



## **GenIX discussion paper series**

**Framing public policy from an intra-household gendered perspective. UK, Australia  
and Germany since the mid-nineties**

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## **Abstract**

Policies can affect many different gender inequalities. Relatively little attention has been paid to effects on gender inequalities within households, in particular sharing of roles and access to resources. This paper is the first to analyse a range of policy changes over the last fifteen years in Australia, Germany and the UK to compare their potential effects on intra-household gender inequalities. Contradictory effects of different elements of policies are highlighted and developed by looking at how financial support to families via direct state transfers and work incentives can improve household members' financial positions relative to each other but at the same time can reinforce a traditional division of roles along gender lines, affecting women's longer-term financial security inside or outside their current household. All three countries have implemented substantial reforms over the period considered but very little could be identified as genuinely tackling intra-household inequalities, with activation policies favouring a one-and-a-half-earner model.

**Keywords:** intra-household inequalities; family policies; gender roles; individual income

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## INTRODUCTION

A growing body of research has identified the importance of intra-household inequalities, especially in access to financial resources (Agarwal, 1997; Lundberg and Pollak, 1996; Vogler et al., 2008; Friedberg and Webb, 2006). However, the impact of policies on such intra-household inequalities has not been the subject of extensive research or political interest. This is urgently needed because many policies designed for quite different purpose have effects on intra-household inequalities. Knowing about such effects is important for two reasons: first because, intra-household inequality is a significant aspect of gender inequality overall, and second, because any policy will be designed more effectively if account is taken of any effects on intra-household inequalities that may impede or help meet its goals.

Both the European Union and the OECD in practice promote the so-called “adult worker model”, whereby individuals of both sexes are generally expected to take employment. This has required some attention to helping people, in practice women, reconcile care responsibilities with employment and has resulted in countries developing hybrid models of adult worker families, with ambiguous discourses on the roles and relationships of the individuals making up a household. Such policies have been driven more by concerns to raise revenues and promote individual/family self-reliance and agency to shift the burden of social protection from the state to the individual or family, than by any concern to tackle intra-household inequalities in employment and care responsibilities or in access to financial resources (Lewis et al, 2008). Most such policy developments have emphasized agency (or “choice” as it is more usually put) at the level of the family, stopping short of engaging with how individual members within households make this happen. This is problematic because taking account of what goes on within households is fundamental to designing effective policy instruments to incentivise individual behaviour or target particular individuals, as well as to improving gender inequalities (Haddad and Kanbur, 1990; see also Bargain et al., 2006 for a review).

This paper will investigate how family-related policies, usually pursuing goals other than gender equality, have influenced intra-household inequalities. Comparing the UK, Germany and Australia, we investigate how a changing hierarchy of social and economic goals have been pursued in these countries and the consequences this can have for intra-household

inequalities. We show that different policies may have contradictory effects on different aspects of intra-household inequalities, mainly access to individual income and sharing of caring and earning roles.

The three countries chosen offer an interesting contrast for our analysis as they represent different types of welfare states and institutional contexts. Australia and the UK are usually classified as liberal welfare states, in which market solutions to social needs and individual choice are cornerstones; they are also both members of the Commonwealth with strong cultural and historical links. Germany is conventionally defined as a conservative welfare state, but has an interesting history due to the unification of East and West. Like the UK, but unlike Australia, Germany belongs to the EU, so is bound by regulations developed at the European level, notably its Lisbon strategy whereby gender equality objectives became integrated into employment policy, although all three are members of the OECD and subject to the pressures of globalisation. Finally, all the countries had a significant change of government in the 1990s which resulted in relevant reforms, and then another change in the 2000s.

As we will see, all three countries have similar patterns of gender inequalities in employment, pay and the allocation of care responsibilities, although stemming from different political histories. While in all the one-and-a-half earner couple is the most frequent type, this has been true for longer in the UK. Australia and Germany have been slower in encouraging maternal employment and both, in different recent periods, have had governments that explicitly promoted one-earner couples, with mothers taking full-time care of young children. They also have adopted more pro-natalist discourses than the UK, where policy-makers have not, up to now, showed any concern about the birth-rate.

This paper will focus on a limited number of policy areas whose major impact is on the factors identified in the economic literature as most likely to influence intra-household inequalities: parental leave, working time regulations, childcare and tax-benefit policies. By concentrating on these we limit the scope of our analysis in practice to working-age couples and do not consider policies mainly affecting those whose care responsibilities are for adults.

The next section will review the literature on the factors affecting intra-household inequalities and consider its implications for policies to reduce such inequalities. The third section will examine what this means for the four policy areas on which this paper focuses. The following two sections will then outline the political changes and policy developments that occurred in our three countries since 1997, with a discussion of the implications of these changes for intra-household inequalities. The final section concludes.

## FACTORS AFFECTING INTRA-HOUSEHOLD INEQUALITY

Intra-household inequality with respect to financial resources can have a number of different meanings. It can mean inequality in entitlement to an individual income, “money in one’s own right”, though this is complicated by the existence of joint claims for welfare benefits and joint bank accounts. Qualitative research in this area has shown that the source of individual income, according to whether it is net earnings, contributory or universal benefits, or means tested benefits, may give it different meanings within the household. Such research also suggests that while low to middle income couples may see their finances as closely connected, women tend to value having some money in their own right, while men more frequently resist the notion of anything but total sharing (Bennett et al., 2012).

