

France, Sweden Reverse Birthrate Downtrend

By *FUJII Takeshi*

Many industrialized nations that have adopted modern lifestyles and experienced structural changes in employment are beset with the problem of declining birthrates. Japan is no exception. In recent years, the country's total fertility rate (the average number of children a woman bears in her lifetime) has dropped to approximately 1.3, creating a critical situation. On the grounds that this phenomenon is structural and inherent in the developments that have taken place in the flow of time, some intellectuals present a pessimistic argument, stating that this trend cannot be changed by government policies. Their argument is wrong. They ignore the presence of a number of advanced nations that have successfully reversed their birthrate downtrend through consistent, appropriate childcare policies pursued over many years.

1. Childcare Policy in France

Let us examine the case of France. First, the effect of its tax system on its family policy is noteworthy. The French income tax policy uses the "quotient familial" technique (income-splitting system). Under the method, the total taxable income of a household – the combined total of all income-earning family members – is divided by a family divisor (N) – the weighted number of family members or "parts" – and the progressive tax scale is applied to the taxable income per part (split income) thus obtained. Then, this partial tax is multiplied by N to determine the gross tax payable. Since France adopts an excess progressive income tax system, the larger the number of family parts (N), the lower the tax rate. Therefore, even if the amount of tax is multiplied by N , the gross tax payable is small. The figure N is obtained by assigning one part to the husband and wife each, an additional half part to

each of the first two dependent children and an additional part for each dependent child thereafter. Hence, the number of parts (N) for a family consisting of a couple and two dependent children is 3, while that for a family with three dependent children is 4. The figure N grows by one with each child thereafter.

Let us take a hypothetical case of a couple in their early 30s, in which both the husband and wife work outside their home. Assume that they are in their prime working years and are in the process of building their financial foundation. Their combined annual income is slightly above 45,000 euros (one euro is approximately ¥150). In their case, taxable income after the exemption of various costs authorized under the tax law is about 30,000 euros. If they had no children and their N was 2, the amount of their tax payable would be some 3,000 euros. If they had two children and their N was 3, their tax would be approximately 1,600 euros. If they had three children for an N of 4, their tax would be reduced to 800 euros.

If a couple's children are in day nurseries or kindergartens, half the costs of such institutions can be used as a tax credit. When children are in middle school, high school, university, etc., a certain amount of tax credit is also granted.

Among the many child support systems, a carefully worked out family allowance system merits attention. For a household with two children under the age of 16, a benefit of 115 euros per month is granted, in principle without any restrictions regarding income. If there are three children, the monthly allowance is 263 euros and if there are four children, it is 411 euros. It should be noted that there is no allowance if there is only one child. In addition, the system offers various allowances paid in step with the growth of the child. They include a birth allowance (808 euros), a basic allowance for an infant under age

3 (161 euros), a supplementary allowance paid to the third child and thereafter (146 euros) and a new school-term allowance (257 euros). These family allowances are so designed that society at large bears part of the direct costs of bringing up children. Although they are more generous than in Japan, their levels do not surprise us as being excessively high. Rather, we should pay attention to the generous measures which make it possible for people to maintain equilibrium between work and family, as shown below.

First, the system of childcare leave is important. When a parent suspends his or her work entirely to look after his or her child, a supplementary allowance of 501 euros per month is paid. When the work suspension is 50% of working hours, the allowance is 381 euros, and if it is 20%-50% of working hours, the allowance is 288 euros. The period of payment of this allowance is, if there is one child, six months following its birth. If there are two or more children, the allowance is paid until the youngest child reaches the age of 3. This means that if there are more children, the period of the allowance payment is longer.

Another pillar of the measures that make it possible to maintain the work/family balance is a day nursery system. For an infant under age 3, there is an extensive network of public day nurseries. Usually, these institutions provide care to children for approximately eight hours a day, and about 18 days a month. To run these institutions, it costs some 1,000 euros a month per child. Although the amounts parents pay out of their pockets vary somewhat depending on their income, they are held down to about 200 euros a month on average. There are also family-run day nurseries recognized by municipal governments, in which a care-provider looks after about

Photo: Fujii Takeshi



A visiting nanny looks after the author's grandchildren (aged 4 and 2) at home in France at the end of the year.

three children at his or her own home. Official assistance is provided to families that use these services so that their financial burden does not vary greatly from that of families using public day nurseries. In addition, a tax credit is given for half the out-of-pocket costs of day nurseries paid by parents. In sum, the cost of day nursery service to parents is kept at around 100 euros a month per child.

