National Development Strategy Croatia 2030 Policy Note:

Family Policies

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Note

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1 Glossary

Maternity leave: A job-protected leave period reserved for mothers, generally paid at a high percentage of the previous earnings, in relation to childbirth; it most often includes a certain compulsory amount of days before and after delivery.

Paternity leave: A job-protected leave period reserved for fathers, which may be paid or unpaid, in relation to childbirth. It is most often short, and it aims to enable fathers to assist the mother immediately after childbirth and to facilitate bonding between the father and his newly born child.

Parental leave: A job-protected leave period that is shared between both the mother and the father, most often after the paternity and maternity leave periods are over. It is usually paid, albeit at a lower rate than maternity/paternity leave. In some countries the payment is proportional to previous earnings, whereas in others the benefit consists of a flat rate.

Child allowances: Cash transfer benefits provided to parents to help them cover the expenses of raising children. Most often they consist of monthly flat rate payments from the time when the child is born and until he/she turns 16-18 or 23-25 years old if still in education. The allowances may be universal or targeted and are generally tax free. In some countries there are also universal child benefits in the form of a one-off lump sum cash transfer related to childbirth.

Child tax breaks/credits: An amount that may be deducted either from the income base on which personal income taxes are calculated, or from the tax amount to be paid, based on the presence of children in the family. In some cases, the break/credit is provided for a specific type of expense, such as child-care or schooling.

Home child-care allowances: Cash transfer benefits provided to parents who decide to stay home to take care of their young children instead of taking them to childcare. They most often consist of a flat rate amount that compensates for the parent’s loss of income derived from reducing their working time or leaving their job for a certain period of time – normally until the child turns 3 years old.
2 Introduction

This note summarizes recent literature in the area of family policies and fertility in Europe and analyzes policy options for Croatia based on several case studies. The aim of this note is to provide the Croatian government with some potentially useful lessons to address the growing demographic and related policy challenges described in further detail in the sections below. In particular, the note focuses on the objective of raising the fertility rate through family policies that promote more balanced parenting. With that purpose in mind, the note explores policy options for Croatia based on its current situation, history of family policies, and cultural norms. The note explores the experiences of a mix of EU countries that could offer potentially interesting lessons, including those of France, Finland, Germany and Sweden. Based on all the former, a set of recommendations are presented.

The structure of the note is as follows: In section 1, we present a short summary of the note. Section 2 describes the unfolding demographic trends in Croatia, with a focus on the declining fertility rate and related challenges. Section 3 presents the existing family policies in Europe, the available international evidence of their associations with fertility and childrearing, and an overview of the family policy system in Croatia. Finally, Section 4 provides some lessons learned and recommendations based on the specific cases of France, Sweden, Finland, and Germany, which could serve as relevant references for Croatia. Reviews of family leave policies and family allowances in the EU may be found in the annexes to the Note.
3 Overview and summary

3.1 Main challenges

The population of Croatia is declining and ageing rapidly, which poses substantial social, economic and fiscal challenges for the country. The ageing of the population is marked by an increase in the proportion of people >65 years old and a decrease in the number of children and the working age population. These trends have been driven by improvements in life expectancy, persistently low fertility rates and the high net out-migration rates of mostly young people over the last decades. This situation presents important challenges, such as an increasing financial strain on the pension system and the mounting burden of long-term needs on health care services. These challenges are common across many European countries including France, Sweden, Finland and Germany, rather than exclusive to Croatia.

To address the implications of these demographic changes effectively, Croatia needs to develop and effectively implement a complex combination of policies. First, labor force participation and employment rates must be increased in order to sustain economic growth and fund public spending (that is directed towards the growing pension and health care needs). Second, given the particular migration profile of Croatia, where out-migration surpasses immigration, adequate and effective immigration management policies are called for. Finally, effective policies to increase fertility have become an urgent priority. Family policies are one of the main instruments employed by countries seeking to foster demographic renewal through increased fertility. For the purpose of this note, family policies include parental leave policies, family allowances, and childcare service provision for children under 3-years-old.

3.2 Opportunities for development

Family policies can fulfill different goals. Traditionally, family policies have served the purpose of fighting child poverty and diminishing the negative income impact on childbearing families. More recently, the objective of facilitating women’s labor market inclusion and a better gender balance in the distribution of child rearing responsibilities has gained importance across countries. In this context, promoting an increase in the fertility rate among women by easing the work-childbearing dilemma has also been a significant goal of family policies in Europe, even if it has not been explicit.

Croatia’s family policy system does not adequately reconcile the work-childbearing dilemma, although improvements have recently been made. Although the Croatian family policy system offers a combination of allowances, leave policies and child care services, it falls short of addressing the issue. For example, public investment in families remains relatively low, especially when considering the country’s income level. In addition, the system does not encourage a more balanced distribution of child rearing responsibilities between men and women, and women are still generally considered to be responsible for all child related activities in Croatian society. The existing allowances do not seem to be beneficial enough to out-weigh the career costs women face when having children.

For example, parental leave has been increased, and there have been considerable investments in kindergartens/child daycare with extended working hours and additional programs.
The need to conciliate work and family lives better can only be expected to grow in the future. The opportunity costs for childbearing and childrearing women have been traditionally high in Croatia, in terms of their negatives on women’s high educational attainment and labor market inclusion. These opportunity costs may have increased in recent years. Despite evidence shows that views regarding gender roles in childrearing and housework are slowly modernizing, Croatian women still spend much more time on these activities than men. Still, although patriarchal views are still extremely prevalent, there is some indication that Croatian women’s aspirations have been changing over time. As a result of these trends, the need for policies that help solve the work-childbearing dilemma for women is likely to increase.

3.3 Key policy recommendations

Sweden and France are examples of countries that have successfully reversed declining fertility trends (Figure 1). Even though isolating the impact of a sole policy or a package of policies presents difficult evidence-based and methodological challenges, this result has been associated with an adequate combination of different family policies. Sweden and France follow different family policy models; however, they have both prioritized keeping women in the labor force. It must be noted that, in Sweden, immigration appears to have also played a relevant role, since the fertility rate of immigrant women is much higher than that of natives. This is not the case in France. ²

On the other hand, countries like Germany or Finland, which have systems more akin to Croatia’s show persistently lower fertility rates. Like in Croatia, traditional values regarding the role of mothers in child rearing have prevailed in both countries. Despite marked differences in Germany’s and Finland’s family policy system designs, the common trait is that both have traditionally encouraged mothers to stay at home to raise children, and in both cases fertility rates have remained considerably below replacement levels and the EU average. However, Germany has recently introduced reforms to improve the gender balance in childrearing responsibilities; these reforms may already be showing some results in the form of rising fertility.³

³ https://www.dw.com/en/are-family-policy-reforms-to-thank-for-germanys-rising-birth-rates/a-43188961
On the basis of the experience of European countries that have managed to increase fertility rates, and juxtaposing it with the situation in Croatia, the following measures could be considered. A dual-earner and dual-caregiver model should be promoted in Croatia, along the lines of those observed in Sweden and France. This would include supporting women’s labor market inclusion through a better gender balance in the distribution of childcare responsibilities. For that purpose, it is recommended to:

(1) introduce mandatory paternity leave and/or improve incentives for fathers to take parental leave, for instance, by making the remuneration during leave proportional to their previous salaries;

(2) expand access to quality formal childcare for children below the age of 3, including through the reduction of existing inequalities in access to quality care;

(3) work on changing social attitudes and norms regarding the role of women vis-à-vis that of men; promote the positive effects of formal childcare and the impact of facilitating women’s labor market inclusion on fertility rates; and

(4) better evaluate the possibility of further increasing the monthly child allowance; current amounts are low by EU standards, while large increases are likely to represent considerable costs to the government with probably little impact on fertility.
4 Demography and Family Policies in Croatia

4.1 Main Challenges

According to UN population projections, by 2030 a quarter of Croatians will be older than 64. If current demographic trends continue, by the year 2030 the population of Croatia will have decreased to well below 4 million people. At the same time, the number of people above 65 years old will amount to around 1 million, which represents a large increase – of around 250,000 from 2013. Within this group, more than 250,000 will be within the “oldest” category of the elderly population (aged 80+) (see Figure 2).\(^4\) As a result, dependency ratios will increase substantially over time. In 2015 there were around 6 dependent people per 10 working-age persons in Croatia; by 2030, it is projected that there will be about 7 dependents per 10 working-age people; and by 2100, the figure is expected to increase to around 9 dependents per 10 working-age people (see Figure 3).

Figure 2: Population pyramids for Croatia

\(^4\) Akrap et al. (2013)
Source: UN Population Division 2019

Figure 3: Dependency ratio in Croatia

The shrinking and ageing population could have important implications for Croatia’s economic and social prospects. With the decrease in the proportion of working age people, the size of the labor force will also be on the decline. The large proportion of women and older population groups that are still not participating in the labor market will offer an important untapped source of additional labor to grasp in the coming years. Otherwise, the diminishing size of the labor force can be expected to have strong negative repercussions on economic growth, as well as on tax and social security revenues. This, in turn, will ultimately limit the amount of funding available for social policy expenditures, such as pensions, health-care and long-term care.

Current population projections indicate a considerable challenge for the country’s pension system. As the proportion of working-age people contributing to the social insurance system decreases and the number of older people in need of pensions increases, the sustainability of the system worsens. The pension system in Croatia is a mixed model which combines a first “pay-as-you-go” (PAYGO) pillar and, since 2002, a funded ‘defined-contribution’ pillar. The cost of the PAYGO pillar has been
continuously increasing over time, and so has the system’s deficit, which in 2017 reached approximately €2.2 billion.\textsuperscript{5,6} The deficit of the system can only be expected to grow in light of the current demographic trends.

The large and growing proportion of elderly people in the population also exerts pressure on the country’s health system. This is mostly due to this group’s heightened need for long-term care services and other health related needs - combined with the more limited funding available. For example, according to a new survey one in two Croatian respondents in the 50+ group has been diagnosed with at least two chronic diseases throughout their life.\textsuperscript{7} The prevalence of dependency and chronic conditions during old age entails the need for government-provided specialized care that would otherwise have to be provided by the family. Adjustments to the current public health and social care and welfare services are required in order to address the needs of the large elderly population in a better, fiscally sustainable manner.

Different policy alternatives could contribute to addressing these challenges. First, increasing the labor force participation of population groups in which labor market engagement is lower, such as women and older people, will be key in the near future. Second, proper management of (in- and out-) migration flows will also be necessary. Moreover, in order to discourage the out-migration of prime working age people, the provision of adequate economic opportunities in Croatia will be crucial. Finally, moving forward, policies that can help to boost the fertility rate will be required. As noted above, this note will focus on this last type of intervention.

At the forefront of the challenge that Croatia faces is the question of how to increase the fertility rate, which, at 1.4 total births per woman,\textsuperscript{8} is considerably below replacement levels and the EU average. Fertility rates in Croatia have been low since the 1970s. At the same time, the childbearing age has been continuously on the rise. While in the 1980s the mean childbearing age was around 25 years, more recently it has increased to around 30 years of age. There is also some evidence that limited economic opportunities and young people’s desire to maintain their independence may be potential obstacles to parenthood.

Since 1990 there have been two peaks in the country’s fertility rates (Figure 4). The first was in 1997, when the rate reached almost 1.7, and the second in 2009, at the onset of the global financial crisis, where the rate was close to 1.6. The peak at the onset of the global financial crisis coincided with a period in which living standards in Croatia were at a high point. The data also shows that fertility declined in the 1980s and 1990s; this trend may have been related to the economic uncertainty that existed during that period. Indeed, current evidence suggests that economic stability plays a role in fertility; for instance, the last global economic crisis was associated with a general decrease in fertility rates across European countries.\textsuperscript{9}

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\textsuperscript{5} Vukorepa (2018).
\textsuperscript{6} Although under the current rules public expenditure on pensions is expected to decrease up to the year 2060, the low level of benefits will have to be raised in the near future if generalized old-age poverty is to be averted - Werding and Primorac (2016).
\textsuperscript{7} Akrap et al. (2013).
\textsuperscript{8} Eurostat
The career costs of having children have, for a long time now, been high in Croatia. Already during the socialist period and before the dissolution of the former Yugoslavia, the educational attainment of women and their labor market inclusion were high, meaning that the opportunity costs of having children were also high. The growing economic opportunities in today’s Croatia have increased the professional career prospects for many women, thereby increasing the potential economic loss associated to having children. For instance, today almost 40 percent of children are born to mothers who have some form of tertiary education. Ten years ago, this figure was half that amount (20 percent).\(^\text{10}\)

Traditional views concerning the social role of women vis-à-vis men might have begun to change. In Croatia, as in other post-socialist countries, a return to traditional family values and customs, and the traditional division of family and societal gender roles (“re-familialization”) was observed in the 1990s, following the end of the socialist regime.\(^\text{11,12}\) However, there are signs that the situation might be starting to change\(^\text{13}\) as, in a recent study, almost the same percentage (47 percent) of men and women considered that both genders should assume an equal share of responsibility for housework.\(^\text{14}\) Similarly, a recent study in Zagreb found that many married women in Croatia see motherhood as a social obligation and indicated that the number of highly-educated urban women not committed to motherhood is likely to increase.\(^\text{15}\)

A better gender balance in family responsibilities will be key to reconciling decisions regarding fertility and life aspirations. The same study highlights that it is the group of married women committed to the dual role of mother/worker that offers some promise for raising the fertility

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\(^{10}\) Cipin and Ilieva (2017)

\(^{11}\) Esping-Andersen, in reaction to the ‘feminist criticism’, introduced the distinction between familialistic and de-familialising welfare states. De-familialisation is “the degree to which households’ welfare and caring responsibilities are relaxed either via welfare state provision or via market provision”.

\(^{12}\) Blum and Rille-Pfeiffer (2010)

\(^{13}\) Vucovic (2007)

\(^{14}\) Bertek and Dobrotić (2016)

\(^{15}\) Obradović et al. (2011)
rate in the future. This group could benefit from the increased engagement of the father in childrearing responsibilities, and from public support for exercising their dual role.\textsuperscript{16} Indeed, when it comes to the practical division of tasks in the household, women still perform the majority of housework, and they usually spend more than twice the amount of time each day engaged in child care responsibilities in comparison to men.\textsuperscript{17,18} About one third of males, as opposed to one fifth of females, believe that women should be primarily in charge of raising children.\textsuperscript{19}

In addition to fertility, migration trends also appear to be playing a relevant role in Croatia’s demographics. The total population in the country is also shrinking due to high net emigration rates. It is estimated that the country lost around 200,000 people between 2007 and 2017;\textsuperscript{20} in 2015 alone around 30,000 people emigrated. Moreover, a large share of emigrants is of prime working and potentially child-bearing age. The available evidence suggests that almost 50 percent of those who emigrated in 2015 were between 20 and 44 years old. However, the availability of accurate migration data that would allow for the proper monitoring of this phenomenon remains limited; more research on migration trends and their potential impact is required.\textsuperscript{21}

\textsuperscript{16} Obradović et al. (2011)
\textsuperscript{17} Ombudsperson for Gender Equality (2016)
\textsuperscript{18} European Parliament (2017)
\textsuperscript{19} Bertek and Dobrotić (2016)
\textsuperscript{20} Čipin et al. (2017)
\textsuperscript{21} Stubbs and Zrinscak (2017)
Migration trends in Croatia

Since the transition, Croatia has become a net out-migration country, probably due to economic difficulties and declining living standards. The country’s net migration problems have continuously been felt since the country joined the EU; immigration and out-migration have increased, with the latter out-weighting the former. The difficulty in obtaining accurate data on this phenomenon remains an obstacle to research.

Immediately after the dissolution of Yugoslavia in 1991, a mass wave of out-migration was registered. Highly-educated unmarried young people with a high labor potential were more likely to consider migrating over that period, resulting in a considerable brain drain and potential fertility loss for the country.\(^{22}\)

Then, throughout the 1990s and for most of the first decade of the 2000s, Croatia was a country of net immigration, mainly of citizens from other parts of the former Yugoslavia.

Since Croatia joined the EU in 2013, despite the lack of data, it is believed that another mass wave of out-migration has unfolded. The latest figures (CBS, 2017) suggest that 36,436 people emigrated in 2016, although it is believed that the true figure is probably higher. Available data suggests that the majority of emigrants are of prime working age. A recent study (Župarić-Ilijić, 2016) also suggests that some 50 percent of emigrants had completed secondary education and around 8 percent had attended/completed higher education.\(^{23}\)

Out-migration has made the Croatian one of the countries (when compared with similar states) with the largest diaspora population. It is estimated that approximately 3 million Croats and their descendants live abroad.\(^{24}\) Germany is one of the main destination countries.\(^{25}\) Concerning immigration, most immigrants (amounting to over 10,000 people in 2014) come from neighboring countries.\(^{26}\)

4.2 Opportunities for development

4.2.1 Family policies in Europe

Family policies are a key component of the European welfare state, along with pensions, healthcare and education. Family policies seem to have gained more importance in recent years, with the growing relevance of gender relations, changes in the make-up of families, and increases in female employment.\(^{27}\) Recently, welfare states have indeed attempted to change their focus towards being more responsive to new social risks related to the transformation of gender relations and to the decline of the “male-breadwinner” model.\(^{28}\) For the purpose of this note, family policies will include leave policies, family allowances, and childcare service provision for children below 3 years of age.