Women typically have less of such money in their own right than men, which may explain their greater sensitivity to it. Early feminist campaigns for women’s financial autonomy picked up on this, though exactly what was meant by financial autonomy is harder to pin down (Lister, 2003). However, it is clear that reducing intra-household inequalities in this respect requires less gender inequality in earnings, through both closing the gender pay gap and more equal hours of employment, and reducing the inequality in time spent out of the labour market for caring responsibilities. This last inequality is crucial because it both reduces immediate income and typically has long-term effects on earning ability. Given the persistence of this inequality, policies that financially compensate those unable to earn because of caring responsibilities might help reduce immediate intra-household income inequalities, but would have to be well designed if they were not to be counterproductive by exacerbating longer-term inequalities.

Intra-household inequality with respect to financial resources could also mean inequality in the benefits gained through the spending of those resources. Economists' models of intra-household decision-making have concentrated on this, investigating the factors that influence a couple's consumption of goods, and sometimes leisure, by examining household expenditure data and possibly individual time-use data to derive hypotheses about the factors influencing relative power in household decision-making. The initial "cooperative bargaining" models posited a couple as bargaining over the creation and use of pooled household resources. Relative power in such negotiations is determined by each partner's fall-back position when cooperation breaks down, for example their financial situation if they were on their own (including their potential earnings) or their financial contribution if they were to retreat into their traditional gender role (mainly through their current individual incomes). In short, bargaining models suggest that not only individual incomes and who receives payments matter to intra-household inequalities, but also more general institutional conditions under which men and women live, both as couples and singles (Mc Elroy, 1990; Agarwal, 1997; Folbre, 1997). In particular support for the living standards of lone parents whether directly through welfare benefits or through divorce settlements, or indirectly through enabling them to realise their employment potential, matters.

More recently economists have turned to collective models, which investigate factors influencing cooperative outcomes empirically without requiring a bargaining framework based on fall-back positions, again usually measuring intra-household inequalities in terms of the consumption of goods and leisure. Under some assumptions, the factors influencing a "sharing rule" giving the portion of household resources each partner consumes can be determined. Studies have found that, among other factors, each partner's wage rate, share of household earnings and non-labour income (Bonke and Browning, 2009) and the customary division of household wealth after divorce are all influential (Chiappori et al., 2002). Again policy can affect all of these.

In theory, bargaining and collective models are relevant to household decisions in any domain, but in practice the data used to estimate them is more restricted so that they end up assessing intra-household inequality in terms of the consumption of goods, and in some cases leisure. But the benefits that household resources can bring to individuals are much wider. The feminist demand for financial autonomy mentioned above was trying to capture more

than just consumption. Amartya Sen has suggested that the real benefits of resources are what they enable individuals to be or to do. Building on household bargaining models, Sen (1990) suggests that how partners' contributions are valued by household members is key to determining the extent to which they benefit from household resources. For example, through gender norms concerning the importance of male breadwinning, women's earnings may be valued less than men's of the same amount; they also may be less reliable in practice because of the greater likelihood that a woman's earnings would be reduced by caring responsibilities or by the less secure conditions under which many women are employed. Fulfilling caring responsibilities does not in general seem to be perceived as valuable as making a financial contribution to the household, and benefits paid to those taking on caring responsibilities may be less valued than earnings from employment (Bennett et al., 2012).

There is also a large literature on intra-household inequalities in domestic labour. This is relevant to this paper in so far as long hours of domestic, or of home based child and elder care, feeds intra-household inequalities in access to the benefits of financial resources (Bryan and Sevilla-Sanz, 2010). Research suggests that they would do so mainly through their effects on employment opportunities. Thus promoting more equal sharing of domestic and caring duties is important in reducing intra-household inequalities, not only in itself, but also in enabling women to share more equally in the intra-household bargaining power that employment brings.

In sum the effectiveness of policies to tackle intra-household inequalities can be assessed against four main objectives:

- 1) reducing intra-household inequalities directly insofar as they can improve direct individual access to resources, within intact couples but also after separation;
- 2) reducing inequalities in the distribution of caring and earning roles between partners that are known to improve individuals' relative power and access to resources within the household;
- 3) improving gender equality more generally in society by (a) tackling inequalities in the labour market or (b) reducing the disadvantages faced by those within couples and by single people in taking on caring responsibilities;
- 4) tackling gender norms that reinforce gender inequalities within households and more widely, in particular through the value attached to each of these gender roles.

The above list goes from the specific to the more general. However, all are relevant to intra-household inequalities. In particular gender inequalities more widely in society affect intra-household inequalities both through making unequal earnings likely within couples and through the effects of men's and women's fall-back positions as singles on bargaining power within couples. Further, the gender norms that reinforce inequalities do not only *operate on* household inequalities but are reproduced *through* those inequalities themselves.