When a child reaches age 3, it usually starts going to a kindergarten, which also provides care for eight hours a day. There are no admission or other fees. For a small payment, children can be looked after for more than eight hours a day. Thanks to these systems, young couples can keep working even when they have children and, hence, do not have to worry about the opportunity cost of having children.

To finance these generous measures, France spends a large amount of public funds, which are equivalent to 3.0% of its gross domestic product (by contrast, Japan spent an equivalent of 0.75% of its GDP for such measures in 2003). From its trough of around 1.65 during the first half of the 1980s, the French birthrate recovered by 2006 to 2 (a level that makes it possible for a country to maintain its population at its present

level for an extended period). Since there are many childless or one-child households, many families with three or more children are needed to attain the fertility rate of 2. The French measures provide strong support to couples who are willing to have three or four children. It is said that under the “quotient familial” technique, the tax reduction effect of having more children allows couples in their 30s in particular – who are moving up from the middle-income level – to strongly feel the benefit the system provides. It is very effective in encouraging couples willing to have a third child. The example presented earlier demonstrates this very clearly. Expenditure of public funds for childcare is designed in such a way that measures to allow both parents to participate in the labor force are particularly generous. This has brought financial comfort to families with children and has been effective in encouraging families to have more children.

2. Childcare Policy in Sweden

Childcare policy in Sweden consists primarily of child allowances, which compensate direct costs of rearing children, and childcare leave and day nursery systems. The latter two allow cou-

ples with children to continue to work outside their homes and reduce the opportunity cost of having children.

1) Child allowance

Since 2005, childcare allowances in Sweden, which are paid without any restrictions on incomes of the parents, are basically 1,050 krona (the present rate: 1 krona = about ¥17) per month for the first child. For the second child and thereafter, multi-children allowances are paid. Although these allowances are more generous than Japan's, their levels are not unusually high.