There are different family policy models in the EU. Nordic countries most often provide comprehensive support to working parents with children, through a combination of generous parental

\(^{22}\) https://aemi.eu/croatian-migration-history-and-the-challenges-of-migrations-today/

\(^{23}\) Stubbbs and Zrinsčak (2017)

\(^{24}\) Knezović and Grošinić (2017)


\(^{26}\) Knezović and Grošinić (2017); https://esa.un.org/miggmgprofiles/indicators/files/Croatia.pdf

\(^{27}\) Eliason et al. (2008)

\(^{28}\) Neyer (2013)
leave and widely-available childcare services; the focus of these systems is on social and gender equality. English-speaking countries, on the other hand, provide much less in-kind support to families, while financial support is targeted to lower-income families. Continental European countries stand somewhere between these two categories. Southern European countries offer very limited public support to families, as they tend to rely on the family network itself as a replacement. The situation among Eastern European countries varies.  

4.2.1.1 Leave policies

Maternity, paternity and parental leave provisions are one of the main elements of family policies in the EU. These programs aim to provide some income replacement immediately before and after the child is born, and for a period of time when the child is between 0 and 3 years old. Leave policies exist in all EU countries, although their parameters vary widely. Countries where public social investment is higher, tend to offer more generous and longer leaves. This is for instance the case in all the Nordic countries, which are considered to be the international reference in this area. Western Balkan countries also appear to offer particularly long leaves. On the other end of the spectrum, Southern European countries have some of the shortest and least generous systems in the region.

The length and generosity of leave benefits are the two main determinant characteristics. The average length of maternity leave in the EU is 21.8 weeks, well above the minimum recommended by European authorities (14 weeks). The average length of paternity leave is 1.4 weeks, with most countries having leaves of between 10 and 20 working days. The parental leave available to the mother averages 43.8 weeks, whereas that reserved for fathers is 4.9 weeks. Both of these figures are well above what is recommended by the European institutions – who recommended a minimum of 4 months total leave, where 1 (non-transferable) month would be allocated to fathers. Eastern European countries tend to have the longest leaves, although their generosity tends to be lower.

Eligibility rules and flexibility are other key design features. Leave benefits are tied to social contributions and are therefore restricted to women who were working at the time of child-birth. There is not much flexibility in maternity leave and taking all or part of the leave is obligatory in most countries. The most common forms of flexibility in paternity and parental leave policies are in relation to the time period during which the leave can be taken. Many countries only permit women to reduce their working hours specifically during their child’s early months. In some, there is a legal right to request flexible working hours from employers (see Annex 1 for more details).

Despite the existing differences, there is a trend towards finding a better balance in the distribution of childrearing tasks between men and women. One of the main mechanisms used to decide the length of maternity leave in a way that can strike a balance between the objectives of protecting the child and of securing the labor market inclusion of women, is remunerated paternal and parental leaves. There is evidence that such measures increase the time that fathers spend with their children. Fathers’ use of parental leave is highest when it is not-transferable, is well-paid and is accompanied by other family-friendly policies, such as flexibility regarding working hours.

Incentives for fathers’ uptake exist across countries. Sweden stands out as a country where gender balance is the best, largely due to the existing incentives for men’s uptake of parental leave. Following Sweden’s example, other countries in Europe, such as Germany, have replaced maternity and

29 Blum and Rille-Pfeiffer (2010)
paternity leave with shared parental leave with “mommy” and “daddy” quotas. Some countries have introduced additional incentives to more effectively encourage fathers to share in the responsibility for children. Iceland offers another example of this type of system; each parent has 3 months of leave reserved, and 3 additional months can be divided between them based on their own personal preferences.\footnote{30}

**Most EU countries, including Croatia, consider the period of leave or child-care in their calculation of pensions.** An important tool in European Union countries’ systems to reduce the “gender pension gap” is compensation for career breaks for child-care, which entail respect for maternity or care leave in the national pension systems. This can be achieved by attributing pension rights or making contributions towards future pensions for parents from public funds.\footnote{31} Countries as diverse as Sweden, Switzerland, Denmark, Spain, Croatia, Estonia and Romania, for example, mandate some form of state coverage of pension contributions (see Box below).

### Pension benefits and leave policies

The contribution is based on the earnings of the beneficiary over the leave period. While the benefit most often replaces the entire amount of the preceding salary during maternity leave, and therefore the pension contribution remains the same, over parental leave more diverse arrangements exist. For instance, in countries where, as in Croatia, the parental leave benefit is set at a low flat rate, parents experience a loss of salary and of contributions to the pension system. It must be noted that not all countries provide state contributions over the period of leave for unemployed or inactive parents.\footnote{32}

Some countries compensate a parent who reduces their working hours, or who temporarily leaves the labor market, through pension supplements. This supplement to the pension, which is qualified through amount/time, is aimed at parents who take the largest responsibility for childcare. The Swedish system, for instance, provides an extra pension supplement for parents who earn a lower income during the child’s first four years.\footnote{33} Under the German system, the main caregiver receives pension credits for childrearing time (Kindererziehungszeit). For each child born after the \textsuperscript{1st} January 1992 three years of childrearing are recognized in the pension system. Each year of recognized childrearing time entails a monthly pension increase of €28.14 in Western and €25.74 in Eastern Germany. Pension credits for childrearing are currently paid through Germany’s contribution-based pension system.\footnote{34}

As a result of these diverse rules, the extent to which the career break is compensated differs from country to country. In Italy, Denmark, Germany and France, for instance, parents can expect higher pensions compared to those without career breaks. However, parents in Luxembourg, Bulgaria, Estonia and Latvia can expect a reduction.\footnote{35}

4.2.1.2 Child allowances

**Another important family policy are child benefits.** These benefits are usually in the form of cash transfers, either universal or income-tested. All countries have some form of monthly child allowance until the child turns from 16 to 21 years old, and up to 26 years old under certain conditions, such as the child being in education or disabled. Some countries, for example, pay enhanced child benefits for

\footnotesize{30} Blum et al. (2017)
\footnotesize{31} European Parliament (2017b)
\footnotesize{32} Blum et al. (2017)
\footnotesize{33} Blum et al. (2017)
\footnotesize{34} Blum et al. (2017)
\footnotesize{35} European Parliament (2017b)
children with disabilities, children of single parents and orphans. The generosity of these allowances varies across countries. Moreover, the amount of the benefit may vary with the age of the child, birth order, or the total number of children in a family.\textsuperscript{36}

**Most countries in the EU have universal child cash transfers.** Some arguments in favor of universal family benefits include the fact that they favor horizontal equity, reduce moral hazard and allow for more administrative simplicity, given the complexity of means-testing. Arguments against universal allowances, however, include prejudices regarding the possibility of them being mis-spent, the fact that they might end up leading to welfare dependency among certain beneficiaries, and the need to concentrate the existing resources on those children who need them the most.\textsuperscript{37}

**Figure 5: Public spending on family/child benefits as a share of GDP (2015)**

Countries in Eastern Europe spend, on average, much less on family/child benefits than other EU countries. As may be seen in Figure 5, countries such as Romania, Slovakia, Slovenia, Poland, the Czech Republic, Bulgaria, Lithuania and Latvia show a GDP percentage of total expenditure on child and family benefits below 2 percent; the EU25\textsuperscript{38} average was 2.4 percent in 2014. In addition, the benefits are among the least generous. For a couple with two children (aged less than three and seven years, respectively) where one of them earns 50 percent of the average wage, the average monthly benefit per child is €26.30 compared to €161.66 in France, Germany, the Netherlands and Sweden.\textsuperscript{39}

**4.2.1.3 Tax breaks/credits**

**Besides direct cash transfers, tax family relief and credit measures also exist.** Family-favorable tax treatment may be built into the standard tax system or provided through allowances or credits related to

\textsuperscript{36} Bradshaw et al. (2015)
\textsuperscript{37} Bárcena-Martín et al. (2016)
\textsuperscript{38} EU-15 + Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.
\textsuperscript{39} Bárcena-Martín et al. (2017)
the number of children. Countries such as Germany, Austria, France, the Netherlands and the UK have such fiscal provisions for parents of children under 18 years of age. Tax breaks for families in particular are a widely used family support tool in countries such as France and Germany, where they account for as much as 0.7 and 0.9 percent of the GDP, respectively.

**The size of tax incentives differs across countries, as does their design.** In some countries, children are taken into consideration in the calculation of the taxable family income. This is the case, for instance, in France. In other countries, a deduction is applied to the initially taxed amount. Most countries appear to have an upper limit of a maximum family income for the deduction to be applicable. This is the case in the UK, the Netherlands, and France. Fiscal relief to stimulate the use of childcare services may also be included in family benefits spending packages. Child-related expenses such as childcare or childminder salary costs may, for instance be tax-exempt in France or Germany.

In addition, and depending on how they are designed, tax systems may either encourage partners to work, or not. If net transfers to the government are higher when there are two earners than when there is only one, one of the partners in the couple may be encouraged to give up work. The opposite is true when two earners make lower net contributions than one. According to a recent study, in two-thirds of OECD countries it pays more for a couple in a family to be dual-earners. However, in countries such as Germany many single-earner couples pay less taxes than dual earner households. In 2015 Germany introduced a minimum wage that may eventually contribute to significantly altering the existing incentives.

### 4.2.1.4 Childcare Services

The third main family policy considered in this note is the provision of childcare services. The availability of quality formal childcare services also varies across European countries. A recent study found that childcare is perceived to be more accessible in countries that do not allow private, commercial and profit-making services, but rather adopt a harmonized early education and care system and provide generous public support. It has also been found that informal care is more common in countries where part time work options for women do not exist.

Formal early-education provision seems to be on the increasing across EU countries. The majority of European children enroll in some form of formal education before the age of 5. Attendance rates for children under three vary from less than 10 percent (Czech Republic, Slovakia), to over 50 percent in Belgium, Denmark, France, Iceland, Luxembourg, Malta, Netherlands, and Norway.

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40 OECD (2017)
42 OECD (2017)
43 OECD (2017)
45 OECD (2017)
46 Ünver et al. (2018)
47 Bordone et al. (2017)
48 Bradshaw et al. (2015)
Attendance rates for children over three are uniformly much higher. Accessible formal childcare systems are not as well-developed in Eastern Europe as in the rest of the European Union.49

Only a few European countries ensure that there is no gap between the end of parental leave and the start of childcare. Only Denmark, Finland, Malta, Norway, Slovenia, and Sweden have legal entitlements before the child’s first three years, with full-time places available in all cases except Finland, where this entitlement is not necessarily full-time. It is only in these countries that policies are designed to ensure that there is no gap between the end of paid parental leave and the start of childcare. Elsewhere, the gap can be anywhere in between 12 and 66 months.50

Informal family (grand-parental) care is still very common, and especially so in Southern and Eastern European countries, including Croatia. Accessible formal childcare systems are not as well-developed in Eastern Europe as in the rest of the European Union.51 According to the EU-Survey on Income and Living Conditions (SILC) (2016) less than 2 percent of children under 12 in Croatia attended a childcare facility, which is the second lowest percentage among all EU countries, after only Latvia. In addition, as many as 92.3 percent of Croatian respondents that did not use formal childcare services reported not doing so primarily because they did not consider it necessary; this is the second highest percentage among all the countries included.52

4.2.2 Can family policies impact the fertility rate?

Family policies have traditionally been driven by different objectives, including increased fertility. Fighting poverty (especially child poverty), compensating families for the costs of having children, fostering employment, improving gender equity, providing support for early childhood development, and raising birth rates are the most common aims of family policies. The balance between these objectives differs across countries, giving shape to different policy packages. Raising the fertility rate is rarely an explicit objective of family policies, although it is often seen as a positive by-product.

Reconciling work and family commitments is key to sustaining high female employment and birthrates.53 Female labor force participation is not an obstacle to attaining increased fertility. On the contrary, it is the countries where women’s labor market participation is the highest that show some of the highest fertility rates among high-income countries.54,55 Career costs are one of the main constraints on women having children; hence, all policies that can help to decrease these costs for women may be expected to encourage fertility.56

Family policies, such as paid leave and the provision and availability of quality childcare, have important implications on female labor market participation. Job protection, for example, leads to a substantial increase in the participation of mothers with children under 6.57 However, maternity leave

49 Bordone et al. (2017)
50 http://www.leavenetwork.org/fileadmin/Leavenetwork/Annual_reviews/2017_Leave_Review_2017_final2.pdf
51 Bordone et al. (2017)
52 https://ec.europa.eu/eurostat/documents/2995521/8681785/3-20022018-AP-EN.pdf/59fcfa7-0c72-48a6-8603-899b5b730773
53 OECD (2017)
54 OECD (2017)
55 Thévenon (2011)
56 Adda et al. (2017), OECD (2017)
extensions have been less successful than the enactment of paternity leave in increasing female labor force participation.\textsuperscript{58} Female labor market outcomes have been shown to be affected by the availability of affordable childcare in countries including Chile, Brazil, Russia, Romania, Argentina and Colombia.\textsuperscript{59} On the other hand, it is important to note that home care allowances may have a negative impact on female labor force participation.\textsuperscript{60}

**Family policy programs can help to increase fertility, although they may come at a considerable cost.** At a cost of 21 billion PLN (4.9 billion euro) Poland’s family 500+ is estimated to have increased childbirth rates in the country by 13-15 percent in December 2016 and January 2017 respectively.\textsuperscript{61} However, the degree to which these increases are attributable to the program is unclear, as other family support measures were also introduced at around the same time. Despite this, the program is expected to have a considerable impact on child poverty. Simulations suggest a decrease in poverty rates among children from 12 to 3 percent once the program is in effect. Nevertheless, due to the magnitude of the transfer there are concerns that it may have a considerable impact on labor force participation among eligible mothers.\textsuperscript{62}

**Evidence from other countries also supports the notion that family policies may help to raise fertility.** The evidence of the positive effect of family allowances on fertility appears to be broad, as reflected in analyses from countries as diverse as Spain, Norway, Germany and Korea.\textsuperscript{63} However, the evidence of the direct effect of family policies on fertility is often inconclusive (see Box below).\textsuperscript{64} The existing research additionally concludes that extensive childcare support can have a considerable impact on fertility.\textsuperscript{65} As an example, a 10 percent increase in childcare subsidies has been found to increase total fertility rates by 0.4 percent.\textsuperscript{66,67} Different studies also confirm that leave policies can lead to a decrease in childlessness and increase continued childbearing.\textsuperscript{68}

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\textsuperscript{58} Schonberg and Ludsteck (2007)  
\textsuperscript{60} Thévenon & Neyer (2014)  
\textsuperscript{61} The Polish government launched the Family 500+ program in April 2016, with the goal of boosting birth rates and reducing child poverty. Under the Family 500+ program parents receive 500 PLN (120 Euros) per month for the second and any consecutive child until they turn 18 years old. Less well-off families with an income under 800PLN per family member are eligible for the benefit for their first child as well. Additionally, receiving the benefit has no impact on eligibility for other benefits.  
\textsuperscript{62} https://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=9104&furtherNews=yes  
\textsuperscript{63} Kalwij (2010), Bárcena-Martín et al. (2017), Son (2018)  
\textsuperscript{64} Thévenon & Neyer (2014)  
\textsuperscript{65} Thévenon (2010)  
\textsuperscript{66} The average number of children born to women belonging to the same cohort once they have reached the end of their reproductive life (in practice at the age of 50). It is the sum of the age-specific fertility rates of a cohort.  
\textsuperscript{67} Kalwij (2010)  
\textsuperscript{68} Duvander et al. (2016), Kalwij (2010), OECD (2017), Riphahn and Wiynck (2017), Lappegard et al. (2008)
The effects of family policies on fertility

A review of literature by Lotablier et al. 2009 shows that the links between policies and demographic decisions in EU Member states are inconclusive. No evidence of a direct causal impact of policy on the decision to have children was found. Frejka & Gietel-Basten (2016), the first paper to ever conceptualize an overview and analysis of CEE family policies, concludes that most family policies “in CEE countries are facing a variety of challenges that impede them from helping to generate optimal family welfare and to provide conditions for cohort fertility to increase.”