Policies can have effects that work in contradictory directions with respect to intra-household inequalities of income and gender roles. In particular there is the well-acknowledged problem that payments that boost the incomes of those out of the labour market for caring responsibilities (Objective 1) may reinforce inequality of gender roles within the household (Objective 2), by increasing the financial advantages of intra-household specialisation and thus disincentivising employment for the lower earner. And this will both reinforce and be reinforced by unequal conditions in the labour market (Objective 3) and gender norms (Objective 4), unless policies to tackle these are also introduced.

## POLICY EFFECTS ON INTRA-HOUSEHOLD INEQUALITIES

Bearing in mind the interconnections between these four objectives we shall concentrate our analysis on four areas of policy that impact particularly on individual incomes and gender roles within households (though noting where they might also be expected to have wider impacts on factors relevant to intra-household inequalities): parental leave, working-time regulations, childcare and tax-benefit policies.

### *Parental leave*

Debates about the effect of parental leave on parent's employment and sharing of parenting roles continue (Hegewisch and Gornick, 2011). Relatively short-term (about six months), well-paid, and job-protected, leave improves the income of mothers and seems to keep them in employment (Moss, 2011; Ray et al., 2011). Similar leave for fathers, if taken for significant periods outside their partner's leave period, would promote intra-household equality. Although no country in the world has implemented fully individualised, well-paid

leave of equal length for both parents, evidence from single elements of such a policy in different countries has pointed towards its benefits (Hegewish and Gornick, 2011). However, in a world of gendered labour markets and norms, the take-up of parental leave is highly gendered with women tending to take most, often all, leave that is available to both parents, and men not even taking leave that is reserved for them alone if it is too badly paid (De Henau et al., 2007). Therefore, gender inequality within households may be reinforced by the availability of such leave, by reducing the woman's income further, albeit temporarily though possibly with longer-term career costs, while enabling the man, frequently already the higher earner, to progress further in his career. This inequality increases the longer and worse paid the leave is, also reinforcing labour market inequalities and gender norms more widely in society.

### *Working-time regulations*

The nature and variety of flexible working arrangements to accommodate family constraints makes it difficult to evaluate policies for their effect on gender roles, earnings and hence intra-household inequalities. Flexible working arrangements, such as part-time working, flexitime and possibilities of home-working, are likely to help individual workers with caring responsibilities stay in employment and progress in their careers, provided the rights to such flexibility are universal and include the right to revert to initial employment conditions. Otherwise, the need for such arrangements can make people pay for the flexibility they need in other ways, by trapping them in jobs and grades that allow flexibility, but are worse paid or have inferior conditions, pension rights, job protection or opportunities for promotion (Hegewisch, 2009).

The effects on intra-household inequalities are therefore contingent. As with parental leave, availability and relative take-up by men and women matter: even where there are no income or career costs to take-up, there may be intra-household effects if those working flexibly are perceived as contributing less than those with traditional full-time jobs. Where take-up differs, for example if men are less willing to work flexibly or have more difficulty in getting employers' agreement, flexible working may have negative effects on women's job prospects and diminish men's caring roles, exacerbating intra-household inequalities (Gornick and Meyers, 2003).

Effective regulation of maximum working hours so full-time hours are reduced would unambiguously increase equality in gender roles within households (and for many other aspects of life) by creating better opportunities for sharing care time and family life between parents. Given that women tend to work shorter hours than men, even when working full-time, such a move would create greater intra-household equality of income as well as gender roles (Himmelweit, 2008).

### *Childcare*

Non-parental care services are necessary for families with young children, and other care responsibilities, to be able to have two workers. The cost of such care affects how worthwhile it is for a second earner to take employment (De Henau et al., 2010a). And the hours and quality of available care matter too, otherwise families may not be able or willing to use it. Since women are most often seen as the “second worker” and primary carer in their households (an effect of both gender inequality on the labour market and gender norms), mothers typically have greater responsibility for organising and paying for childcare and its costs are often treated as a direct tax on their earnings alone (Himmelweit and Sigala, 2004). Childcare costs therefore have a direct effect on intra-household inequalities and its availability affects women's employment options more than men's. Good quality affordable care services are therefore likely to improve women's relative financial position within their households.

The demand for childcare is closely connected to the length of parental leave and to policy on working hours. When their existing employment cannot be reconciled with available hours of childcare, and help from relatives is not available to fill gaps, mothers are likely to take substantial periods out of the labour market or take inferior jobs with more compatible hours when their children are small, setting up patterns of earnings and gender roles with highly detrimental effects on intra-household equality in the longer-run (De Henau et al., 2010a).

### *Tax-benefit transfers*

Most benefit systems reduce intra-household inequalities in income to some extent by channelling some resources to the lower earner (Figari et al, 2011); progressive income tax also helps, though not in systems of joint taxation. However, if benefits do not fulfil the criterion of being “money in one’s own right” to the same extent as earnings, compensating women through benefits for their lower earnings is not as effective as equalising earnings in reducing intra-household inequalities. Further, much of the equalising effect of tax and benefit systems happens through the payment of benefits for children to mothers; but this is not really money in the mother’s own right. Nevertheless, for women who are out of the labour market these payments may provide their only source of money in their own hands.

