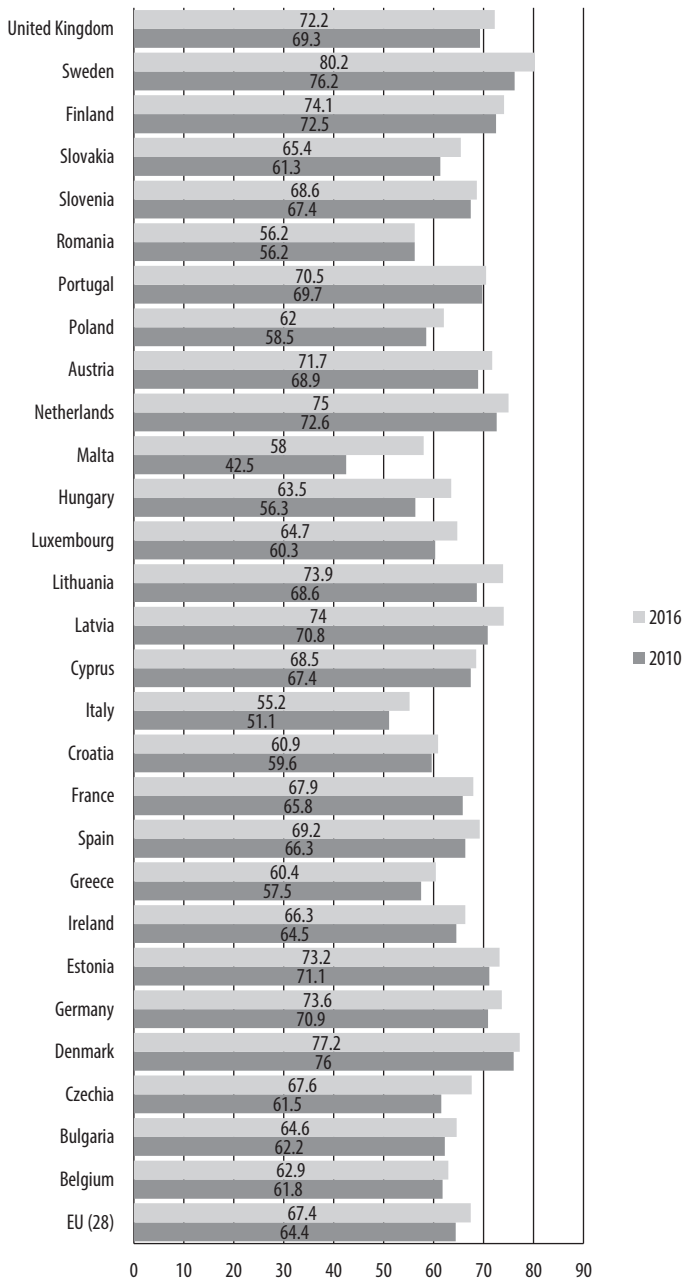


Figure 4. Activity rate of the EU women aged 15 to 64 in 2010 and 2016 (as % of the female population)

Source: Eurostat.

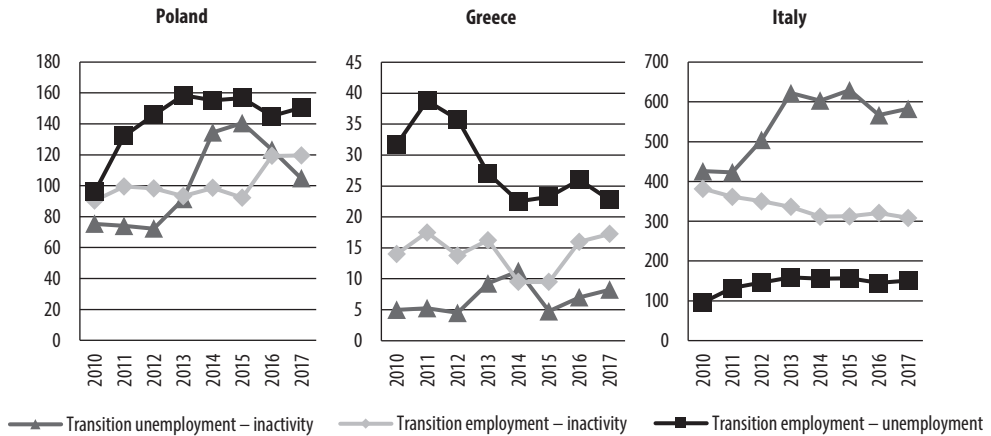


Figure 5. 2010–2017 transitions in the women labour market in Poland, Greece and Italy (in '000).
 The data refer to the annual averages of quarterly transitions, women of 15–74 years of age)

Source: own study.

5. Conclusions

The analysis results demonstrate that family-related benefits are an important instrument of family policies, affecting the reproductive decisions, the economic situation of families and the employment activity of women. Some of the benefits available translate very poorly into an increase in birth rates and – to make things worse – encourage women to leave the labour market. Mean-testing of family-related benefits often leads to women's inactivity. The more so if the woman's employment is relatively low-paid or insecure in the long run (e.g. depends on the financial or political situation in the country). In such an environment, the unfavourable flows (transition from employment to inactivity) on the women labour market intensify. It follows that family-related benefits should be long-term, stable and dependent on active employment. Achieving a stable and positive demographic trend also requires reliable and proven systemic solutions, e.g. in the form of accessible childcare or the option of switching to part-time employment.

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Świadczenia socjalne na rzecz rodziny a aktywność zawodowa kobiet w Unii Europejskiej

Celem artykułu jest rozpoznanie i ocena wpływu wsparcia finansowego dla gospodarstw domowych na aktywność zawodową kobiet. Opracowanie składa się z trzech części. W części pierwszej wyjaśniono zagadnienia związane z pomocą finansową kierowaną do gospodarstw domowych oraz przedstawiono analizę wydatków na zabezpieczenie socjalne w relacji do PKB w poszczególnych państwach Unii Europejskiej. Analiza opiera się na danych z bazy ESSPROS (European System of Integrated Social Protection Statistics). W części drugiej przedstawiono różnice w udziale świadczeń socjalnych dla rodziny w wydatkach społecznych ogółem w poszczególnych krajach Unii Europejskiej. W części trzeciej przeprowadzono analizę zmian w aktywności zawodowej kobiet oraz przepływach na rynku pracy. Wykorzystano tu mikrodane Eurostatu (Labour Force Survey) oraz Labour Market Flow statistics. Wnioski i rekomendacje z przeprowadzonej w artykule analizy zostały zawarte w zakończeniu.

Analiza obejmuje lata 2010–2016, a w części trzeciej, z uwagi na opóźnienia czasowe, uwzględniono dodatkowo rok 2017.

Państwa członkowskie Unii Europejskiej realizują różne formy wsparcia rodziców w wychowaniu i utrzymaniu dzieci. Część z tych świadczeń bardzo słabo przekłada się na wzrost dzietności, a co gorsza – zachęca kobiety do odchodzenia z rynku pracy. Wsparcie finansowe dla rodzin powinno być długoterminowe, stabilne i uzależnione od świadczenia pracy. Pozytywny i trwały trend demograficzny osiągają te państwa, które oprócz pomocy finansowej oferują także rozwiązania systemowe, na przykład w postaci opieki nad dziećmi czy możliwości zatrudnienia w niepełnym wymiarze czasu pracy.

Słowa kluczowe: świadczenia socjalne dla rodziny, rynek pracy, współczynnik aktywności zawodowej, kobiety, zatrudnienie

JEL: E24, E62, J21