4.2.3 Family policies in Croatia

Croatia’s public investment in families remains low for European standards. Croatia is among the countries in Europe that spend the least on family policies, on par with Portugal, Latvia and Lithuania (see Figure 6). When comparing spending on families with GDP per capita (see Figure 7) it appears that Croatia slightly under-spends in this area relative to its level of income. In contrast, the best performing countries in Europe (e.g., Sweden, Finland and Denmark) tend to overspend on families, given their GDP per capita.

Figure 6: Spending on family per capita (per child)

![Figure 6: Spending on family per capita (per child)](image)

Source: Data from Eurostat 2013
The length of leave, all things considered, remains comparatively low. Croatia provides a maternity leave of 180 days or 30 weeks, means-tested child benefits from the third child onwards, and childcare facilities that are attended by 16.9 percent of 0-2-year-old children (2014 OECD) and 51.6 of 3-year-old children (2016 Eurostat)(see below). Although the length of the maternity leave is high for EU standards, when all leaves – maternal, parental and paternity – are considered, Croatia is still below the EU average, at the level of Lithuania and Romania (Figure 8).
Croatia’s paid leave system

For Croatian mothers, an obligatory paid maternity leave of 28 days before childbirth and 70 days after the birth exists. Mothers are also entitled to additional paid maternity leave with job guarantee until the child reaches 6 months of age. After that, shared parental leave of up to eight months exists for each parent. If only one parent takes it, it lasts only six months. Parental leave increases to 15 months per parent from the third child onwards, or in the case of twins. Parents can additionally claim extended parental leave for children younger than eight years, which is remunerated at a flat rate. Maternity and parental leave is also provided to unemployed parents – at a minimum flat rate of 310 euros per month. Paternity leave - exclusively reserved for fathers - does not exist in Croatia.

Maternal and parental leave are remunerated at 100 percent of the wage base; however, parental leave is capped at 532 euros per month – which was recently increased from 80 to 120 percent of the base – during the first 6-8 months, and the rest of the leave is remunerated at a flat rate of 310 euros per month. Therefore, employed parents on leave maintain their pension insurance, and the contributions are paid by the state. Unemployed and inactive parents entitled to exemptions from work/care for a child also have the right to pension insurance paid by the state until the child turns one year old. The contribution is fully replaced by the State over the maternity leave period, since the benefit amounts to 100 percent of previous earnings. However, during the parental leave period the benefit is only a low flat rate; therefore, for those parents who have salaries above the flat rate, taking the leave also entails losses in terms of pension contributions.

The system’s generosity is low for European standards. For parental leave the average payment rate (i.e. the proportion of gross earnings replaced by maternity benefits) amounts to only 33.6 percent, which is one of the lowest percentages among European countries (Figure 9). The OECD full rate equivalent (FRE) shows that, due to the low remuneration during parental leave provided in Croatia, the FRE in weeks for total paid leaves available to mothers is only 38.7 weeks, compared to 30 weeks for maternity leave - the second highest FRE compared to other OECD countries (see annex 1 for more details).

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70 http://ec.europa.eu/social/main.jsp?catId=1104&intPageId=4454&langId=en
71 https://www.beobachtungsstelle-gesellschaftspolitik.de/l/04d661be68.pdf
73 http://ec.europa.eu/social/main.jsp?catId=1104&intPageId=4454&langId=en
74 Blum et al. (2017)
75 http://ec.europa.eu/social/main.jsp?catId=1104&intPageId=4454&langId=en
76 Indicates the length of the paid leave in weeks if it was paid at 100% of previous earnings.
Figure 8: Length of paid parental, maternal and paternity leave in EU countries – weeks

Source: http://www.oecd.org/els/family/database.htm

Figure 9: Average payment rate of parental and care leave reserved to fathers (%)

Source: http://www.oecd.org/els/family/database.htm
Monthly child allowances in Croatia are also of limited generosity up until the third child, and only apply to those below a certain low level of income. Parents under a very low threshold of income can claim child benefits. The benefit amounts to between 27 and 40 euros per month, depending on the level of income. This allowance can be claimed up until the child’s 15th or 19th birthday. Families with more than 3 children are additionally eligible for a birth grant of 60 euros per month for the third child onwards. The amount of benefit is increased by 15 percent for children with one parent, and by 25 percent for children without both parents, or for those with health impairments. In the case of severe health problems, the income threshold does not apply. Since the amount has not been adjusted for inflation over the last ten years, an effective loss of about 17 percent purchasing capacity has been registered for beneficiaries. A one-time cash assistance for new-born children also exists (see below).

One-time cash assistance for new-born children

All parents, even those outside the labor market, may be eligible for this benefit, as long as they are nationals, or foreigners that have resided in the country for longer than five years. The amount is 70 percent of the calculation base, which in 2015 amounted to around 310 euros. A recent government proposal included the introduction of a child allowance in the amount of HRK 100 for families with low average income – between 1,663 and 2,195 HRK per month per family member.

In addition, there is a substantial gap between the supply of and demand for childcare services. Before the dissolution of the former Yugoslavia, Croatia had a broad network of affordable quality childcare services that operated throughout the day; however, today the use of childcare remains limited. Despite recent efforts to expand access to formal childcare, Croatia is still one of the countries where early childcare attendance is lowest (within the EU). Important regional differences exist in the availability of formal childcare, but the demand appears to be systematically higher than the supply, predominantly in larger cities and for children between 6 months and 3 years of age. Other reported problems include inadequate schedules, or the prioritization of employed parents, which leaves those looking for a job at a disadvantage.

Not only is the current investment low; the family policies’ system in Croatia also does not solve the employment-childrearing dilemma. As in other Central and Eastern European countries (e.g. Lithuania, Poland or Romania), the family policy system in Croatia offers a combination of maternal leave, child benefits and child care services that, although providing a certain degree of support, does not really solve the so-called employment-childrearing dilemma.

Fathers in Croatia hardly use their leave, probably due to its limited generosity. According to the latest official data for 2018, fathers account for 7.9 percent of all users of parental leave.

77 Less than 50 percent of the calculation base of 221 euros a month per member of the household.
79 http://ec.europa.eu/social/main.jsp?catId=1104&langId=en&intPageId=4455
81 Zloković and Nenadić-Bilan (2017); MISSOC (2018); EC (2017)
82 Frejka, T. and Gietel-Basten, S. (2016)
83 http://www.prs.hr/attachments/article/2645/Izvješće%20o%20radu%20Pravobraniteljice%20za%20ravnopravnost%20spolova%20za%202018.%20godinu_.pdf
Considering the limited generosity of parental leave, which is capped at a low threshold, it seems unlikely that many parents – other than the unemployed or those with very low-income – and in particular fathers, will find parental leave attractive (see next section). In addition, it must be noted that from the third child, and in the case of twins, there is no incentive for fathers to take leave, since the total amount of leave does not change if it is not shared. Probably in connection with this, but also due to the prevalence of patriarchal social norms, women, and especially those with children, appear to continue to suffer discrimination in the Croatian labor market.\(^{84}\)

Recent survey data and research shows that social and cultural beliefs surrounding child rearing and leave uptake are still quite traditional in Croatia. In a 2013 survey conducted in Croatia, only 64.8 percent of women and 55.2 percent of men disagreed with the statement that it is a man’s job to earn money and a woman’s job to care for the home and family. Around 75.5 percent of the participants thought that paid leave should be used exclusively or mostly by the mothers, while 74.7 percent thought that the most desirable way of organizing the family (and the family’s work life balance) is when the mother is at home or works part-time, while the father works full-time.\(^{85}\) According to another recent study, 49 percent of men and women believe that it is solely the mother’s responsibility to use the entire parental leave.\(^{86}\) This confirms that although many positive changes have taken place in recent years, Croatian society still has got a long way to go to achieve both equal parenting and gender equality.\(^{87}\)

Croatian parents are entitled to parental leave and the system offers incentives for both parents to take up the leave. Each parent may take 4 or 15 months of parental leave, depending on the number of children. If only one of the parents were to take the leave it would be for 6 or 30 months, depending on the number of children.

The Croatian system opens space for one of the parents to work part time to provide care for children in need until they are 3 years old. The right to part-time work may be exercised by one parent, either employed or self-employed, after parental leave and until the child is three years old but is exercised only if the child is in need due to health or development issues. The health assessment of the child must be done beforehand by a medical expert. For them to receive financial support, the child may not be cared for by others, or spend more than four hours a day in public education facilities. The care-giving parent has the right to a continued payment of wages by their employer according to the actual hours of work performed, as well as a flat rate of about € 219 (2016). Parents can also claim the right to part-time work for the child’s entire childhood.\(^{88}\) Municipal supplements exist. For instance, the City of Zagreb has recently introduced a home care allowance for parents who stay at home with their children.\(^{89,90}\)

The most disadvantaged families appear to be particularly affected by the lack of adequate childcare services. In Croatia’s least economically developed regions, the number of children per preschool teacher is too high in relation to the regulatory limit, which may compromise the quality of

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\(^{84}\) EC (2017)

\(^{85}\) Maskalan, A. (2016)

\(^{86}\) Jugović, I. (2016)

\(^{87}\) Maskalan, A. (2016)

\(^{88}\) https://www.beobachtungsstelle-gesellschaftspolitik.de/f/04d661be68.pdf

\(^{89}\) EC (2017)

\(^{90}\) It should be noted that research evidence, as discussed already, suggests that extended leave policies related to childbearing do not encourage fertility per se. In contrast, it is the incentives for father uptake and therefore the support for labor market participation for mothers and the availability of child care services that do have a more significant effect on fertility.
the services offered. In addition, parents still pay a large share of the total cost of childcare – 30-40 percent of the full price. The cost of childcare represents from 7 to almost 16 percent of the net average salary in Zagreb and the Krapina-Zagorje county, respectively. However, international evidence, for instance from pre-schooling programs such as Head Start in the USA, indicates that it is precisely lower-income children that may stand to benefit the most from quality formal childcare. 

The existing tax allowance system appears to favor higher income families. Tax allowances were applicable for all families until January 2018. The amount to be deducted from the individual income for dependent children was HRK 1,750 (236 euro) for the first, HRK 2,500 (337 euro) for the second and HRK 3,500 (472 euro) for the third. As the income of the family grew, so did the tax break. As a result, this measure tended to disproportionately benefit higher income families. Only recently did the government begin to plan to abolish these allowances, so that they would be distributed equally to all children. The abolition of some of the tax breaks entered into force in January 2018.

While family policies might be helpful to parents in Croatia, they do not seem to be having a marked effect on childbearing. Indeed, the country’s fertility rates have constantly decreased over the last decades, from 1.8% in 1970 to 1.4%3 in 2016, while the mean age of women at their first birth increased to 30.1 years old in 2016. In addition, female labor force participation (FLFP) rates remain low – the FLFP rate in 2016 was 45% compared to, for instance, 51% in France or 55% in Germany. This, however, offers a large labor force reserve. As seen above, the generosity of the family policy system tends to be comparatively low in Croatia, therefore it offers little compensation for the opportunity cost of having children, and the system does not really promote the shared responsibility of men and women for childrearing. Moreover, some survey information and studies have highlighted the high prevalence of labor market discrimination against pregnant women in the country.

4.3 Case studies: Family policies in Sweden, Finland, France, and Germany

4.3.1 Different approaches

Different family policy systems coexist in Europe. Different categories of countries can be identified based on the main characteristics of their family policy systems and, more broadly, of their welfare state model. For the purpose of this note, we have chosen to study the case of two of the most paradigmatic Nordic welfare states; Sweden and Finland, and two of the most representative Continental welfare states: France and Germany. These four countries offer particularly interesting and diverse experiences in the area of family policies, as well as varied results. The summary table below displays some of their most significant features around two opposed approaches to childrearing and thus family policies: the

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91 Zlokovic and Nenadic-Bilan (2017); MISSOC (2018); EC (2017)
92 Ibid
93 Ludwig and Philips (2008)
95 http://taxsummaries.pwc.com/ID/Croatia-Individual-Deductions
97 https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS
98 http://www.oecd.org/els/family/database.htm
99 Spadina (2016)
progressive prevailing dual earner/dual caretaker model, and the traditional one (male) bread-winner model.

Although on the surface the Finnish and Swedish family policy systems may look similar, important differences exist. The existing incentives in the Finnish system appear to lead to disproportionately large shares of mothers choosing to stay home with their children, at the risk of damaging their lifetime professional prospects. Additionally, the incentives for fathers to increase their uptake of parental leave in the Swedish system seem to have led to a much better-balanced distribution of work and family responsibilities between both parents, which is far from what can be observed in Finland, where it is still mostly mothers who take most of the leave. External childcare is also much more accessible in Sweden than in Finland. Different social norms and beliefs about the benefits of external vis-à-vis parental childcare appear to be among the main drivers of these different policy objectives and programs.\textsuperscript{100}

France and Germany also differ in their prevailing mentality with regards to working mothers and childcare. While in France motherhood and work are not generally seen as incompatible, this has not always been the case in Germany. These different social norms are reflected especially by the insufficient provision of quality childcare - and on a whole day basis - in Germany, vis-à-vis France, where the supply is broad and highly subsidized.\textsuperscript{101} However, there seems to have been some convergence between the two countries’ family policy systems in recent years. Germany is making a significant effort to expand the supply of center-childcare options for families, after introducing significant incentives for fathers to share more effectively in the responsibility for children through new and improved parental leave systems.\textsuperscript{102}

As discussed, Sweden and France outperform Finland, Germany and Croatia with regards to fertility rates. As shown in the figure below, the decline in fertility rates over the last decade has been lowest in Sweden and France, which have become international reference points in this area. Finland has also managed to keep fertility rates at a comparatively higher level than other European countries - although they are far below those of Sweden or France - while Germany and Croatia still show similar below EU-average fertility rates. The labor market inclusion of women is also high in all four countries - 55 percent in Sweden, Germany and Finland, and 51 percent in France - compared to 45 percent in Croatia. However, it is important to note that almost half of all employed women worked part-time in the 3rd quarter of 2017 in Germany, compared to 17, 29 and 31 percent in Finland, France and Sweden, respectively, and a low 6.4 percent in Croatia.

\textsuperscript{100} https://cdn.uclouvain.be/public/Exports%20reddot/demo/documents/CQ16_Duvander.pdf
\textsuperscript{101} OECD (2017); Fagnani (2012)
\textsuperscript{102} Fagnani (2012)
It must also be noted that migration may play a role in fertility trends. As much as 29 percent of the children born in Sweden in 2016 were of foreign origin. In 2016, female immigrants to Sweden had a total fertility rate (TFR) of 2.22, which was well above the (still, comparatively high) 1.78 of women born in Sweden. Evidence shows that birth rates are higher during the first years in the country, but gradually decline thereafter. Indeed, a recent study showed that, on average, second-generation immigrant women have fewer children than Swedish women. In the case of Germany, as in Sweden, immigrant women’s fertility rates are higher than those of local women (see the section on Germany). In France, on the other hand, immigration does not appear to have any relevant effect on fertility. Without women born abroad, the TFR would only be 0.1 lower, according to the available sources. In addition, the behavior of immigrant populations also tends to converge with native standards over time.
<table>
<thead>
<tr>
<th>Two earners model</th>
<th>Traditional one bread-winner model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Is there paternity leave?</strong></td>
<td><strong>Is there relevant support for home child care?</strong></td>
</tr>
<tr>
<td><strong>Length and generosity of leave</strong></td>
<td><strong>Childcare attendance</strong></td>
</tr>
<tr>
<td><strong>Is parental leave shared in practice?</strong></td>
<td><strong>Is the focus on family allowances?</strong></td>
</tr>
<tr>
<td><strong>Is there subsidized childcare when parental leave is over (e.g. after 1 year)?</strong></td>
<td><strong>Does the system encourage fathers to care for their children?</strong></td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td><strong>Finland</strong></td>
</tr>
<tr>
<td>No. There is a father parental leave quota of 12 weeks within the parental leave.</td>
<td>Yes, there is a paternity leave of 9 weeks.</td>
</tr>
<tr>
<td>Longest in the world: around 68 weeks. High generosity levels: for 290 days 80 percent of gross income capped at 105 euros per day; for the rest, at 20 euros per day.</td>
<td>Maternity leave of about 21 weeks; parental leave of 26 weeks shared between both parents. In 2012 the average level of parental payments was 75 percent of their previous salary. If the parent was not employed, a minimum per diem of 24 euros is paid.</td>
</tr>
<tr>
<td>Yes. Today almost 90 percent of fathers take parental leave. In 2016, 45 per cent of recipients were men, although on average mothers took 89 days and fathers 39 days.</td>
<td>In 2013, only 9% of parental allowance payments were to fathers; fathers took an average of 24 days of parental leave. Between 1995 and 2013 the share of parental leave days taken by fathers increased by 140%.</td>
</tr>
<tr>
<td>Yes. All parents are guaranteed either a place in pre-school or a municipal child home care allowance that entitles one parent to stay at home with the child.</td>
<td>Yes. Child care available from the end of parental leave. Fees depend on family income and the number of children.</td>
</tr>
<tr>
<td>High: 46.9 percent of 0-2-year-olds are enrolled in formal childcare in 2014.</td>
<td>Low: 27.9 percent of 0-2-year-olds were enrolled in formal childcare in 2014.</td>
</tr>
<tr>
<td>Yes. Tax-exempt payment of approximately $387 USD per month if a parent stays at home with the child.</td>
<td>Yes. Home care allowance of 341 euros per month until the child turns 3 for one child under 3 and 66 euros for siblings between 3-7 years. Many municipalities encourage home care through supplements to avoid high costs of childcare.</td>
</tr>
<tr>
<td>No, although they exist and are generous. There is a universal child allowance of around 115 euros per month per child up to age 17, with additional supplements for more than one child.</td>
<td>Yes. There is a universal child allowance from the first child, of 95-173 euros per month for one to more than four children, until they turn 17 years of age.</td>
</tr>
<tr>
<td>Yes. Three months are reserved for the father and are remunerated proportionately to his salary, at a high level. There is a fiscal bonus.</td>
<td>Around half the parents with 9-24-month old children were receiving the house care allowance in 2013, and 35 percent received a municipal supplement. However, only 6 percent of them were fathers. Since 2013, each parent may use no more than half the total allowance of 832 days.</td>
</tr>
</tbody>
</table>