Tax and benefit systems also influence work incentives of individuals within households. Progressive individual taxation, by having a higher marginal tax rate for higher earners, provides some incentive for equalising gender roles and earnings within households. Joint taxation taxes the lower earner at the same rate as the higher and therefore does nothing to counteract the specialisation in gender roles that gender inequalities in wage rates influence. A benefits system (including child-related transfers) that uses household means testing can undermine individual taxation at the bottom end, by clawing back from either partner far more of their earnings than the tax system alone (De Henau et al., 2010b). Given that the employment decision for second earners is the more marginal one, and may have to take childcare costs into account too, this can work strongly against intra-household inequality in gender roles, effectively favouring single earner households.

The effects described above of parental leaves, working time regulations, childcare provision and tax-benefit transfers focus on effects on income inequalities and differential employment and care incentives for men and women in couple, addressing the first two dimensions of our policy evaluation framework. As we have seen many such policies have also contradictory influences on intra-household inequalities by reinforcing wider inequalities in gender roles and norms despite initially improving relative incomes within households. We will see in the following sections that these contradictions have not been systematically resolved by changes in family-related policies over the last fifteen years in our three countries of interest.

## POLITICAL DEVELOPMENTS IN THE UK, GERMANY AND AUSTRALIA

### *Changes in policy motivations*

Before the mid-1990s, all three countries would have been characterised as strong male breadwinner societies, in which women tended to be either full-time carers or if employed, usually worked part-time (Lewis, 2001). In the UK this was largely through neglect because the family arrangements so crucial to gender inequalities were treated as private and outside the legitimate domain of policy. In Germany after unification social policy was dominated by the former West Germany's positive support for the traditional role of the family as the main provider of care (Fleckenstein, 2010). In Australia, the focus was primarily on reducing male unemployment; concern with gender inequalities was largely pushed aside (Redmond, 1999).

In all three countries, after more than a decade of one party in power, there was a switch in the mid 1990s<sup>2</sup>. Australia's Labor party lost to a right-wing Liberal-National coalition led by John Howard in 1996. The UK elected Tony Blair and his "New" Labour Party in 1997 and in 1998 in Germany a grand left-wing red-green coalition led by Chancellor Gerhard Schröder took power. While Australia experienced a move to the right, the other two countries shifted to the left, although to a hybrid form of politics: the self declared "third way/neue mitte", which aimed to create a new system of welfare through a range of labour market activation policies (Hudson et al., 2008). These ideas were in practice influential in Australia too, under the influence of OECD initiatives. Although with different underlying objectives and through different instruments, all three countries developed policies aimed at increasing women's employment rates, especially those of lone mothers, in order to retain skills and raise GDP and hence government revenue.

The UK's New Labour government was characterised by its widespread use of the terms 'flexibility and choice', whereby social inclusion was best achieved through employment, and competitiveness in a flexible labour market (Lewis and Campbell, 2007). The state's role

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<sup>2</sup> In the UK, the Conservatives ruled unchallenged from 1979 to 1997 led by Prime Minister Margaret Thatcher then John Major; in Australia Labor was in continuous power from 1983 to 1996, led by Bob Hawke then Paul Keating; and in Germany, the Christian-Democrats (sometimes in coalition with the Liberals) led by chancellor Kohl from 1983 to 1998.

was to facilitate choice, justified because people know what is best for themselves, but also necessary to the efficient working of markets (Brennan et al, 2012). However, choices were mainly to be made by families, without explicit reference to the individuals making them up, and policy documents showed very little concern with gender equality, inside or outside the household. Families were supported and had a responsibility to have at least one person in work, but individuals were left to negotiate privately with their employers and partners how to allocate their time between employment and care.

In Australia, similar activation policies (especially for lone parents) were devised by successive Howard governments, but the neo-liberal ideology of choice was combined with explicit reference to family values, promoting a full-time home care role for partnered mothers (Brennan, 2007). Australia experienced a clear shift towards gender specialisation of roles, turning its back on the femocrat policies developed by the previous Labor government which had explicitly promoted men's and women's equality as citizens (Cass, 1994). Here too, the family became the main location of choice rather than gendered individuals. At the same time, flexible labour markets, without any requirements for flexible arrangements or parental leave, were promoted through decentralised employer-employee arrangements (including wage bargaining), undermining Australia's long-standing judicial arbitration of such matters.

German reforms also promoted a third way "welfare to work" approach, but recognised explicitly the challenges of improving gender equality in both employment and care, by shifting away from its long-standing support of traditional gender division of roles (Lewis et al., 2008). The rhetoric of choice also became important but was more explicitly focused on making that choice real for both men and women, through a consideration of the constraints impinging on their choices to work and care (Lewis and Giullari, 2005).

In the mid- to the late 2000s, new governments took over in all three countries. Despite some innovations in Germany and Australia, reforms brought by these new governments were not always out of line with previous policies. In the UK for example, elements of policies introduced by New Labour were intensified by the new government, such as the focus on welfare to work, family-based means-tested benefits and private provision of child and adult care services. However, austerity measures following the financial crash unleashed

significant cutbacks in public spending, and thus on women’s employment prospects and the services that women needed to take employment. At the same time welfare changes reduced support and incentives for two-earner in favour of single earner families, while retaining and systematising a welfare system based on family means-testing. Critics argued that these moves were due to an ideological commitment to the male breadwinner model (Annesley and Bennett, 2011). In Germany, radical policy reforms did occur, but these, ironically, had been prepared by the previous government, demonstrating convergence in the successive governments’ orientations. In Australia, radical changes were implemented through the introduction of paid parental leave, but the main work disincentives for second earners in the form of family tax benefits remained albeit with incremental relaxing of their means-testing rules.