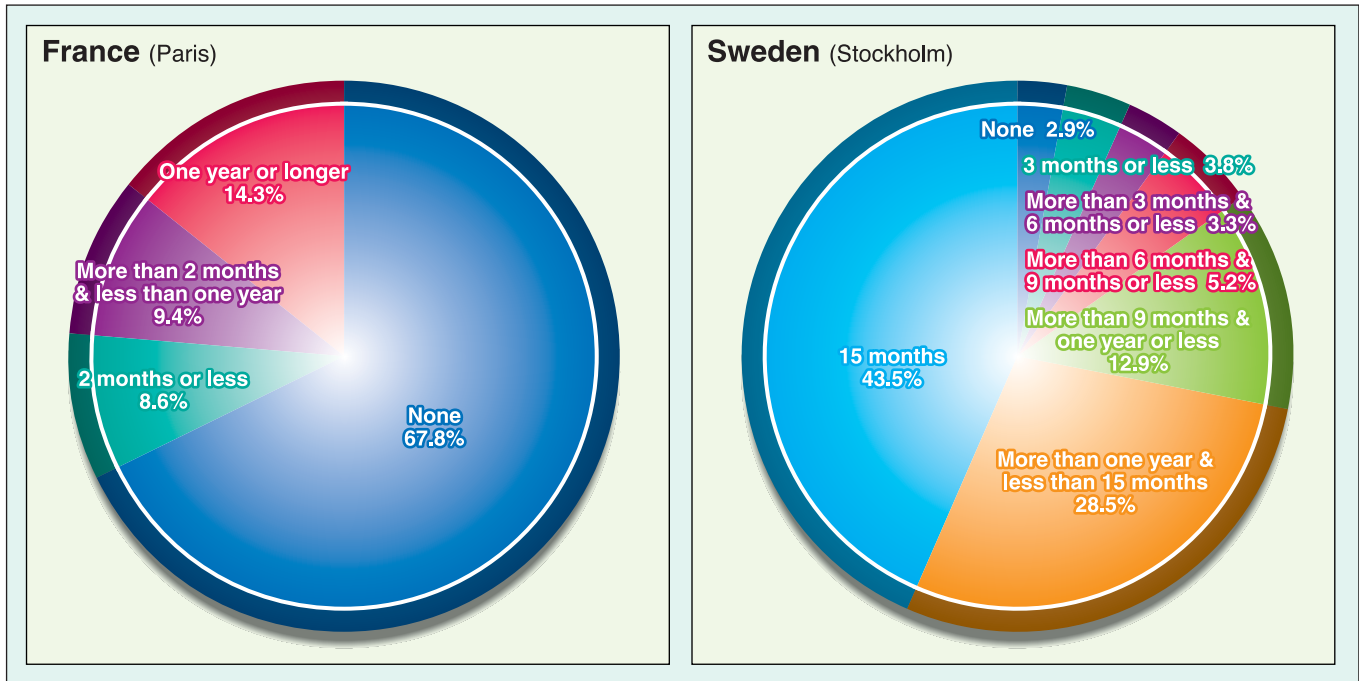
2) Childcare leave

A couple with a child is allowed 480 days (approximately two years) of childcare leave as the parents' combined total. For 390 days of the leave, 80% of the income that the beneficiary was receiving prior to his or her leave is guaranteed, although there is a cap on the benefit. In practice, most larger companies have a system of adding 10%-20% of the paycheck out of their own pockets, which means that 90%-100% of income is guaranteed. This system is financed by “parental insurance.” Its premium, which is equivalent to 2.2% of employee pay, is borne entirely by employers. (*Chart*)

3) Nursery system

Sweden has a system of “preschools,” which correspond to kindergartens and day nurseries in Japan, for children prior to their enrollment in compulsory schools (*grundskola*, equivalent to elementary and middle schools in Japan). Children are cared for at these preschools, depending on the needs of their parents. Under a system called *Maxtaxa*, preschool fees are held down to about 5% of the total cost of services offered. This system is similar to that in France. For pupils of compulsory schools, there are “free-hour centers,” where children under 12 can be looked after in after-school hours, also depending on the needs of their parents. Sweden has established a principle under which day nursery care for infants aged 0-1 is provided under a “parental insurance” system and for children aged 2 or older care is given in

Chart Periods of women's day-long childcare leave (France & Sweden)



Source : Compiled from Cabinet Office data presented to Specialist Committee on Declining Birthrate & Gender Equality, Council for Gender Equality, in September 2006

the day nursery system. In 2004, 83% of all children aged 1-6 used some form of day nursery services, while 94% of all 6-year-olds were in preschools. This means that children actually start compulsory education (which is mandatory for 7- to 16-year-olds) one year before they are supposed to do so. More than 70% of all 7- to 9-year-olds use day-care services for schoolchildren.

Historically, Sweden's family policy has been pursued from the standpoint of liberating women from the yoke of the family, attaining gender equality and promoting financial independence of women.

The Swedish system has two characteristics: 1) day nursery services are provided equally to all people regardless of their financial conditions at extremely low costs; and 2) there are highly developed systems of maternity leave (during pregnancy and at the time of childbirth) and childcare leave, and people return to work smoothly after these days off thanks to careful support.

The Swedish policy of encouraging women to have both career and children has successfully created an environment in which women can work

outside their homes while bringing up children. This has resulted in a higher birthrate. The total fertility rate, which had stagnated at around 1.5 after the economic bubble burst in Sweden, recovered to 1.77 by 2005. The outlay of public funds for family policy amounts to 3.5% of GDP in Sweden, a ratio higher than that in France. However, the Swedish-style universal system, under which benefits are offered to all regardless of their financial status or other attributes, is said to have only limited effect on raising the fertility rate, and hence has not realized as spectacular a rise in the rate as has the French system.

3. Conclusion

Like other advanced nations, both France and Sweden suffered declining fertility rates as their economies developed. However, as stated at the start of this report, they have successfully reversed these trends through consistent implementation of family policies. Their secrets can be said to lie in the following two points.

First, they have unstintingly invested public funds in their family policies. It

can also be pointed out that in these countries there was national awareness, which accepted increased national tax and social security payment burdens. Public expenditures for family policies in these countries amount to 3.0%-3.5% of their GDP vs. 0.75% in Japan. The difference between these countries and Japan stands at around 2.5 percentage points. If we apply this figure to Japan's GDP of ¥500 trillion, it would translate into more than ¥12 trillion.

Second, public spending was aimed primarily at creating an environment in which both husbands and wives can work outside their homes, which has reduced the opportunity cost of having children, especially a third child.

These policies in France and Sweden have been aimed at realizing measures by which society at large takes over to a considerable extent the direct and opportunity costs of bringing up children – the so-called socialization of child-rearing – especially for larger families. They are full of pointers for Japan, which is beset with a shrinking birthrate.

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