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105 [http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do](http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do)  
<table>
<thead>
<tr>
<th>Country</th>
<th>Parental Leave</th>
<th>Childcare</th>
<th>Financial Incentives</th>
<th>Other Social Norms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>Maternity leave of 30 weeks remunerated at 100 percent of previous salaries; parental leave of 6-2 months per each parent if shared, capped in the first 6-8 months and paid at a flat rate later, which makes the average payment around 33.6 percent of previous salaries.</td>
<td>In 2015 fathers accounted for 4.54 percent of all parental leave taken.</td>
<td>Yes, although the demand is higher than the supply, large regional differences exist, and lower income families seem to be at a disadvantage.</td>
<td>The system has some elements that encourage shared responsibilities, but not enough to effect a change. Women are still considered the main child caregivers, although some progress can be observed in female aspirations and related social norms.</td>
</tr>
<tr>
<td>Germany</td>
<td>No. 8 weeks of parental leave are reserved for fathers. If both parents take parental leave, it is paid for 14 months – instead of 12.</td>
<td>The share of children whose fathers took parental leave increased after the 2007 reform: from 20.8 percent in 2008 to 34.2 percent in 2014.</td>
<td>Low: 32.3 percent of 0-2-year-olds were enrolled in formal childcare in 2014. Important differences between West and East.</td>
<td>Women are still seen as the main children caregivers although this is changing. The system provides financial incentives for men to share leave, and increasingly more men are engaging in childrearing.</td>
</tr>
<tr>
<td></td>
<td>Up to 3 years of shared parental leave – 28 months. First 12 months paid at 67 percent of average income, capped at 1,800 euros per month. The parents can work but no more than 30 hours per week. Unemployed parents receive 300 euros.</td>
<td>Yes. The supply has increased over recent years, although it is still insufficient and very uneven across Germany.</td>
<td>From 2013 a home care allowance existed of 100 euros per month, raised to 150 in 2014, if a parent stayed at home with the child after parental leave. It was abolished in 2015 and this was left to the regions.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yes. The universal child allowance depends on the number of children (from 194 to 225 euros per month depending on the number of children) until they turn 18.</td>
<td></td>
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</tbody>
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108 http://www.oecd.org/els/family/database.htm
109 http://www.oecd.org/els/family/database.htm
4.3.2 The case of Sweden

The family policy system in Sweden is considered to be one of the most comprehensive and effective in the world. Sweden is considered the archetypal Nordic welfare state, characterized by very strong social and family policies, along with high levels of gender equality. Indeed, the country records one of the strongest positions in terms of the inclusion of women in the labor market and has one of the highest fertility rates - almost at replacement levels - among Western countries, as well as very low levels of child poverty. These very positive outcomes are largely attributed to the ambitious family policies package that exists in the country, which combines flexible leave and working hours for parents with young children, as well as affordable, high-quality childcare, and generous spending on family benefits.110,111

In particular, Sweden has one of the most advanced and generous leave systems. In 1974 Sweden became the first country in the world to allow both parents to take time off from work to take care of their children, promoting the involvement of men in childcare and of women in the paid labor market.112 For children born in 2016 or later mothers and fathers each have the right to 3 remunerated months of leave that cannot be transferred (mammamånad or ‘mother’s quota’ and pappamånader or ‘father’s quota’), while there is flexibility on how to distribute the remaining 10 months between them.113 Out of the 64 weeks or 16 months of parental leave, 13 months are remunerated at 80 percent of the most recent salary, with a ceiling of 51,000 euros per year in 2016; the rest are remunerated at a fixed rate of 21 euros per day.114 A particularity of the Swedish system is the so-called “speed premium” (see below).

The Swedish “speed premium”

The speed premium was introduced in the Swedish system in the 1980s. A parent remains qualified to receive the same compensation for parental leave if an additional child is born or adopted within 30 months of the birth or adoption of an earlier child – i.e. if they space their births sufficiently closely, they are guaranteed to avoid any reduction in allowance from one parental leave to the next. This is economically significant mainly for parents who reduce their working hours (and income) after the first child, since it keeps them at a higher benefit level. This is commonly referred to as the ‘speed premium’. The speed premium represents a clear incentive to families to have children at relatively short intervals; indeed, it has been found to affect childbearing dynamics.115

Different reforms have been made over time to promote fathers’ leave uptake. Given that a minimum for fathers did not exist, when the systems started to first be implemented they barely took parental leave: only about 0.5 percent of fathers did so in the first year. In 1995 a minimum of one month was established for fathers and mothers that was not transferable.116 This minimum was extended to 2 months in 2002 and was then increase up to the current 90 days in January 2016. The generosity of the

112 Wells and Bergner (2014)
113 European Platform for Investing in Children, Sweden profile
114 European Platform for Investing in Children, Sweden profile
115 Andersson (2008)
system has also grown over time. Both the introduction of the one-month father’s quota in 1995 and its extension in 2002 led to more fathers taking more leave. In 2008, a gender equality bonus was established. A study on the effects of these reforms found that the reservation of the first month to the father was the most effective, while the bonus did not show any impact.

**Sweden additionally provides generous child allowances.** A universal monthly child allowance of 1,250 SEK or around 116 euros is paid to parents from the child’s birth until she/he turns 16. Supplements exist from the second child on. Housing and educational allowances also exist, depending on the number of children under 16 living in the household and on the family income. The housing allowance also depends on the size of the accommodation and the costs. It is most often single-parent families that receive this allowance, given that an income threshold is applied.

**Good quality subsidized childcare from the age of 1 is available to all children born in the country, operating on a whole-day basis.** For children under 3, childcare is heavily subsidized; fees are proportional to parental income (3 percent of the gross salary capped at 1,382 Swedish Krona or around 139 euros), and it is free for children between 3-6 years of age for 15 hours a week. The expansion of childcare in the country has been built largely on publicly subsidized and publicly run center-based services and collective care arrangements. A home-care allowance also exists in some municipalities for parents who wish to stay home to take care of their 1-3-year old children; however, it has gained limited popularity. The amount offered is low (325 euros per month) and it is conditional on the parents taking a certain amount of parental leave.

**Swedish mothers and fathers today have the best balance between family and work responsibilities in Europe.** Today, almost 90 percent of fathers take parental leave, and the female employment rate is similar to that of men. Although the flexibility of the system entails that most of the leave is assumed by women, men use a much higher share of the leave than that observed in other European countries. In 2016, 45 percent of parental leave benefit recipients were men, compared to 55 percent who were women, although on average mothers took 89 days and fathers 39 days in that year. The proportion of total days used by men has slowly increased. In 2000, fathers took about 12 percent of all parental leave days used during the year; by 2017, this number had increased to almost 28 percent.

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117 Duvander y Johansson (2012)
118 Duvander y Johansson (2012)
119 Couples that shared the leave would obtain a fiscal credit: for each day that the mother returned to work and the father took the leave the mother would accumulate a fiscal credit of 10 euros to be used next year.
120 Duvander y Johansson (2012)
121 European Platform for Investing in Children, Sweden profile; OECD (2017)
122 https://sweden.se/society/play-is-key-in-preschool/
124 European Platform for Investing in Children, Sweden profile
126 European Platform for Investing in Children, Sweden profile
127 EU (2018)
Support available to a newly-wed couple expecting their first child in Sweden: \textsuperscript{129} The case of Lars and Agnes

Lars (32) and Agnes (28) are a newly-wed Swedish couple living close to Stockholm and expecting their first child. Lars is a freelance website manager and makes around 2530 euros per month net. Agnes works as a marketing assistant in a small company and makes 1,897 euros per month. Before making the decision to have a child, they studied the kind and extent of public support available to them.

Firstly, they could take 16 months of shared leave; for about 13 months, the benefit would amount to 80 percent of their salary, capped at 105 euros per day. This would provide sufficient compensation for both parents to share it. Both parents would take the 12 weeks (3 months) reserved to each of them, + 3.5 months each. They would also receive fiscal credits for the period of shared leave. Agnes would take the remaining leave (3 months), receiving the flat rate benefit of 21 euros per day.

Secondly, and after that, they could easily put the child into childcare, in a high-quality center nearby, paying a fee proportional to their salary, and therefore affordable to them; the maximum fee would be 139 euros per month.

Thirdly, they will be eligible for a child allowance of 116 euros per month until the child turns 16 years old; this benefit could help cover the costs of childcare up to 3 years, when it would become free.

\textsuperscript{4.3.3 \textsuperscript{130}}, The case of Finland

\textbf{The Finnish family system's most salient feature is its clear focus on the dual choice model.} From the 1990s, families had the freedom to choose between enrolling their children in day care or caring for them at home. The 1973 Child Day Care Act granted the right to day care for all children who needed it and led to a significant increase in public funding for day care. However, providing day care places to all children was found to be too expensive, leading many municipalities to pay supplementary allowances to parents who did not use this right. A national child home care allowance system - described in further detail below - was established in 1985 and took full effect in 1990. Given that women usually work full-time, this led to a reduction in female labor force participation. \textsuperscript{130}

\textbf{The family policy system has also tried to encourage shared responsibility for child rearing.} Finland was the last Nordic country to adopt the maternity allowance system, in 1964. Since 2013, a paternity leave of nine weeks or 54 days has replaced the daddy month that existed from 2003. \textsuperscript{131} Maternity leave is provided for 105 working days and parental leave, which can be shared between both parents, starts immediately afterwards, for a period of 158 days. \textsuperscript{132} The proportion of gross earnings replaced by maternity/paternity leave ranges between 74.6/70.5 percent for people making 50 percent of the average wage and 67.6/61 percent for people making 150 percent of the average wage. For parental leave, however, it decreases to 27.8 and 12 percent. \textsuperscript{133} A maternity grant is also provided in the form of a maternity package, or a lump-sum of 170 euros. \textsuperscript{134} Maternity leave is included in the

\textsuperscript{129} For this exercise, we will assume that the man makes the net average wage in the country while the woman makes 75 percent of the average wage.

\textsuperscript{130} https://www.perfar.eu/policy/family-children/finland

\textsuperscript{131} https://www.perfar.eu/policy/family-children/finland

\textsuperscript{132} http://ec.europa.eu/social/main.jsp?catId=1109&langId=en&intPageId=4514

\textsuperscript{133} OECD

\textsuperscript{134} https://www.kela.fi/web/en/maternity-grant
beneficiary’s pension accumulation on the basis of 117 percent of the yearly earnings from which the leave benefit is calculated. For an unemployed beneficiary or a student, the pension is accumulated as if the earnings were €718.92 a month.\textsuperscript{135}

Although a large percentage of fathers take paternity leave, in most families the bulk of the parental (shared) leave is taken by the mother. The parental leave system appears to place a higher cost burden on female-dominated sectors.\textsuperscript{136} Salmi & Lammi-Taskula (2015b) report that the share of fathers claiming paternity leave from 1 to 18 days has increased from 40 per cent in the 1990s to 83 per cent in 2013. In Finland, about half the fathers currently take paternity leave (they take on average 3-6 weeks until the child turns two), while the mother is also at home; but only 5 percent of fathers take the share of parental leave that can be taken by either parent. Approximately 20 percent of fathers do not take any leave.\textsuperscript{137} Fathers with a better socioeconomic position and fathers working in the public sector are more likely to claim parental leave, but for shorter periods than those with less education and lower earnings. The Finnish government has recently launched a campaign to encourage fathers’ greater engagement in childrearing.\textsuperscript{138}

\begin{center}
\textbf{The ‘It’s Daddy Time!’ Campaign}
\end{center}

Often fathers think they are not needed. They are also worried about the financial and career implications if they take leave. In some cases, the unawareness of the available leave may hinder fathers’ leave use. Salmi and Lammi-Taskula (2015) found that about a fifth of all fathers did not even acknowledge the existence of the Finnish two-week period that was reserved exclusively for fathers in 2006.\textsuperscript{139} The National Institute for Health and Welfare in Finland presented a project called ‘Visible Fathers’ which aims to: (i) encourage more fathers to take parental leave; (ii) increase awareness of paternity leave; and (iii) promote positive attitudes and practices in this regard. The Finnish project includes a 3-week media campaign called 'It's Daddy Time!' The campaign emphasizes the benefits for families, workplaces and society through ads on the radio, websites, testimonials, outdoor marketing materials, the internet and social media.\textsuperscript{140}

\begin{center}
\textbf{The dual choice system appears to be tilted towards women staying at home, which presents specific challenges.} The childcare allowance for children under 3 years old is 338.34 euros per month; the maximum municipal supplement is 181.07 euros.\textsuperscript{141} Given the large local supplements, it has been argued that the financial incentives embedded in the dual choice system tilt the balance towards mothers choosing to stay at home. This is believed to have a negative impact on the career prospects of women and the pursuit of gender equality in the country.\textsuperscript{142} In 2013, the government decided to divide the child home care allowance period between parents, so that each parent could use no more than half of the total allowance of 832 days.\textsuperscript{143} Almost nine out of ten Finnish families use the child home care allowance for

\begin{flushleft}
\textsuperscript{135} Blum et al. (2017)
\textsuperscript{136} https://www.perfar.eu/policy/family-children/finland
\textsuperscript{137} EU (2018)
\textsuperscript{138} EU (2018)
\textsuperscript{139} https://cdn.uclouvain.be/public/Exports%20reddot/demo/documents/CQ16_Duvander.pdf
\textsuperscript{140} EU (2018)
\textsuperscript{141} https://www.kela.fi/web/en/home-care-allowance-amount-and-payment
\textsuperscript{142} OECD
\textsuperscript{143} https://www.perfar.eu/policy/family-children/finland
\end{flushleft}
at least a period of time after parental leave has been used. Yet in almost all cases the mother is the caregiver. Low-educated or unemployed women tend to use this allowance for longer periods. 144

**Childcare availability appears to be limited in Finland.** Since 1996, (almost) all children in Finland under the age of seven have had the right to subsidized full-time day care provided by the local authorities. 145 Highly educated women have been found to be more likely to use childcare in Finland. 146 The level of the municipal day care fee depends on the size and income of the child’s family, and on the length of time the child will spend in day care. The maximum day care fee for one child is EUR 290 per month. 147 Improving the availability of childcare appears to be among the top proposals of the future agenda to incentivize childbearing in the country. 148

**Family policies in Finland have also traditionally focused on a generous family allowance system.** The country’s universal family policy system dates back to 1947, when a family wage system was introduced. The following year, the family wage was replaced by a universal child allowance system. The Finnish system has no child tax deductions or exemptions; in 1994, the level of child allowances was significantly raised, and the family policy tax deduction system was abolished. 149 In recent years, however, child benefits have been reduced. In 2017, the monthly child allowance was 95 euros for the first child, 105 euros for the second child, 134 euros for the third child, 153 euros for the fourth child, and 173 euros for subsequent children. Single parents are entitled to one supplement per child. The allowance is tax-free and is paid until the child turns 17. 150 In addition, a birth grant of 170 euros per child is provided.

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146 Kraf (2013)
Support available to a newly-wed couple who are considering having their first child in Finland: The case of Igor and Inka

Igor (33) and Inka (26) are thinking about having their first child. Igor works as an assistant professor at a university in Helsinki; he makes around 2,509 euros net per month; Inka is a free-lance HR consultant making around 1,882 euros net per month.