### *Changes in employment patterns*

In line with these broad policy changes, gender roles seem to reflect the dominant model of couple households favoured by these governments, namely a one-and-a-half adult worker household. In all three countries in our study to have one full-time and one part-time earner had become the most frequent pattern by 2008 with about 40% of all couples (OECD Family Database, 2011). The distribution of remaining couple types was similar in Australia and the UK with approximately 20% with two full-time earners and 26% one earner couples. However in Germany there were only 14% of couples with two full-time earners and 32% one-earner couples, showing that the trend towards increasing female employment had taken place later in Germany.

Table 1 summarises the main employment trends since 1997 that had led up to that position.

Table 1 Evolution of employment indicators 1997-2007

	Australia			Germany			UK		
	1997	2002	2007	1997	2002	2007	1997	2002	2007
Male employment rate	77%	78%	81%	73%	71%	75%	75%	76%	77%
Female employment rate	60%	63%	67%	56%	59%	64%	63%	65%	66%
Empl. rate of mothers of	44%	45%	48%	50%	57%	60%	56%	57%	56%

child<6y									
Incidence of male part-time employment	15%	12%	12%	4%	6%	8%	8%	9%	10%
Incidence of female part-time employment	41%	39%	38%	31%	35%	39%	41%	40%	38%
Gender pay gap (FT)	15%	15%	15%	24%	26%	25%	25%	23%	21%
Usual weekly hours men		41.4	40.7		40.6	40		42.8	41.8
Usual weekly hours women		30.7	30.9		31.4	30.2		31.1	31.4
% PT women involuntary		26.2	24.7		9.3	16.3		5.6	6.5
% PT men involuntary		42	36.9		30.7	27.9		40.3	41.2

Source: OECD Employment database and earnings database (2011, online)

Between 1997 and 2007, both male and female employment rates increased, though women's increased faster, especially in Germany and Australia. The UK had high rates of female employment from the start of the period, with Australia not far behind and Germany picking up on this in more recent years. The employment rate of mothers with a child under 6 while lower than in the UK in 1997 rose more in both Australia and Germany, with Germany's catching up with that of the UK by 2002 and overtaking it by 2007. Gender roles attitudes changed fast in Germany towards more support of egalitarian gender roles and maternal employment, yet remained much more traditional in West than in East Germany (ISSP, 1994 and 2002)

Men worked relatively long hours compared to women, although not particularly longer hours than in many other European countries, especially Eastern and Southern Europe. But women worked on average only 75% of the hours of men. We can also see that the gender pay gap (for those working full-time) was highest in Germany at around 25% but considerably lower in Australia at 15%. Only the UK saw a slight decrease in the gender pay gap.

## SPECIFIC POLICY CHANGES AND INTRA-HOUSEHOLD IMPLICATIONS

Table 2 below summarises the main changes brought since the mid-1990s in the four policy areas with bearing on intra-household gender inequalities on which this paper concentrates:

parental leave, working-time, childcare, and tax-benefit policies, separating out the changes legislated by the new governments elected in the late 2000s.

### *Childcare*

Both Australia and the UK developed market provision of childcare through granting means-tested subsidies for low and middle income parents, with extra support in the form of tax rebates for higher earners in Australia. The UK entitled 3-4 year olds to free, publically or privately provided, part-time pre-school education. Germany's childcare system, based on publicly-funded centres, remained underdeveloped for under 3 year olds in the West, but extensive in the East. Since 2005 there has been substantial improvement in funding but places still fall far short of demand.

### *Parental Leave and working-time arrangements*

In the 1990s and 2000s, policy on parental leave differed substantially. The UK opted for an extension of paid maternity leave, increasing its length in stages and raising its payment somewhat, but it remained poorly paid. Fathers could take equally badly paid leave for two weeks around the time of the birth (Lewis and Campbell, 2007). From 2011, maternity leave after the first six months was transferable to the father, but this fell short of an individual entitlement to paid leave, since it was conditional on the mother's eligibility and return to work and take-up was always expected to be low. In Australia, by contrast, no statutory paid leave was available to either parent before 2011, although the Liberal coalition government had talked about the baby bonus it introduced and gradually increased, a lump-sum payment for each birth available to both working and non-working mothers, as a fairer alternative to maternity leave. The 18-weeks paid parental leave introduced by the subsequent Labor government was not an individual right, but available to the main carer or to be shared between eligible parents; similar to some extent to the UK's maternity leave, it is actually much shorter and not available to high-earners, but better paid.