First, Inka would take 105 working days of maternity leave at over 70 percent of her previous salary; and Igor could get nine weeks of paternity leave paid at around 70 percent of his earnings. He would do this in order to not lose the opportunity. However, neither of them would be really stimulated to take parental leave after the initial maternity and paternity periods are over, given its low replacement rate, so they would most likely not take it.

Inka could choose to stay at home with the child for a maximum of 416 days, receiving the home care allowance of 338 euros plus the municipal supplement of 181 euros (maximum). Sending the child to childcare full time with 8 days off would cost around 197 euros per month. However, alternatives for childcare would be limited.

They would receive an allowance of 95 euros per month up until the child turns 17 years old, which does not amount to even half the cost of childcare; in addition, they would receive a lump-sum maternity grant in the form of a tax-free cash benefit of 170 euros.

4.3.4 The case of France

France is one of the OECD countries with the highest public expenditure on family policies. Family policies in France have a long history, driven by the key political concerns of child deprivation and the impact of children on family income and fertility. Today the balance between work and family has also gained importance as an objective, which leads to a somewhat ambiguous system. Family policies in France are characterized as primarily aiming to alleviate the impact of children on the standard of living of households – therefore they benefit all families, including the richer ones. However, growing concerns about issues such as employment, gender equality, and child poverty have progressively reshaped these policies, which are now also aimed towards helping parents reconcile work and family life, and at assisting the most vulnerable.

Probably because of the investments made, France’s total fertility rate is high for European standards. After a steep decline beginning in the 1960s, France’s total fertility rate stabilized in the mid-1970s and has remained consistently around 1.8–2.1 children per woman ever since, well above the OECD average. The employment rate for women aged 25 to 54 – at round 80 percent - is also higher than average, and most of these women have full-time jobs. Child poverty is well below the OECD average. Studies conducted in France point towards the limited impact on fertility of cash and

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151 For this exercise, we will assume that the man makes the net average wage in the country while the woman makes 75 percent of the average wage.
benefit transfers, while female friendly labor market policies, by promoting a better work-life balance and extensive childcare support, seem to have a considerable impact.

**Parental leave policies are not particularly strong in France when compared to Nordic countries.** A maternity leave of 16 weeks is provided to mothers, and a paternity leave of two weeks to fathers, remunerated at 100 percent of their earnings, up to a ceiling of 3,129 euros per month.\(^\text{158}\) Parental leave for one year is available to each parent, and it is possible to extend it to three years. It is remunerated at a rate of 576 euros per month during the full-time leave.\(^\text{159}\) However, since husbands often earn more than their wives, father’s leave entails a smaller loss of income when the compensation is proportional to their salary rather than a fixed amount. The current combination of a relatively long leave with a low fixed stay-at-home allowance does not really encourage fathers to take parental leave.\(^\text{160}\)

**More recently, measures providing support to families have been shaped by the dual choice goal, promoting freedom of choice for women.** Recent reforms intend to provide parents with young children - usually mothers - with the option of staying at home, mainly through a maximum 3-year parental leave and a 3-year allowance to all stay-at-home parents (PreParE) (see below). At the same time, they have also favored the labor market inclusion of women, through the provision of a range of subsidized childcare choices (see below), the association of parental leave with employment (as it is necessary to have been employed to be eligible), and the existing incentives to limit leave duration.\(^\text{161,162}\)

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**Home care Allowances: PreParE in France**

PreParE (prestation partagée de l’enfant) is available to parents who reduce their working time due to childbirth and childrearing activities up until the child reaches the age of 3. Parents with one child have the right to PreParE for six months within the first year after childbirth. Parents with two or more children can have 24 months, or two years within the three first years. Parents with three children or more can have access to the improved PreParE for eight months each within the first year of the life of the youngest child. The amounts paid are: 396 euros per month if the parent stops working completely; 256 euros per month if he or she works part time (50 percent or less); and 148 euros if they work part-time (between 50 and 80 percent).\(^\text{163}\)

**France has a long tradition of extensive early childhood care and education services.** This is particularly the case for older children – above 3 years old – for whom provision of educational services has been predominantly through the public center-based pre-school system. Since 1989, all 3 to 5-year-old children are entitled to a place in the école maternelle. However, services for younger children are more fragmented and decentralized, and much of the recent expansion promoted by the government has been based on individual or private care arrangements, such as registered child-minders and home-based childcare providers. French policy since the 1990s in this regard has focused on promoting flexibility and parental choice, for instance through the provision of demand-side subsidies and measures to help parents meet the costs of these private arrangements.\(^\text{164}\)

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\(^{158}\)https://www.perfar.eu/policy/family-children/france;
http://ec.europa.eu/social/main.jsp?catId=1110&intPageId=4533&langId=en


\(^{161}\)https://www.perfar.eu/policy/family-children/france

\(^{162}\)Salles et al. (2010)

\(^{163}\)https://www.service-public.fr/particuliers/vosdroits/F32485

\(^{164}\)OECD (2017)
Cash benefits in the form of family allowances have also been the cornerstone of the family policy system in France. France has a complex system of cash transfers. The main basic monthly allowance for childbirth has however become means-tested since the financial crisis in 2008. Most other allowances are also dependent on income and on the number of children. Generous tax breaks also exist for families with children; however, they appear to particularly benefit wealthier families, given the existing upper limit. Parents may also be granted other types of tax relief on the basis of their childcare costs; in addition, the salary of a registered child-minder providing care for children under the age of 6 in their home is tax-exempt. Overall, transfers are larger for families in which the youngest child is below the age of three. They are also more generous for larger, better-off families. Claims that the system was increasing the existing economic inequalities have led the government in recent years to concentrate transfers on the most vulnerable families.165,166

Large families are also entitled to important tax breaks. The French tax law includes the quotient familial principle which means that the tax unit is not based on the individual but on the household; each household has a certain number of shares to be deducted from its total income, depending on marital status and the number of children. This results in relevant reductions in taxes as the total income is divided by the number of shares, and taxes are calculated on the basis of the reduced income. This principle benefits families with more than three children, and usually wealthier families. The ratio of transfers received by low-income relative to high-income families in France is low, about half of the OECD average.167

166 https://www.caf.fr/sites/default/files/cnaf/Documents/international/fiches%20pays/Compil%20fiches%20pays%20pays%20UE_avril2017_English_VF.pdf
4.3.5 The case of Germany

Different attitudes to child care and women in the labor force explain the different fertility objectives and outcomes. In France, the model of the economically active mother is well accepted by the population. External child care is not considered to be detrimental to the development of the child. In Western Germany, on the other hand, although women increasingly wish to remain active, caring for children under three years of age is thought to be a matter for mothers. It has been found that these individual attitudes reflect the approaches to family policy that have been applied for many decades in both countries. In a survey of German parents of children aged under six, the results indicated that only 15 percent supported the idea of full time employment for mothers, while 66 percent felt that part-time work was the more suitable option, and 10 percent felt that women should cease working altogether.

Traditionally, the German policy framework has not favored the combination of work and family. Since 2000 Germany has increased the quantity it invests into each individual child to levels closer to those observed in Sweden. However, and until recently, the policy framework discouraged the equal participation of both mothers and fathers in the labor force. Parental leave allows mothers to withdraw from the labor market for up to three years per child and is also granted to mothers who have never worked before – they receive a minimum benefit of €300. In addition, the fiscal system discourages couples from sharing work equally, since the tax burden on household labor is much higher for two full-time working people (see below).

168 For this exercise, we will assume that the man makes the net average wage in the country while the woman makes 75 percent of the average wage.
169 Salles et al. 2010
170 OECD (2017)
171 Salles et al. (2010)
172 OECD (2017)
The lack of adequate formal child care options has generally left women with few alternatives. The provision of child care, especially in the Western part of the country, has been very limited, and existing facilities have been less heavily subsidized than in countries such as France. In addition, the schedules have not generally been adapted to dual-earner families. When children cannot go to kindergarten/day care, mothers have most often opted for part-time work, which is incentivized or facilitated in different ways. For instance, married couples are less heavily taxed if the salaries of the husband and wife are significantly different, which is generally the case when the wife works part time. In addition, in companies with at least 15 employees, employees are entitled to ask for part time working hours. Finally, part-time mini-jobs are exempt from taxes and social contributions.

However, important reforms attempting to shift away from the traditional male-breadwinner model have been implemented over the last decades. In addition to the existing maternity leave and six weeks before delivery and eight weeks after, where women are remunerated at 100 percent of their previous earnings, a new parental leave allowance (Elterngeld) was introduced in 2007. Taking inspiration from the Swedish model, this new gender-neutral scheme allowed parents to claim 67 percent of their previous average net income in the 12 months following the birth of a child. The two months maternity leave are discounted from parental leave. The Elterngeld is non-taxable. The maximum benefit ceiling is €1800 per month. When the Elterngeld is shared between partners, and fathers take at least two months of it, they can extend the period for which it is received from 12 to 14 months.

Therefore, German fathers are being encouraged to play a greater role in family life. It must be noted that in the years leading up to the reform, societal attitudes in Germany had already become more favorable towards maternal employment. Prior to the implementation of the two months’ father-specific parental leave in 2007, the share of fathers who took any parental leave was 3.5 percent. It has since then risen to 35.7 percent in 2015. To overcome the challenge of re-entering the workforce after extended periods of absence, recipients of the allowance are encouraged to maintain their links to the labor market through the new Parental Allowance Plus (ElterngeldPlus). The 2015 reform established that if both parents work part-time for 25-30 hours per week over at least 4 months they are rewarded with 4 additional months each.

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173 Salles et al. (2010)
174 With limited working hours and a salary of not more than 400 € a month.
175 Salles et al. (2010)
177 To avoid penalizing low paid parents whose relevant income is less than €1000 a month, the allowance can be adjusted upwards from 67 percent in the form of a low-income supplement.
178 OECD (2017)
179 OECD (2017)
180 OECD (2017)
181 Federal Statistics Office 2017
182 OECD (2017)
In 2015, Germany introduced the Parental Allowance Plus (ElterngeldPlus) and Partnership Bonus (Partnerschaftsbonus) measures, which provide financial incentives for both parents to work part-time (between 25-30 hours per week) and share caregiving responsibilities when their children are very young. The measure is proposed as a way to offer an alternative from having to take a complete break from employment. Parental Allowance Plus can be used instead of the parental leave allowance. The income replacement rate is 65-100 percent of lost earnings due to part-time work. It amounts to a maximum of half the regular parental allowance that parents would receive if they did not go back to work, i.e. from 150 to 900 euros. The timespan of financial support doubles if parents start working part-time (up to 30 hours a week) and request ElterngeldPlus. It extends the regular parental allowance (Elterngeld) from 12 months (for one parent) or 14 months (for two parents) to 24 months (for one parent) or 28 months if both parents opt for part-time work. The 4 additional months of parental allowance are called the Partnership Bonus.

The reforms appear to have had a significant impact on the distribution of family and work responsibilities between men and women. Boll, Leppin and Reich (2014) provide evidence that father-specific parental leave led to an increase in the time invested in childcare of over one hour per week. Schober (2014) also finds evidence that the 2007 German reform and the subsequent higher parental leave uptake rates by fathers led to an increase of 36 minutes in the time they spent on childcare on weekdays in the child’s first year, compared to children born prior to the reform. The change in the design of parental leave rules has also affected the likelihood of mothers resuming work and the number of hours they work. Although the benefit system was more expensive, much of this additional cost is estimated to be offset by the increase in tax receipts and the fall in public expenditure associated with inactivity within the first five years after the child’s birth.

The country has also made increasing efforts to expand the available childcare options for families. In 2000, and after the publication of the PISA results, the federal government took steps to expand and develop early childhood facilities that operate throughout the day. Since 2013, all children over 1 year of age are entitled to a place in early care and education, and the gap between demand and supply has narrowed. Although the net child-care costs for a dual-earning family type are 11.2 percent of the average wage, which is well below the OECD average, poor families face higher out-of-pocket costs, and wide regional variety exists. Very recently, the City of Berlin, for instance, made childcare provision free of charge. The gap between the supply and demand for formal childcare for children under the age of three owes much to the heterogeneous regulatory systems across German states and the diversity of actors involved in the provision of childcare services.

Germany also has a system of child benefits and tax allowances that aims to redistribute resources. Redistribution operates from childless people to families, and from higher-income to low-income families. A universal child benefit exists for each child until she/he turns 18 years old, or 25 if still in education. The amount increases with the number of children, ranging from 194 euros per

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183 EU (2018)
184 OECD (2017)
185 Ibid
186 Ibid
187 OECD (2017); https://www.thelocal.de/20180528/free-for-all-how-germany-plans-to-tackle-its-childcare-problem
188 OECD (2017)
month for the first two, to 225 euros after the third child. From the child’s 18th birthday, the benefit is means-tested, based on the child’s income. There are also special benefits for single parents. In addition, tax breaks exist for families with children, and childcare costs are deductible.\textsuperscript{190} The tax authorities determine whether parents are entitled to tax allowances when the parents file their tax return. Parents with annual incomes above approximately 63,000 euros (or singles with annual incomes above 33,500 euros) were eligible for additional tax allowances in 2014.\textsuperscript{191}

**Probably because of the reforms in its family policy system, fertility rates in Germany have increased in recent years.** In 2016, Germany registered its highest increase in fertility since 1973: the fertility rate jumped from the previous 1.5 to 1.59. Although the birth rate was much higher among immigrant women, there was also an increase in German women’s fertility rate, from 1.43 to 1.46.\textsuperscript{192} This increase has been associated with the recent reforms which have led to a better balance in the distribution of family and work responsibilities between men and women in the country.\textsuperscript{193} It is also projected that the planned increase in childcare places would lead to a substantial increase in fertility rates.\textsuperscript{194}

\textsuperscript{190} https://www.caf.fr/sites/default/files/cnaf/Documents/international/fiches%20pays/Compil%20fiches%20pays%20pays%20UE_avril2017_English_VF.pdf
\textsuperscript{191} https://www.perfar.eu/policy/family-children/germany
\textsuperscript{192} https://www.dw.com/en/are-family-policy-reforms-to-thank-for-germanys-rising-birth-rates/a-43188961
\textsuperscript{193} OECD (2017)
\textsuperscript{194} OECD (2017); https://www.thelocal.de/20180528/free-for-all-how-germany-plans-to-tackle-its-childcare-problem
Support available to a newly-wed couple who have just had their first child in Germany: 195

The case of Jana and Robert

Robert (42) and Jana (40) have just had their first child. Robert works in a thinktank and makes around 1,726 euros net per month; while Jana, who works as a shop manager, makes 2,302 euros net approximately.

First, she will take maternity leave for 6 weeks before delivery and 8 weeks after, at 100 percent of her previous earnings (2,302 euros per month). Maternity leave after delivery will be discounted from parental leave. Jana will take an additional 7 months of parental leave full time, which she will be remunerated for at around 60 percent of her previous salary. In the last (ninth) month Robert would also take full time leave at the same time, receiving 60 percent of his salary.

After that, they would both share 3 months of the remaining parental leave + 4 months of the partnership premium each (a total of 11 months) spread over time and using a part-time work formula: each of them would be working 30 hours per week at the same time. For the months of shared part-time leave, they would each be paid the proportional salary according to the hours worked (1,294 for Robert and 1,726 for Jana) + compensation for the loss of net income, capped at 1,800 euros per month. They will choose to save one month of full-time parental leave each and use it at the end of the period, splitting it into two months where they both would not work, and receive half of the parental leave benefit.

After that period, the child would go to childcare for most days, and Robert would continue working part-time without compensation until the child turns 3 years old. However, finding a place in childcare in central Berlin proves difficult, and they have to resort to their informal connections in order to be admitted to one. Although childcare is free in Berlin, they still pay around 50 euros per month in order to cover some additional services offered by the center.

A 194 euro per month child benefit would be paid to them until the child turns 18 years old (25 if he/she is still in education, and dependent on his/her income).