Germany's reform of its parental leave system was more radical in challenging the traditional male breadwinner/female carer model. Since 2001, Germany had provided relatively low paid, long parental leave as an individual right (that could be taken simultaneously by both

parents), but with very low take-up by fathers. In 2007, the Grand Coalition led by Angela Merkel implemented drastic reforms, designed by the previous red-green coalition government, to promote women's employment and increase fertility, by promoting gender equality in the division of care and work. The length of paid parental leave available to either parent was cut from three to one year but was significantly better paid at 67% of earnings (which could be spread over two years with proportional reduction in payment, and with minimum amount for low-paid parents), plus an additional two months reserved to the father. Early figures show signs of significant increased take-up by fathers, although mainly limited to their two-month quota (Moss, 2011).

In the 1990s, all three countries implemented some measures to give access to flexible working arrangements, though these varied in coverage and levels of protection, with the post 2007 Labor government in Australia strengthening them further.

#### *Tax-Benefit systems*

The UK and Australia substantially reformed their benefit system to target support on low-income families, particularly those in work, by the introduction of family-based means tested tax benefits (Family Tax Benefit A and B in Australia and Working and Child Tax Credit in the UK). This effectively transformed their individually-based tax system into partly joint systems for lower income couples. In Germany, joint taxation of married couples was maintained. However, German children receive a universal benefit that is not dependent on parent's situation and income. The same is true of the less generous UK's child benefit which is supplemented by a Child Tax Credit that can be worth up to twice as much for lower income families but that is means-tested on family income. From 2013, the UK's child benefit will no longer be universal as it will be withdrawn from high earners through the tax system.

Table 2 – Main changes in family policies since 1996 in the UK, Australia and Germany

	UK (from 1997 to 2010)	Australia (from 1996 to 2007)	Germany (from 1998 to 2005)
Childcare	<ul style="list-style-type: none"> <li>- Private provision</li> <li>- Means-tested subsidies to costs for mid to low income working parents through tax credits</li> <li>- Scheme giving limited tax rebates for childcare costs for employees of participating employers</li> <li>- Free part-time pre-school education for all 3-4yr olds</li> </ul>	<ul style="list-style-type: none"> <li>- Private provision. Subsidies made available for for-profit as well as non-profit provision</li> <li>- Means-tested childcare benefit for all (at a higher level for working parents) and tax relief for working families (benefiting those with higher incomes)</li> </ul>	<ul style="list-style-type: none"> <li>- Public provision</li> <li>- Extensive free part-time coverage for over 3s</li> <li>- Low and slowly increasing coverage for under 3s in the West, relatively high in the East</li> </ul>
Parental leave	<ul style="list-style-type: none"> <li>- Low paid job-protected maternity leave (initially 18 gradually extended up to 39 paid weeks)</li> <li>- Introduction of two weeks low paid paternity leave</li> <li>- Additional paternity leave (remaining maternity leave transferable to fathers if mother returns to work after 6 months)</li> <li>- Unpaid individual parental leave</li> </ul>	<ul style="list-style-type: none"> <li>- No statutory paid parental leave but provided by some employers</li> <li>- Introduction of lump sum baby bonus (for all mothers of new borns)</li> </ul>	<ul style="list-style-type: none"> <li>- 100% earnings replacement maternity leave</li> <li>- Low paid individual parental leave (up to three years) and flexibility of part-time take-up – low take up by fathers</li> <li>- No specific paternity leave</li> </ul>

	(three months) with very low take-up		
Working time	<ul style="list-style-type: none"> <li>- 48 hour maximum week (with individual opt-out)</li> <li>- Introduction of right to request flexible working (reduction, schedule, location) for parents of children under 6 (2003) later extended to carers of adults (2007) and then to all parents with a child under 17(2009)</li> </ul>	<ul style="list-style-type: none"> <li>- No statutory working time legislation but individual agreements</li> <li>- Protection of carers from discrimination and obligation for employers to make reasonable working arrangements (NSW and VA)</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- 48 hour maximum week (no individual opt-out)</li> <li>- Right to request change to hours after period of leave</li> <li>- Creation of poor quality mini-jobs with financial support to employers (unemployment reduction objectives )</li> </ul>
Tax-benefit system	<ul style="list-style-type: none"> <li>- Universal child benefit</li> <li>- Individual taxation</li> <li>- Introduction of family-based means-tested refundable tax credits for families in work and/or with children (including childcare support)</li> <li>- Stricter activation conditions for benefits (including on lone parents by age of youngest child and both</li> </ul>	<ul style="list-style-type: none"> <li>- Individual taxation</li> <li>- Introduction of means-tested family tax benefit for each child (plus additional support to one-earner families with more stringent income test for secondary earner); subsequently reformed to reduce somewhat the disincentive to second earners</li> <li>- Stricter activation conditions for</li> </ul>	<ul style="list-style-type: none"> <li>- Universal child benefit</li> <li>- Joint taxation of married couples (income splitting) and limited de facto joint taxation of divorced couples with maintenance payments</li> </ul>

	members of couples)	benefits (including on lone parents and both members of couples)	
Major changes	<p>Since 2010:</p> <ul style="list-style-type: none"> <li>- Austerity measures: Reduction in working and childcare tax credit payments; child benefit frozen and withdrawn from families with a higher earner</li> <li>- Universal credit will roll existing family means-tested benefits into a single benefit (with higher taper rates and substantially increased second earner disincentives ) paid to just one family member.</li> </ul>	<p>Since 2007:</p> <ul style="list-style-type: none"> <li>- Introduction of paid parental leave (18-weeks, transferable between eligible parents, paid at minimum wage)</li> <li>- Introduction of right to request flexible working</li> </ul>	<p>Since 2005:</p> <ul style="list-style-type: none"> <li>- Increase in direct public funding of childcare places for under 3s (target 33% coverage by 2013)</li> <li>- Low-paid long individual parental leave replaced by one year earnings-related parental leave (up to 67% of earnings with ceiling), transferable but with 2 months additional available to the father</li> </ul>

Sources: Brennan (2007); Lewis and Campbell (2007); Lewis et al. (2008); Moss (2011); Hegewisch (2009); EFWL (2008)

### *Consequences for intra-household inequalities*

Recent developments in parental leave made it available to both parents and provided attractive reserved periods for fathers (Germany), or allowed leave to be transferred from mothers (some UK, all Australia). These developments were designed to improve the opportunities for fathers to care, based on familialistic arguments for the protection of a one-to-one care relationship for a child's first year and the benefits of paternal involvement in such care, rather than the promotion of gender equality (Hegewisch and Gornick, 2011). Feminists however were more concerned with the longer-term consequences on women's relative career prospects and earnings. Whereas job-protected leaves were required to engage and retain women in the labour market, well-paid leave and specific quotas for fathers were considered essential in promoting greater gender equality in care and work between partners. In practice though, the design of payments and the focus on transferability of leave period did not succeed in encouraging more equality of leave taking; the bulk of any parental leave is still expected to be taken by women in all three countries, as the reformed German example shows. Although the Australian system of parental leave introduced in 2011 is too new to be able to tell yet who is taking it, we can expect similar imbalance in take-up. Therefore, parental leave as it stands in these countries reinforces mothers' primary caring role and even if payments may provide those previously in employment with additional individual financial resources, the system does little to improve gender equality inside and outside the household.

That said, the implementation of real incentives for fathers' take-up in Germany is a significant step towards a better sharing of parenting roles. A reduction of the paid leave period is also a clear indication of a move away from the centrality of long family-based childcare in that country with potential benefits for equalising partners' labour market outcomes and earnings (combined with improved childcare provision).

Similar arguments can be developed for the availability of optional flexible working arrangements. They too transmit gender inequalities from the labour market into the home. Women, especially those with young children, have taken up these measures to a greater extent than men (Hegewisch, 2009). In many cases this has enabled them to stay in employment and use their skills and thus work under better pay and conditions than would

have previously been the case for those who worked part-time. However it has meant further gender specialisation which does not point towards more intra-household equality in sharing caring roles. As discussed above the only measure that imposes greater gender equality on households is by limiting the hours of full-time employment, but this hasn't been pursued by any of the three countries; instead a move towards individual opt-out of maximum working hours was observed in the UK and Australia.

The impact of the complex mix of elements in a tax-benefit system on intra-household inequalities through differential work incentives can be assessed by examining the gain to a couple from one or both of them taking employment (OECD 2007). Although a complete characterisation of a couple's behaviour in response to their tax and benefit treatment does not depend on this alone, these relative gains provide a simple way to compare tax-benefit systems and likely behavioural responses. The average effective tax rate (AETR) gives the percentage of the difference in gross income of two different employment situations that is lost through reduced benefits and increased taxes, that is, does not feed through into a higher disposable income. This gives us a way of assessing how different systems compare in mitigating (or reinforcing) traditional gender roles, and consequent access to household resources.

Table 3 summarises this for the systems that were in place in 2005, adapting results from the latest OECD Benefits and Wages report (2007) which simulated different AETR, both with and without including childcare costs. It focuses on couples with a main earner in full-time employment at 100% of the national average wage (AW) when the other partner takes up a full-time job at 67% of AW. A high value of the AETR signifies that a high percentage of any additional income is lost through reduced benefits or increased taxes, with 100% meaning all additional gross income is effectively taxed away.

Table 3. Impact of second earner taking a full-time job at 67% of average wages on net income and work incentives, with and without childcare costs, for couples (2005)

	<b>(100+67)% AW, 2 children</b>			<b>(100+0)% AW, 2 children</b>		
	<b>AU</b>	<b>GE</b>	<b>UK</b>	<b>AU</b>	<b>GE</b>	<b>UK</b>
<b>Gross earnings</b>	167	167	167	100	100	100
Social	0.0	0.0	0.0	0.0	0.0	0.0

Assistance						
In-work benefits	0.0	0.0	0.0	0.0	0.0	0.0
Family Benefits	6.8	8.9	6.9	17.7	8.9	6.9
Housing						
Benefits	0.0	0.0	0.0	3.0	0.0	0.0
	-	-	-	-	-	-
Income Tax	37.6	31.9	27.7	24.0	11.5	17.5
		-	-		-	
SSC	0.0	34.8	14.7	0.0	20.8	-9.2
<b>Total</b>						
<b>Net</b>						
<b>Income</b>	136	109	131	97	76	80
<b>Net tax burden</b>	18%	35%	21%	3%	24%	20%
	-	-	-			
Childcare fee	44.7	16.0	47.8	0	0	0
Childcare						
benefit/rebates	15.1	6.9	4.7	0	0	0
Tax reduction	16.4	0.0	0.0	0	0	0
Other benefits	0.0	0.0	0.0	0	0	0
	-		-			
Net cost of cc	13.3	-9.1	43.1	0	0	0
<b>Total</b>						
<b>net</b>						
<b>income (net of</b>						
<b>cc cost)</b>	123	100	88	97	76	80
<b>Net tax burden</b>	26%	40%	47%	3%	24%	20%
AETR inert to						
67% w/o						
childcare	41%	51%	24%			
AETR inert to						
67% w/ child						
care	61%	65%	88%			