4.4 Towards higher fertility in Croatia

The objective of improving Croatia's demographic replacement has been a policy priority in Croatia since 1995. Indeed, since that year, Croatia has formally adopted three policy documents with the goal of encouraging more births.196 The 2006 National Population Policy introduced a number of family friendly initiatives, including very family-friendly measures to facilitate housing and employment for young families, and license trained and available babysitters. However, these and other similar initiatives have failed to be implemented, mainly due to the lack of sufficient financial resources, especially during the crisis years. 197

The current government has expressed its clear intention to move forward in this area. To start with, demographics now has its own Ministry, the only one in Europe. The Government’s 2016-2020 program has declared “demographic renewal” to be a national priority. As such, the program includes specific provisions regarding family policies. It also includes a commitment to encouraging young people to stay in Croatia and those who have left to return. To oversee the implementation of these measures a Demographic Revival Council has also been established. 198

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195 For this exercise, we will assume that the woman makes the net average wage in the country while the man makes 75 percent of the average wage.
196 Cipin (2017)
197 Frejka (2016)
198 Stubbs et al. (2017)
Although attributing the impact on fertility rates to a specific family friendly policy is not straightforward, there is evidence that family policies can influence fertility. Since policies are usually packaged, it is difficult to determine which policy had what impact, and their synergetic relations complicate the assessment of any individual policy’s impact. Nevertheless, different studies from diverse countries point towards a limited impact on fertility of cash transfers, while policies aimed at improving the work-life balance for women and men, including extensive childcare support, and paternity or shared parental leave, appear to have a considerable impact on the decision to have children.199

As discussed above, France and Sweden are the relevant international reference in this area. France and Sweden are the two European countries with the highest fertility rates, or where the decline in fertility has been less pronounced over time. This has been partly attributed to their strong family policy systems, which, among other things, prioritize keeping women at work and ensuring the shared responsibility of men and women for child rearing.200 In contrast, countries such as Germany, whose system is more akin to that in Croatia or Finland and focuses on encouraging women to stay home to take care of their children, show much lower fertility rates.

Policies that favor an adequate balance between work and family by promoting the labor market inclusion of mothers and increased paternal involvement are required in Croatia. As seen above, it appears clear that female labor market inclusion is not at all incompatible with high fertility; on the contrary, it is the countries that facilitate women’s engagement in the labor market and a better balance in the distribution of child rearing responsibilities between men and women that have the highest fertility rates in Europe. In the context of persistently low fertility rates in Croatia and marked population ageing, every possible effort to facilitate childbearing in the future will be crucial for demographic renewal.

The promotion of the dual-earner and dual-caregiver model appears to be the most sensible approach. The burden of childrearing should not fall entirely on mothers. A model that is more similar to those observed in Sweden or France would prompt a more balanced distribution of this responsibility between the two parents and could thus be expected to be more effective to attain higher fertility.

A shift in that direction would entail the Croatian government focusing its efforts on:

- Developing a shared parental leave system that adequately compensates for the opportunity cost of work for both women and men, and encourages father’s uptake; this would for instance require making the benefit fully proportional to previous salaries and, if possible, include additional incentives for men to effectively share the leave;
- Introducing a paternity leave exclusively reserved to fathers;
- Strengthening flexibility in the implementation of parental leave, including for instance the option to take longer periods of leave with lower benefits or shorter periods with higher benefits (see for example Thévenon & Neyer, 2014); 201
- Expanding the availability of quality and affordable formal childcare services (jastice and vrtici - daycare and kindergarten) for all families after the maternity/paternity leave period ends, and reducing geographical and income inequalities in access;

199 Thévenon O. (2010)
200 Thévenon (2011)
201 Since childcare facilities accept new children in September, for some parents (depending on the birthday of the child) taking longer periods of leave, even with lower benefits, would be the solution for the gap that would otherwise appear between the end of the leave and start of childcare.
Family policies

• Childcare policies need to also be understood as powerful options that play a role at the crossroads of child development, labor, productivity, growth and equity. They indeed represent an opportunity to capitalize on past and current investments in better education, given that they help to optimize the use of human capital of the parents in today’s labor markets while contributing to improve the human capital of tomorrow;

• Demographic trends in Europe highlight the importance of considering care policies from a broader perspective that includes both child and elder care. Current cohorts of parents and even grandparents are older than previous cohorts, which can have multiple implications for fertility trends - from the number of children to the availability of grandparents to help with childcare;

• Considering the possibility of gradually expanding the monthly child allowance to increase its coverage beyond low-income families and increasing its generosity for families with low income;

• A baseline simulation for Croatia, inspired by Poland’s Family 500+ is shown in Figure 11. Like the Polish case, the results indicate the considerable impact on poverty among children (younger than 18). The costs of this kind of intervention are also considerable, ranging between 475 million euros for a 100 euros monthly transfer, to 950 million euros for a 200 euros monthly transfer, or roughly between 1.06 to 2.13 percent of the GDP.

Figure 10: Simulated cost and child poverty from a Family 500+ style intervention in Croatia

202 It is recommended that the policy is adequately analyzed to obtain a sense of its fiscal cost, keeping in mind the Polish Family 500+ program. The majority of the benefits from the program are expected to be related to alleviation of child poverty.

203 The simulations make use of the 2016 EU-SILC data and simulate transferring a specified amount to every household for the second and consecutive child in the household. Households whose annual income places them below the national poverty line, are given the amount for every child present. These are to be considered rough estimates, since they rely on household, not family classifications. These also assume that all other existing transfers will still be in effect.
Improving the overall equity of the child allowance system, including through reforming the existing tax policies for families with children in order to make them more progressive, i.e. distributed in favor of lower income families with children (see the Policy Note on this topic).

The benefit amount has not been adjusted for inflation over the last ten years, resulting in an effective loss of about 17 percent purchasing capacity. Therefore, and to ensure the long-term adequacy of the child allowance, it might be important to enforce the regular indexation of this benefit.

It would be important to better understand, in a detailed way, the fiscal costs of the different combinations of family policies.

Exploring the issue of changing social norms and the role of communication in this area would be required; at the very least, a public campaign to raise public awareness of these issues would be recommended. As proven by the Finnish case, public policies are not enough to change behavior; it is also necessary to change mindsets. It is relevant in this context to improve the knowledge of what helps to change social norms around the role of fathers, such as in the case of Sweden and Finland. Further research on this would therefore be very useful. A public campaign on these issues would particularly need to emphasize: the importance of promoting the labor market inclusion of women and its positive association with fertility; the necessity to favor gender equality in the distribution of child-rearing responsibilities; and, the evidence of the potentially positive effects of formal childcare for children 0-3 years old.

The right policy mix requires a coordinated and well-focused effort between multiple players. Government policies have the possibility to shape the trade-offs women face when electing to have a child. However, decisions on fertility may be influenced by a myriad of factors, including the cost of childcare, career costs or the lack of economic opportunities for young generations, among others. Low fertility should also be seen as an indication of other social challenges to be addressed, which revolve around the need to promote a more family-friendly society and facilitate access to employment and provide decent living conditions for young people and couples, among others. The role of migration in the observed trends should be further investigated, and the availability of data on this phenomenon improved.
4.5 References


https://pdfs.semanticscholar.org/d3e6/6c367fe89399d8accf72819e2f74db7bef81.pdf


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5 Annex 1: Maternal, Paternal, and Parental Leave Policies in the EU and Croatia

5.1 Leave policies in the EU

5.1.1 What are maternity, paternity, and parental leave policies?

**Leave provisions exist in all EU countries.** Maternity and parental leaves exist in all EU countries. Paternity leave has now become available in twenty of the EU-28 countries. In some countries parental leave is supplemented by a further period of leave (homecare leave/care leave/childcare leave). Parents can take a leave to care for a very young child, often up to the age of three years (or more). 204

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### Home care leave in Europe

Childcare leave can usually be taken immediately after parental leave, creating a continuous, longer period of leave, even if the conditions (such as benefit paid) may not be the same. It is, however, much less common than parental leave, and is only available in a few European countries (Belgium; Croatia; Finland; Greece; Hungary; Iceland; Norway, Poland and Portugal and in the public sector in Malta). In most cases childcare leave is unpaid or paid a low or minimal amount. 205

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**European countries have adopted different measures to improve the gender balance in child rearing.** Paternity leaves, reserved exclusively to the fathers, have been extended over time. In addition, EU regulations aim to encourage fathers to take (more) parental leave, for instance by making one month of the leave non-transferable between parents; these are called “mommy and daddy quotas”. However, national regulations on parental leave often go beyond these requirements. 206 There is an overall trend towards the replacement of maternity and paternity leaves by shared parental leave with specific periods reserved for the father and the mother; the latter is often mandated to take some leave either immediately after or before childbirth, or both.

5.1.2 Rationale and impacts

**Leave policies have been found to have important positive effects for children and mothers.** Quantitative studies on this type of policies show that, combined with public support systems and early child care, they are associated with improvements in material welfare for children and especially with regards to learning and health. 207 There is no international consensus regarding the ideal length of family leave, and the length is very country specific. Nevertheless, there is a firm consensus with respect to the importance of early nutrition and stimulation during the first 1,000 days of the child’s life (and their crucial impact on her/his development), as well as with regards to the important role played by parents.

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204 Neyer et al. (2016)  
206 Neyer et al. (2016)  
207 Strazdins et al. (2010), Broadway et al. (2015)
Along that line, the World Health Organization (WHO) recommends a minimum breastfeeding period of 6 months to guarantee the health of the baby. Research has also found important positive health effects of leave policies for mothers. 208

**These policies have additional relevant impacts on female labor market participation.** Job protection leads to substantial increases in the participation of mothers with children under the age of 6. 209 Maternity leave extensions, however, have been less successful in increasing female labor force participation than the enactment of paternity leave. There is no ‘better’ policy in terms of the duration of such leave, and the mixed effects of different durations may discourage women from ever entering formal employment. What is clear is that elements such as wage replacement, the level of obligation to share it with their partners, and incentives to return to work matter a great deal more than the time spent on leave. 210 While reaching the right balance is not easy, changing the views of employers and employees regarding leave seems to be most promising.

**Parental leave, but more generally measures to encourage paternal uptake of such leave, also appear to have significant implications for fertility.** Different studies have confirmed the importance of the length and generosity of the father’s specific leave periods to improving the balance in the distribution of work and childrearing responsibilities between men and women and therefore in reducing the opportunity costs of childbearing for women, facilitating their decision to have children. There is evidence of the moderate but positive effects of these measures on fertility in a variety of countries, including Germany and France.

### 5.1.3 Main design features

#### 5.1.3.1 Length

**The average length of maternity leave in the EU is 21.8 weeks, well above the minimum recommended by European authorities (14 weeks).** Eastern European countries tend to have the longest leaves, although their generosity tends to be lower. The length of maternity leave in Croatia (30 weeks) is high for EU standards (Figure 1). However, when all leaves—parental and paternity leave—are considered (Figure 2), Croatia is below the EU average, at the level of Germany, Lithuania and Romania. After an obligatory maternity leave—of 28 days before childbirth and 70 days after it (see below)—the mother is entitled to additional maternity leave until the child reaches 6 months of age, which may be transferred to the father. 211 According to the latest information for 2015, fathers used the transferred right in only 0.3 percent of cases. 212

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208 Butikofer et al. (2018)
209 Low and Sánchez-Marcos (2015)
210 Schonberg and Ludsteck (2014)
212 Dobrotić (2018)
Maternity leave length in Croatia

Maternity leave must be taken 28 days before the expected date of birth, and then until the child turns six months of age. It is obligatory for mothers to take 98 days (28 days before the expected date of delivery and 70 days after the birth), without interruption. In exceptional circumstances, based on a medical assessment, the leave may start 45 days before the expected date of delivery.213

Figure 1: Maternity leave – length in EU countries - weeks

Source: http://www.oecd.org/els/family/database.htm

The length of paternity and parental leave varies across European countries. The average length of paternity leave is 1.4 weeks, with most countries having leaves of between 10 and 20 working days. Parental leave available to the mother averages 43.8 weeks and that reserved for fathers 4.9 weeks, well above what is recommended by the European institutions – which is a minimum of 4 months with a non-transferable 1 month being allocated to fathers. In Croatia there is no paternity leave provision. There is however a shared parental and home care leave of up to 34.7 weeks, with 8.7 of those weeks being reserved for the father.214 According to the latest official data for 2015, fathers account for 4.54 per cent of all parental leave taken.215

213 Dobrotić (2018)
215 Dobrotić (2018)
Paternity and parental leave in Croatia

In Croatia, no paternal leave exists. As seen above, part of the paid maternity leave may be transferred to the father—up to 10 weeks after the mandatory maternity leave period. However, no incentive exists for the uptake of such leave. 216

Four months of parental leave can be taken by each parent for the first and second child born; two months can be transferred between them. This eight months’ leave is remunerated at different levels (see generosity section). 217

Parental exemption or parental care exists from six months of age until the child turns one year for the first and second child, or until the child turns three years old in the case of twins, the third and every subsequent child. 218

If parents have made full use of maternity and parental leave, one of the employed parents has the right not to work until the child turns three years of age. During that time, the parent’s rights and obligations regarding his/her employment are suspended, but the rights to compulsory health insurance and retirement insurance are maintained. This is unpaid leave, and contributions for pensions and healthcare are not paid during that period. 219

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Figure 2: Length of paid parental, maternal and paternity leave in EU countries – weeks

Source: http://www.oecd.org/els/family/database.htm

5.1.3.2 Gender balance

A trend towards an increase in shared childrearing responsibility between men and women can be observed in Europe. It must be noted that the length of maternity leave needs to find a balance

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216 Dobrotić (2018)
217 Dobrotić (2018)
218 Dobrotić (2018)
219 Dobrotić (2018)
between the objective of protecting the child and the labor market inclusion of women. One of the main mechanisms to find a better balance between these competing objectives is remunerated paternal and parental leaves. The case of Sweden, one of the most advanced countries in terms of the successful reconciliation of work and family life, is especially paradigmatic; the first country to establish maternity leave was also the first one to replace it with shared parental leaves, where three entire months are reserved for fathers. 220,221,222

There is evidence of the positive effects of father’s leave. In a study on leave-taking fathers in Germany, Boll, Leppin and Reich (2014) provided evidence for the fact that father-specific parental leave led to an increase of over one hour/week spent on childcare. Schober (2014) also found evidence that the 2007 German reform and the subsequent higher parental leave uptake rates by fathers led to an increase of 36 minutes in the time they spent on childcare on weekdays in the child’s first year, compared to children born prior to the reform. Huerta et al. (2013) found that in four OECD countries fathers who take leave for over two weeks were more likely to be involved in childcare during the child’s first year of life.223

Different factors appear to account for the uptake of both parental and paternal leave by fathers across countries in Europe. Fathers’ use of parental leave is highest when it is not-transferable, is well-paid and accompanied by other family-friendly policies, such as flexibility regarding working hours.224,225 Non-transferable leaves have positive effects on children since they lead to the increased involvement of fathers in their care.226,227 Some countries have established additional incentives, such as the Finnish or German bonus, that provide some financial compensation to fathers who take more time off using their leave.228 However, the uptake rates of leave by fathers in EU countries depend on many factors other than the availability and compensation of “daddy months”. These include the flexibility of leave arrangements, the degree of job protection during parental leave, the workplace culture, and the availability of affordable childcare, as well as the existing gender norms and cultural expectations.229

Nordic countries are the main international reference in this area. As already noted, Sweden was the first country worldwide to introduce a parental leave policy with earnings-related benefits available for both parents, in 1975. However, fathers’ uptake rates still remained low. A dramatic shift occurred when a one-month father’s quota was implemented in 1995. Previously, only half of Swedish men took at least some parental leave, whereas since 1995 almost 90 percent of fathers have decided to take leave after their child’s birth. The amount of days taken has also increased; while the average number of leave days taken by fathers was 25 prior to the 1995 reform, it rose to 35 days after the reform. Similar developments can be observed in Norway and Finland, where father-specific parental leave was introduced in 1993. In all three countries the compensation rate is relatively high (66 to 100%). With

221 Meil Landwerlin et al. (2013)
222 Castro García y Pazos Morán.
225 Castro García y Pazos Morán.
226 Cools, Fiva i Kirkeboen (2015)
228 Meil Landwerlin et al. (2013)
these characteristics, the Nordic countries are generally considered to represent a typical dual earner/dual caregiver regime. \[230\]

**Other European countries offer interesting experiences.** In Germany, a similar shift has been observed since the introduction of “daddy months”. Prior to the implementation of two months of father-specific parental leave in 2007, the proportion of fathers who took any parental leave was 3.5 percent. It has since risen to 35.7 percent in 2015. \[231\] In France, father-specific parental leave is compensated at a rate of 20 percent of the father’s former wage and, unsurprisingly, it is rarely used. In contrast, the compensation rate for paternity leave in France is 93.5 percent, which has led to 62 percent of fathers making use of it. The case of Portugal is interesting in that ten days of paternity leave are obligatory for the father. The uptake of parental leave by fathers has also increased in Portugal since father-specific parental leave was introduced in 2009. \[232\] However, the lack of enforcement keeps uptake rates below 100 percent.