Source: own calculations based on data from OECD (2007)

Note: family benefits include cash benefits and tax credits

If there are no childcare costs, second earners in Germany and Australia were highly taxed when taking-up a full-time job, even a relatively low paid one; this illustrates the effect of income tax splitting in the German tax system and of the one-earner bias of Australia's family tax benefit system (mainly part B). The UK system did not tax second earners so highly when the first earner partner was earning an average wage. However the second earner's AETR would have been much higher if their partner had been earning less because the family would have lost more in means-tested tax credits when the second earner took a job. This shows the way in which the tax credit system operates like joint taxation at the lower end of the income distribution to disincentivise second earner employment. The effect would be less for second earners who earned less, perhaps because working part-time, in the UK and Australian independent taxation systems but not in Germany, where joint taxation

means that even the lowest earnings of second earners are taxed as highly as their partner's. So in all countries, the tax-benefit system disincentivises second earner employment for the partners of low earners, and in Australia and Germany that effect remains true for full-time earnings by partners of those earning average wages.

However, childcare costs increase the AETR for second earners much more in the UK than in the other two countries (to 88% when returning to a full-time job paid at 67% of AW). This effect would be reduced if either partner earned less since a larger proportion of childcare costs would be paid, but it would still be the case that the most expensive childcare costs in Europe combined with a maximum subsidy of 50% of average costs (70% covered up to a ceiling) provide a significant disincentive to second earner employment when childcare has to be purchased. That is one reason why grandmothers provide so much childcare in the UK and so many mothers of pre-school children work part-time.

Recent or planned reforms of tax-benefit systems are not likely to modify this picture, at least at these levels of earnings. Indeed, the introduction of the Universal Credit in the UK merging tax credits with other means-tested benefits, with a consistently higher withdrawal rate, will worsen second earner disincentives for lower income families. In Germany, so long as the joint taxation prevails, the disincentive will remain, and Australian family tax benefit structure has not been changed by the new Labor government although successive increases of the means-testing thresholds have slightly improved work incentives for second earners.

## CONCLUSION

This paper looked at the elements of policy reforms that were likely to influence intra-household inequalities in various ways, focusing on effects on individual incomes and gender roles. The analysis of four domains of family and employment policies revealed that over a period of fifteen years characterised with significant changes in government, a model of couple households favouring one and a half earners has become the norm, not just the default, especially in the presence of young children. Despite adopting slightly different policy orientations and starting with different patterns of employment and care relations, all three countries developed activation policies that reinforced women's roles as primary carers and secondary earners, albeit with increased participation rates in the labour market, especially in

the presence of young children. As a result, the set of reforms can be seen as having done little to tackle intra-household inequalities between men and women, not in the least because most of these policies were oblivious to the issue to a large extent. With a heavy focus on ‘familial choice’, activation policies indeed supported families into paid employment, at least for one member, but partners were left to negotiate privately their allocation of time and financial resources.

However a few elements of change could still be highlighted as contributing to improve intra-household inequalities in the short and the longer-term by providing more individual financial security and equal sharing of roles between partners. The reduction of paid parental leave period combined with increased provision of childcare in Germany is one example, although the leave was made transferable between parents with too short but welcome a part reserved to fathers (and encouraging signs of higher take-up). In-work support to lone parents implemented in all countries was also a positive sign towards improving fall-back positions of mothers in case of relationship break-down, hence potentially reducing intra-household inequalities for intact couples. And more generally, the expansion of subsidised or even free childcare (mainly of older pre-school children) in the UK and Australia has also been a positive and a continued move towards improving women’s financial positions in the labour market, and thus within households.

Whenever constraints on men and women to equalise their roles more effectively have been removed by political intervention, such as free childcare or attractive paternal leaves, parents have responded in favour of greater intra-household equality by taking up these options. Similar moves have been observed in other countries (Moss, 2011). This somehow contradicts other policy attempts that promote a traditional division of gender roles and supporting mothers as primary carers which go against the general aspirations of couples, as shown by their increasingly egalitarian gender role attitudes. Examples of steps towards increased intra-household equality include: reducing full-time maximum working hours to share employment more equally (and providing more free and caring time to individuals); equalising leave periods and flexible working taken by both parents through strictly individualised and well compensated schemes; improving access and affordability of childcare at a very early age and encouraging more men to work in these occupations;

replacing all means-tested family benefits by universal support to children to reduce work disincentives; enforcing individual taxation.

Adjustments towards more equality would not necessarily prove more costly to government and adequate gender budgeting could help design policies in a different way.

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