Recent research shows that social and cultural beliefs regarding child rearing and leave uptake are still quite traditional in Croatia. The results of a study based on a sample of 1,000 individuals showed that around 49 percent of men and women believe that it is solely the mother’s responsibility to use the entire leave, 27 percent believe that the father should take some of the leave, and around 24 percent believe that parents should share the leave equally. The results of the multinomial logistic regressions show that the strongest predictor of the individual’s belief about leave uptake is the gender-role belief. The less the participants believe that the labor should be traditionally divided according to gender, the more likely they are to support equally shared leave between parents. \[233\] Another recent study confirms that although many positive changes have been made, Croatian society still has a long way to go to achieve equal parenting and gender equality. \[234\]

5.1.3.3 Generosity

The average payment rate of leaves is another determinant of the design feature. As seen above, the length of leave needs to be considered in combination with the generosity of benefits, or the wage replacement level of the transfers paid to mothers and/or fathers. As shown in Figures 3, 4 and 5, the average payment rate in Croatia changes with the specific type of leave. While in the case of maternity leave it is 100 percent which is among the most generous rates in the EU, the parental leave available to mothers and specific father’s leave decreases to 33.6 percent, which is among the lowest when compared with other European countries. It must, however, be noted that the regulation on ceilings of parental leave has recently changed – the previous 80 percent of the calculation base has changed to 120 percent since July 2017 (see below). The calculation base is the base for calculating assistance, benefits and severance payments, which amounted to around 531 euros in 2018. \[235\] Gross average earnings were around 1,132.35 euros per month in January 2018. \[236\]

\[230\] Duvander and Johansson (2012)  
\[232\] Koslowski, Blum and Moss (2016)  
\[233\] Jugović, I. (2016)  
\[234\] Maskalan, A. (2016)  
\[235\] http://ec.europa.eu/social/main.jsp?catId=1104&intPageId=4454&langId=en#navItem-moreTopic  
\[236\] Dobrotić (2018)
The generosity of Croatian leaves

The benefit associated with maternity leave amounts to 100 per cent of average earnings: they are calculated from the average earnings on which health care contributions were paid during the six months prior to the leave, with no ceiling on payments.

However, the mother will have to have contributed to social insurance continuously for at least 12 months, or 18 months if there were interruptions over the previous two years. If this condition is not met, she will only receive a reduced amount of income replacement benefit.  

Parental leave is remunerated at 100 percent of the average earnings for the first six months, with a ceiling of 80 percent of the calculation base, or eight months if both parents use parental leave. The leave is remunerated at 70 percent of the base after the first six or eight months, or if the parents do not fulfill the condition of at least 12 months of continual insurance period or 18 months of insurance with interruptions in the previous 2 years.

Recently the ceiling for parental leave has been raised – since July 2017 it has been 120 percent of the calculation base.

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**Figure 3: Average payment rate of maternity leave (%)**

Source: [http://www.oecd.org/els/family/database.htm](http://www.oecd.org/els/family/database.htm)

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237 50 per cent of the calculation base, which amounts to 450.45 euros per month.


Figure 4: Average payment rate of parental and care leave available to mothers (%)

Source: http://www.oecd.org/els/family/database.htm
The OECD full rate equivalent (FRE) combining the length and generosity of the system provides additional information. The FRE indicates the length of the paid leave in weeks if it was paid at 100% of previous earnings. Due to the low remuneration during parental leave in Croatia, the FRE in weeks for total paid leaves available to mothers is only 38.7 weeks, although it is 30 weeks for maternity leave - the second highest FRE compared to OECD countries (see Figures 6 and 7).
Figure 6: FRE of all combined paid leaves to mothers in Croatia and other European countries 2016

Source: https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf

Figure 7: FRE of maternity leave in Croatia and other European countries 2016

Source: https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf

5.1.3.4 Eligibility

**Eligibility rules determine who is entitled to childbirth-related leave.** Leave benefits are tied to social contributions, and therefore are restricted to women who were working at the time of child-birth. This tends to limit the coverage of these policies, excluding mothers and, most usually, fathers who are not currently employed, or unemployed. In Croatia it is employed and self-employed mothers and fathers who have access to maternity and parental leave. For care leave, parents outside of the labor system may also be eligible, as long as they have health insurance and have resided in the country for at least five years.
Eligibility for Croatian leaves

All employed and self-employed persons are eligible for maternity and parental leave in Croatia. Parents outside the labor system, due to, for example, retirement, incapacity or studies, may be eligible for home care leave; however, they must have health insurance and five years of residency in the country.

5.1.3.5 Flexibility

There is not much flexibility in maternity leave and taking all or part of the leave is obligatory in most countries. Flexibility in use mainly takes the form of choices about when women can start to take their leave and how much of the leave period they can take before and after the birth. In some countries, women can take more leave if they have multiple births, a higher order birth or a medical complication. The Czech Republic, Croatia, Israel, Spain and the UK, however, have introduced another dimension of flexibility: mothers may transfer part of the maternity leave period to fathers as a matter of course.

Across countries, there are different dimensions of flexibility in the implementation of paternity and parental leave. The most common forms of flexibility in paternity leave policies are in relation to the time period during which the leave can be taken and with regard to entitlements to additional time for multiple births. With regards to parental leave, flexibility can take different forms too, including the possibility to use all or part of the leave whenever the parents choose to do so until their child reaches a certain age; the possibility of taking leave in one continuous block or several shorter blocks; the possibility of taking leave on a full-time or part-time basis; the option to take longer periods of leave with lower benefits, or shorter periods with higher benefits; additional leave in the case of multiple births or, in a few cases, other circumstances; the possibility to transfer leave entitlements to caregivers who are not parents; and the possibility for both parents to take all or some leave at the same time.

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240 Dobrotić (2018)
Flexibility in Croatian leaves

After compulsory maternity leave, a parent can use the remaining period of leave on a part-time basis, in which case the duration is doubled, with compensation at half the level of full-time leave. The period of part-time leave taken after a child is six months old cannot exceed the period of part-time leave taken before the child reaches this age.

From the 71st day and in the case of the mother starting employment, the mother may terminate the use of maternity exemption from work/maternity care for the child, in which case the father of the child has the right to use the remaining share of the unused leave, if the mother agrees.

Parental leave is a personal right of both parents, but one parent can transfer two months of their entitlement to the other, if they are both employed and if both parents agree and give written consent. Parents can use their entitlement at the same time or consecutively.

Leave can be taken in the following ways: a) in full (in one period); b) partially (subdivided into no more than two periods of time per year, each amounting to no less than 30 days); c) part-time (in which case the duration is doubled, and compensation is 50 per cent of the compensation for full-time leave). The leave can be taken until the child turns eight years of age.

In the case of parental exemption from work, if a parent terminates their leave due to employment/self-employment, the other parent has the right to use the unused share of the first parent’s leave with that parent’s consent. 243

5.1.3.6 Flexible work arrangements

Many countries permit women to reduce their working hours specifically during their child’s early months. In most cases this is to permit (breast-) feeding of the child; but in several cases it has become a general right that can be taken for any reason and/or by the father (e.g. Portugal, Slovenia and Spain). Women reducing their hours in this way are entitled to earnings compensation, except in Austria, Norway, Netherlands, and Switzerland. In Spain, reduced daily hours can be consolidated into full-time leave, thus in practice extending maternity leave by between two to four weeks. 244

In some countries there is a legal right to request flexible working hours from employers. This is the case in Iceland, Ireland, Italy, the Netherlands, and the UK. Employers must consider the request of parents and may only refuse it if there is a clear business case for doing so. In Bulgaria, for instance, mothers of children under six have the right to ask for arrangements to be made to work from home. Portugal is the only country with an entitlement for flexible work; parents with children under 12 years are entitled to ‘flexible work’, which means that they may choose their schedule, within certain limits. In Iceland, employers are required to make the necessary arrangements to enable men and women to balance family life and work. 245

244 http://www.leavenetwork.org/fileadmin/Leavenetwork/Annual_reviews/2017_Leave_Review_2017_final2.pdf
245 http://www.leavenetwork.org/fileadmin/Leavenetwork/Annual_reviews/2017_Leave_Review_2017_final2.pdf
Flexible work arrangements in Croatia

During the first 12 months after the child’s birth, mothers employed full time and who are breastfeeding are entitled to a two-hour absence from work (once a day for two hours or two times a day for one hour), paid at 100 per cent of the calculation base, recalculated to the hourly rate.

After parental leave, one employed/self-employed parent has the right to work shorter hours until their child turns three years of age, if the child requires more care due to its health and development, but only if parental leave was used in full. This is paid at 50 per cent of the calculation base (recalculated to the hourly rate, and only for the hours outside work).

Employed or self-employed parents of a child with a serious developmental disorder, including physical disability, have the right to take leave to care for the child or to work shorter hours until the child is eight years old.

If an employed pregnant woman or a mother breastfeeding her child has a job that is harmful to her health and the health of the child she is breastfeeding, and if the employer has not provided another position for her within the company, she has the right to leave with full salary, paid by the employer.246

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246 Dobrotić (2018)
5.2 References


6 Annex 2: Child benefits/allowances in the European Union and Croatia

6.1 What are child benefits/allowances?

Child allowances or benefits are one of the main family policies deployed by EU countries. These benefits are cash transfers, either universal or income-tested, targeted at families with children. Their main objective is to help parents cover some of the expenses generated from raising a child, or to compensate for the negative impact that childrearing can have on the household income. This is particularly the case for disadvantaged or more vulnerable families, such as those with a low income, those where there is only one parent, or families where the child has some disability or health problem.

Different types of allowances can be highlighted.

- **Monthly child allowance** – The most common is the monthly child allowance from birth and up to a certain age, when it is generally expected that the child will stop being dependent – between 16 and 18 years old (or 21 and 26 under certain conditions, such as the child being in education or in the case of disability).

- **Special supplements** - Some countries pay enhanced child benefits for children with disabilities, children of single or lone parents, of unemployed or lower income parents, or for orphans.

- **Birth grants** – In some cases a lump-sum one-off benefit is paid to parents upon the birth of a child; this benefit operates both as an incentive and as additional financial support after the birth of the child.

- **Special allowances** – Some countries offer additional financial support to families with children, to help them cover housing or education expenses, depending on the family income and the number of children.

6.2 Rationale and impacts

International evidence indicates that social transfers can play an important role in child welfare. Childhood is a period in life where individuals are particularly vulnerable and where circumstances beyond their control may have a defining life-long impact. Material deprivation at this age and the associated negative consequences for the full development of children’s capabilities, for instance, will be a burden to them over their entire lifetime.\(^{247}\) The quality of the environment in which children grow up will shape their socio-emotional skills and relationships throughout all phases of life, which will allow them to learn, to find a job with a decent salary, or to have access to quality housing.\(^{248}\) Numerous studies confirm the positive effects of family transfers for children, including in relation to increased

\(^{247}\) World Bank (2015)

\(^{248}\) Barrientos et al. (2013)
access to schooling and preventive health services. Although more limited, there is also evidence of the effects on educational attainment over the long term. 249

The strongest case for child allowances/benefits is child poverty reduction. Child allowances/benefits offer economic support to parents regardless of their labor market situation. Although the evidence on their impacts varies, there are studies that demonstrate their positive effect on children’s welfare. 250 Child poverty can have multiple negative impacts on child development, with long-term consequences, and entailing high social costs. It is associated with poor health, low educational attainment, worse outcomes in employment, family instability, crime, poor housing conditions and more.

There is strong evidence that child allowances/benefits have a profound effect on poverty reduction and result in improved outcomes regarding children’s health and education. An additional spending amounting to 1 percent of the GDP for families and children will reduce the child poverty rate by more than 10 percent in the EU. In addition, recent Canadian evidence shows that child benefit programs have significant positive effects on child and maternal mental health and well-being, the child’s physical health, and on the results of educational achievement tests. 251 Child transfers can have a particularly positive effect for lower income, single-mother, households. 252

Evidence also suggests that family allowances may have a positive impact on fertility. 253 As an example, the introduction of a generous lump-sum-benefit upon the birth of a child in Spain in 2007 led to a small increase in fertility. 254 Another study found a positive effect of family benefits on total fertility rates in Korea. 255 According to other studies, child benefits have been found to induce women to have their children earlier, but appear to have less of an effect on the overall number of children per woman. 256

6.3 Child Allowances in the EU

All countries in the EU have some type of child allowances. The most common are the monthly child allowances paid from the birth of the child until the child is no longer dependent – usually 16-18 years old, or 24-26 in special circumstances (while still studying, or in the case of disability). These basic allowances are commonly supplemented for the most vulnerable children. In addition, many countries also provide birth grants paid as a lump-sum upon childbirth. Child tax relief or tax breaks/credits are also common across EU countries.

Public spending on child allowances varies across countries. Countries in Eastern Europe spend, on average, much less on family/child benefits than other EU countries. As can be seen in Figure 1, countries such as Romania, Slovakia, Slovenia, Poland, the Czech Republic, Bulgaria, Lithuania and

249 Attanasio et al. (2005), Fiszbein and Schady (2009); Baird et al. (2013)
250 Raschke (2012)
251 Bradshaw et al. (2015)
252 Van Lancker et al. (2014)
253 Kalwij (2010), Bárcena-Martín et al. (2017), Son (2018)
254 Bárcena-Martín et al. 2017
255 Son (2018)
256 Adda et al. (2018)
Latvia, have a GDP share of total expenditure on child and family benefits that is below 2 percent, whereas the EU25\textsuperscript{257} average was 2.4 percent in 2014. Croatia is among the countries that spend the least on child allowances in the EU – 1.5 percent of the GDP.

**Figure 1: Public spending on family/child benefits as a share of the GDP 2015**

![Figure 1: Public spending on family/child benefits as a share of the GDP 2015](image)

Source: Eurostat 2018. Note: data for Poland is from 2014.

The parameters of the allowances, such as eligibility and generosity, also differ. In particular, child benefits in Eastern European countries are among the least generous in the EU. For a couple with two children (aged less than three and seven years, respectively) and one of the partners earning at 50 percent of the average wage, the average monthly benefit per child is €26.30, compared to €161.66 in France, Germany, the Netherlands and Sweden.\textsuperscript{258} The table below presents the main child/family allowances available in all EU-16 countries and their main characteristics.

\begin{table}
\centering
\begin{tabular}{lcccccccccccc}
\hline
                      & Greece & Netherlands & Lithuania & Portugal & Cyprus & Spain & Romania & Malta & Croatia & Poland & Latvia & Slovakia & Croatia & Spain & Italy & Switzerland & Sweden & Bulgaria & Estonia & Belgium & Hungary & France & Ireland & Austria & Sweden & Iceland & Finland & Germany & UK & Denmark & Luxemburg \\
\hline
0.0%                 & $G_{0}$ & $N_{0}$      & $L_{0}$    & $P_{0}$   & $C_{0}$ & $S_{0}$ & $R_{0}$  & $M_{0}$ & $C_{0}$  & $P_{0}$ & $L_{0}$ & $S_{0}$  & $C_{0}$ & $S_{0}$ & $I_{0}$ & $S_{0}$ & $B_{0}$ & $E_{0}$ & $B_{0}$ & $H_{0}$ & $F_{0}$ & $I_{0}$ & $A_{0}$ & $S_{0}$ & $I_{0}$ & $D_{0}$ & $G_{0}$ & $L_{0}$ \\
0.5%                 & $G_{0.5}$ & $N_{0.5}$ & $L_{0.5}$ & $P_{0.5}$ & $C_{0.5}$ & $S_{0.5}$ & $R_{0.5}$ & $M_{0.5}$ & $C_{0.5}$ & $P_{0.5}$ & $L_{0.5}$ & $S_{0.5}$ & $C_{0.5}$ & $S_{0.5}$ & $I_{0.5}$ & $S_{0.5}$ & $B_{0.5}$ & $E_{0.5}$ & $B_{0.5}$ & $H_{0.5}$ & $F_{0.5}$ & $I_{0.5}$ & $A_{0.5}$ & $S_{0.5}$ & $I_{0.5}$ & $D_{0.5}$ & $G_{0.5}$ & $L_{0.5}$ \\
1.0%                 & $G_{1.0}$ & $N_{1.0}$ & $L_{1.0}$ & $P_{1.0}$ & $C_{1.0}$ & $S_{1.0}$ & $R_{1.0}$ & $M_{1.0}$ & $C_{1.0}$ & $P_{1.0}$ & $L_{1.0}$ & $S_{1.0}$ & $C_{1.0}$ & $S_{1.0}$ & $I_{1.0}$ & $S_{1.0}$ & $B_{1.0}$ & $E_{1.0}$ & $B_{1.0}$ & $H_{1.0}$ & $F_{1.0}$ & $I_{1.0}$ & $A_{1.0}$ & $S_{1.0}$ & $I_{1.0}$ & $D_{1.0}$ & $G_{1.0}$ & $L_{1.0}$ \\
1.5%                 & $G_{1.5}$ & $N_{1.5}$ & $L_{1.5}$ & $P_{1.5}$ & $C_{1.5}$ & $S_{1.5}$ & $R_{1.5}$ & $M_{1.5}$ & $C_{1.5}$ & $P_{1.5}$ & $L_{1.5}$ & $S_{1.5}$ & $C_{1.5}$ & $S_{1.5}$ & $I_{1.5}$ & $S_{1.5}$ & $B_{1.5}$ & $E_{1.5}$ & $B_{1.5}$ & $H_{1.5}$ & $F_{1.5}$ & $I_{1.5}$ & $A_{1.5}$ & $S_{1.5}$ & $I_{1.5}$ & $D_{1.5}$ & $G_{1.5}$ & $L_{1.5}$ \\
2.0%                 & $G_{2.0}$ & $N_{2.0}$ & $L_{2.0}$ & $P_{2.0}$ & $C_{2.0}$ & $S_{2.0}$ & $R_{2.0}$ & $M_{2.0}$ & $C_{2.0}$ & $P_{2.0}$ & $L_{2.0}$ & $S_{2.0}$ & $C_{2.0}$ & $S_{2.0}$ & $I_{2.0}$ & $S_{2.0}$ & $B_{2.0}$ & $E_{2.0}$ & $B_{2.0}$ & $H_{2.0}$ & $F_{2.0}$ & $I_{2.0}$ & $A_{2.0}$ & $S_{2.0}$ & $I_{2.0}$ & $D_{2.0}$ & $G_{2.0}$ & $L_{2.0}$ \\
2.5%                 & $G_{2.5}$ & $N_{2.5}$ & $L_{2.5}$ & $P_{2.5}$ & $C_{2.5}$ & $S_{2.5}$ & $R_{2.5}$ & $M_{2.5}$ & $C_{2.5}$ & $P_{2.5}$ & $L_{2.5}$ & $S_{2.5}$ & $C_{2.5}$ & $S_{2.5}$ & $I_{2.5}$ & $S_{2.5}$ & $B_{2.5}$ & $E_{2.5}$ & $B_{2.5}$ & $H_{2.5}$ & $F_{2.5}$ & $I_{2.5}$ & $A_{2.5}$ & $S_{2.5}$ & $I_{2.5}$ & $D_{2.5}$ & $G_{2.5}$ & $L_{2.5}$ \\
3.0%                 & $G_{3.0}$ & $N_{3.0}$ & $L_{3.0}$ & $P_{3.0}$ & $C_{3.0}$ & $S_{3.0}$ & $R_{3.0}$ & $M_{3.0}$ & $C_{3.0}$ & $P_{3.0}$ & $L_{3.0}$ & $S_{3.0}$ & $C_{3.0}$ & $S_{3.0}$ & $I_{3.0}$ & $S_{3.0}$ & $B_{3.0}$ & $E_{3.0}$ & $B_{3.0}$ & $H_{3.0}$ & $F_{3.0}$ & $I_{3.0}$ & $A_{3.0}$ & $S_{3.0}$ & $I_{3.0}$ & $D_{3.0}$ & $G_{3.0}$ & $L_{3.0}$ \\
3.5%                 & $G_{3.5}$ & $N_{3.5}$ & $L_{3.5}$ & $P_{3.5}$ & $C_{3.5}$ & $S_{3.5}$ & $R_{3.5}$ & $M_{3.5}$ & $C_{3.5}$ & $P_{3.5}$ & $L_{3.5}$ & $S_{3.5}$ & $C_{3.5}$ & $S_{3.5}$ & $I_{3.5}$ & $S_{3.5}$ & $B_{3.5}$ & $E_{3.5}$ & $B_{3.5}$ & $H_{3.5}$ & $F_{3.5}$ & $I_{3.5}$ & $A_{3.5}$ & $S_{3.5}$ & $I_{3.5}$ & $D_{3.5}$ & $G_{3.5}$ & $L_{3.5}$ \\
4.0%                 & $G_{4.0}$ & $N_{4.0}$ & $L_{4.0}$ & $P_{4.0}$ & $C_{4.0}$ & $S_{4.0}$ & $R_{4.0}$ & $M_{4.0}$ & $C_{4.0}$ & $P_{4.0}$ & $L_{4.0}$ & $S_{4.0}$ & $C_{4.0}$ & $S_{4.0}$ & $I_{4.0}$ & $S_{4.0}$ & $B_{4.0}$ & $E_{4.0}$ & $B_{4.0}$ & $H_{4.0}$ & $F_{4.0}$ & $I_{4.0}$ & $A_{4.0}$ & $S_{4.0}$ & $I_{4.0}$ & $D_{4.0}$ & $G_{4.0}$ & $L_{4.0}$ \\
\hline
\end{tabular}
\caption{Main child/family allowances available in all EU-16 countries and their main characteristics.}
\end{table}

\textsuperscript{257} EU-15 + Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

\textsuperscript{258} Bárcena-Martín et al. (2017)
<table>
<thead>
<tr>
<th>Child/family benefits</th>
<th>Supplements</th>
<th>Tax relief/breaks</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes/No</td>
<td>Universal</td>
<td>Means-tested</td>
<td>Amount per month</td>
</tr>
<tr>
<td><strong>Austria</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>Yes</td>
<td>No</td>
<td>Yes - The benefit is reduced by 2% of the amount of the parental income in excess of DKK 765,800 (in 2018)</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

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259 Own elaboration based on PERFAR and European Commission information
<table>
<thead>
<tr>
<th>Country</th>
<th>Allowance Type</th>
<th>Allowance Amount</th>
<th>Conditions</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>The amount of family allowance is adjusted depending on the number of children (from 2) and income: maximum amount for 2 children: 130.51 euros maximum amount for 3 children: 297.72 euros maximum amount for 4 children: 464.94 euros</td>
<td>20/21</td>
<td>A family income supplement is paid to families who have at least 3 dependent children, who are between 3 and 21 years old, depending on income. Family income support (Allocation de soutien familial) is paid irrespective of income, for any fatherless or motherless child, or any orphan.</td>
<td>The lump sum monthly allowance is paid to families who have at least 3 dependent children and who lose the benefit of some of the family allowances.</td>
</tr>
<tr>
<td>Germany</td>
<td>194 euros is paid in child support each month for the first and second child; 200 euros for the third, and 225 euros for the fourth and further children.</td>
<td>21</td>
<td>From the child’s 18th birthday, the benefit is means-tested, based on the income of the child/25</td>
<td>Tax breaks exist for families with children, and childcare costs are deductible.</td>
</tr>
<tr>
<td>Greece</td>
<td>Single allowance child support can reach the amount of 40 euros per month for each child. A special benefit for families with three or more children amounts to 500 euros per year for each child and is paid in three instalments.</td>
<td>n.a.</td>
<td>900 euros for 1 child, 1,200 euros for twins and 1,600 euros for triplets.</td>
<td>A special benefit for families with three or more children: provided on the basis of income criteria. In particular, the total family income must not be over 45,000 euros for families with three children.</td>
</tr>
<tr>
<td>Ireland</td>
<td>140 euros per month</td>
<td>16/18</td>
<td></td>
<td>The Working Family Payment (WFP) is a weekly benefit that is tax-free and paid to families and single parents who are in low-paid employment. 1 child: 521 euros 2 children: 622 euros 3 children: 723 euros The One-Parent Family Payment (OFP) is a means-tested payment for men and women under 66 who are bringing children up without...</td>
</tr>
<tr>
<td>Country</td>
<td>Support Yes</td>
<td>Support No</td>
<td>Support Yes</td>
<td>Description</td>
</tr>
<tr>
<td>----------</td>
<td>-------------</td>
<td>------------</td>
<td>-------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Italy</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>For 2017-2018, the average amount of monthly ANF granted to a household (a couple and three dependent children under 18, with an ISEE of 8,555.99 euros) is equal to 141.30 euros.</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>265 euros. This amount is increased by 20 euros for a child over 6 and by 50 euros for a child over 12.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Yes, kinderbijslag</td>
<td>Yes</td>
<td>No</td>
<td>n.a.</td>
</tr>
<tr>
<td>Portugal</td>
<td>Yes</td>
<td>No</td>
<td>Yes – the family's reference income is equal to or less than the fourth income bracket amount and the total value</td>
<td>The amount of Child Benefits paid varies in accordance with the level of household income, the age of the child, the number of children. Children up to the age of 36</td>
</tr>
</tbody>
</table>

The support of a partner: 198 euros a week and a qualified child increase (QCI) of 31.80 euros per week for each child.

Birth Allowance is a means tested benefit for low income family households which amounts to 960 euros against an ISEE reference value of up to 25,000 euros per year. The amount is doubled for families with an ISEE reference value of up to 7,000 euros per year.

Child-raising vouchers are granted to help meet the additional expenses of raising children (baby-sitting or other child care services) within 11 months following the compulsory maternity leave and as an alternative to the optional supplementary parental leave.

An allowance payable at the beginning of the school year intended to compensate for the financial costs related to the new school year, such as buying study materials, clothing, etc. (115 euros for children aged 6 years and older, 235 euros for children aged 12 years and older).

Double child benefit may be paid for children not living at home because of study, sickness or disability. Double child benefit may also be paid for disabled children aged 3 to 17 living at home.

All students under the age of 18 qualify for a Scholarship [Bolsa de Estudo] if they satisfy certain conditions.
<table>
<thead>
<tr>
<th>Country</th>
<th>Eligibility</th>
<th>Income Limit</th>
<th>Allowance</th>
<th>Additional Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>Yes</td>
<td>Yes - yearly income does not exceed 11,605.77 euros or 17,467.40 euros in cases of a large family (at least 3 dependent children).</td>
<td>291 euros a year per child.</td>
<td>18 months receive a higher amount.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Child allowance is SEK 1,250 per month, or SEK 625 to each parent if there are two guardians.</td>
</tr>
<tr>
<td>UK</td>
<td>Yes</td>
<td>Yes</td>
<td>…</td>
<td>Flat-rate weekly payment that stands at £20.70 a week (£23.16) in 2018. Any additional children £13.70 a week (£15.33).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>…</td>
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</tr>
</tbody>
</table>
6.4 Monthly family/child benefits

Most EU countries have universal child cash transfers. Eight out of the EU-15 countries have universal vis-à-vis means tested family/child allowances. This is the case of some of the countries that are often seen as international reference points in this area, such as Sweden, Finland, or Germany, for instance (see Table 1); six of these countries, including France, Spain and Croatia, provide means-tested benefits.

The arguments in favor of both types of designs are multiple. It is for instance argued that universal family benefits favor horizontal equity, reduce moral hazard and allow for more administrative simplicity, given the complexity of means-testing. Arguments against universal allowances, however, include prejudice regarding the possibility of them being mis-spent, the fact that they might end up leading to welfare dependency among certain beneficiaries, as well as the need to concentrate the existing resources on those children who need them the most. 260

There is also diversity in the specific length and generosity of benefits. In most countries the maximum age children can be in order for parents to receive the allowance is 16-18 years old. However, many countries also extend the period of eligibility based on special circumstances, such as the child being in education or having some form of disability. There is more diversity with regards to the generosity of the allowances. Countries such as Luxemburg, Sweden, or Germany are some of the most generous in family/child benefits. The amount of the benefit can vary with the age of the child, their birth order, or the total number of children in a family. 261

In Croatia, parents under a low threshold of income 262 can claim child benefits. 263 The child allowance may be claimed from the birth of a child up to the child’s 15th birthday – or 19th if enrolled in school or professional training, the 21st in the event of a severe illness, and 27th if disabled. 264 The benefit amounts to between 27 and 40 euros per month, depending on the level of income. Families with over 3 children are additionally eligible for a birth grant of 60 euros per month for the third child and 133 for the fourth onwards. 265

Comparatively, Croatia provides much lower levels of child benefits, partly also in connection with lower levels of income and average earnings. Since the amount has not been adjusted for inflation over the last ten years, an effective loss of about 17 percent of purchasing power has been registered for beneficiaries. 266

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260 Bárcena-Martín et al. (2016)
261 Bradshaw et al. (2015)
262 Less than 50 percent of the calculation base of 221 euros a month per member of the household.
https://www.caf.fr/sites/default/files/cnaf/Documents/international/fiches%20pays/Compil%20fiches%20pays%20pays%20UE_01%202018_English.pdf
6.5 Birth grants

As highlighted above, some countries in the EU also provide birth or adoption grants. These are, however, less common than family/child benefits: only seven out of the EU-15 countries have some type of birth-related grant payment. These also show very different levels of generosity, from 1,000 euros for the first child in Luxemburg and Belgium, to a 170 euros maternity package in Finland. However, almost all new EU member states have birth grants (except Romania and Malta).

Croatian parents are entitled to a one-time cash assistance for a new-born if they are employed or self-employed, a parent receiving another form of income, or a farmer outside the profit or income tax system; unemployed parents are also eligible. However, to be eligible, parents must have Croatian citizenship and have resided in Croatia for at least 12 uninterrupted months prior to the child’s date of birth. A foreign parent must have at least 12 months’ permanent residence in Croatia. In addition, they must have health insurance under the regulations on mandatory health insurance (see the topic Health). The amount of the one-time cash grant for a new-born is 70 percent of the calculation base, i.e. HRK 2,328.20 (EUR 310.00) in 2015.267 The most vulnerable families are covered by these allowances. As an example, parents outside of the labor system may also receive cash assistance. For this they must be a Croatian national with permanent residence or a foreign national who has resided in Croatia for at least 5 uninterrupted years.268 It must be highlighted that a recent government proposal included the introduction of a child allowance in the amount of HRK 100 for families with low average income – between 1,663 and 2,195 per month per family member. 269

6.6 Tax breaks/credits

Besides direct cash transfers, family tax relief and break measures also exist. Family-favorable tax treatment may be built into the standard tax system, or provided through allowances or credits related to the number of children.270 Countries such as Germany, Austria, France, the Netherlands or the UK have such fiscal provisions for parents with children below 18.271 Tax breaks for families are in particular a widely used family support tool in countries such as France and Germany, where they account for as much as 0.7 and 0.9 percent of the GDP, respectively. 272

The size of tax incentives differs across countries, as does their design. In some countries, children are considered in the calculation of the taxable family income. This is the case, for instance, in France. In others, the deduction is applied to the tax amount. Most countries appear to have an upper limit of family income for the deduction to be applicable. This is the case in the UK, the Netherlands, or France. Fiscal relief to stimulate the use of childcare services may also be included in the family

267 http://ec.europa.eu/social/main.jsp?catId=1104&langId=en&intPagId=4455
268 http://ec.europa.eu/social/main.jsp?catId=1104&langId=en&intPagId=4455
270 OECD (2017)
272 OECD (2017)
benefits spending packages.\textsuperscript{273} Child-related expenses, such as childcare or childminder salary costs, may be tax-exempt (in France or Germany).\textsuperscript{274}

\begin{footnotesize}

Tax allowances were applicable for all families in Croatia until January 2018.\textsuperscript{275} The amount to be deducted from the individual income for dependent children was HRK 1,750 (236 euros) for the first, HRK 2,500 (337 euros) for the second and HRK 3,500 (472 euros) for the third child.\textsuperscript{276} As the income of the family grew, so did the tax break; therefore, this measure disproportionately benefited higher income families.\textsuperscript{277} It was only recently planned by the government to abolish these allowances, so that they would be distributed equally to all children. The abolition of some tax breaks entered into force in January 2018.\textsuperscript{278}

\end{footnotesize}

6.7 Other child allowances

\textbf{Special supplements or benefits for the most vulnerable children exist in most countries.} Despite having universal child benefits, most counties include some supplement, accounting for lower income, unemployed, retired or lone parents. In Croatia the amount of benefit is increased by 15 percent for children with one parent and by 25 percent for children with no parents, or for those with health impairments. In the case of severe health problems, the income threshold does not apply.\textsuperscript{279} Other common special allowances include financial support for education and housing expenses. In Austria, Finland, France, Germany and Sweden, for instance, housing and accommodation allowances are provided to families with children.\textsuperscript{280} France is an example of a country with a multiplicity of complementary allowances for parents with different circumstances.

\footnotesize

\begin{footnotesize}

\textsuperscript{273} OECD (2017)
\textsuperscript{275} http://ec.europa.eu/social/main.jsp?catId=1104&langId=en&intPageId=4453; EC (2017);
\textsuperscript{276} http://taxsummaries.pwc.com/ID/Croatia-Individual-Deductions
\textsuperscript{277} For the NDS preparation, a note on this particular topic was prepared separately (in Croatian).
\textsuperscript{278} https://www.total-croatia-news.com/politics/23370-demographic-crisis-more-families-to-receive-child-allowance
\textsuperscript{279} http://ec.europa.eu/social/main.jsp?catId=1104&langId=en&intPageId=4453; EC (2017);

\end{footnotesize}
6.8 References

Bárcena-Martín et al. (2017).