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A Reflection on the Present  
Economic Approach

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*DESTATIS, GERMAN FEDERAL STATISTICAL OFFICE*

### ■ Abstract

This working paper compares childcare and nursery education across three European countries: Sweden, Germany and Spain. This analysis forms the basis of a discussion on the productive value attributed to childcare and nursery education in each of those three societies, with reference to the activity's visibility or otherwise in the current scheme of national accounts: the European System of Accounts (ESA 95). The discussion will throw into relief the limitations inherent in the ESA 95 that stand in the way of properly accounting for activities that are clearly productive and beneficial for society but are difficult to measure in money-based terms.

### ■ Key words

Unpaid household work, national accounts, childcare, welfare measurement, global economy.

### ■ Resumen

Este documento de trabajo ofrece un análisis comparado del trabajo de cuidado y educación a niños en tres países europeos: Suecia, Alemania y España. Este tema abrirá el discurso sobre el valor productivo otorgado al trabajo de cuidados y educación de niños en cada una de las tres sociedades analizadas, según este se visualice o sea invisible para el sistema económico de cuentas en vigor: el Sistema Económico de Cuentas (SEC-95). A raíz de esta discusión se pondrán de manifiesto los límites del sistema de contabilidad nacional a la hora de tratar con actividades obviamente productivas y beneficiosas para una sociedad pero difícilmente “valorizables” en términos monetarios.

### ■ Palabras clave

Trabajo domestico no remunerado, contabilidad nacional, cuidado infantil, medición del bienestar humano, economía global.

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## 1. Introduction: The Recognition of Human Activity in National Accounts

THIS paper forms part of a wider research project on unpaid work in the global economy, carried out in 2009 and 2010 under the direction of María Ángeles Durán and with the support of the BBVA Foundation. The great breadth of the work, which encompasses contributions from seven researchers, calls for multiple publications: a monograph (Durán 2012) and five working papers, including this one and those by Díaz and Llorente (2012), Rogero (2012), Domínguez Serrano (2012) and Durán and Milosavljevic (2012).

The papers range over different types of unpaid work (childcare, care of elderly people), different research methods (demographic and econometric techniques) and different regions (Latin America, Africa); though each monographic contribution can stand alone as an independently produced piece of research, the various perspectives complement one another. All six publications are concerned to identify the differences between work and employment, seek an international perspective, use dependency scales (in particular, the Madrid II scale), introduce time horizons and, as far as possible, estimate the time demand involved in meeting unpaid care needs.

ESA 95, the current European system of accounts, is closely based on the United Nations' System of National Accounts (SNA), a scheme developed for international use. The SNA constitutes one way of representing the many and varied economic relations arising in a society, and aims to be both quantitative and comprehensive. The forerunner of this approach emerged immediately after the Second World War as a key information source for European reconstruction under the Marshall Plan. Over the following six decades, the SNA became increasingly institutionalized and formalized internationally, and it continues to be the standard system of economic analysis today.

Households—also known as “family units”—are typically regarded as an essential and significant component (agent) of the SNA, but their role is confined in practice to that of consumers of goods and services produced by other institutions, mainly enterprises, non-profit organizations, and government. This is because the economic relations recognized by the SNA are those focusing on the commercial production of goods and services, as measured by pecuniary value, chiefly with reference to market prices.

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This paper expresses the author's own opinions and not necessarily that of Destatis.

However, a significant portion of human activity, though capable of being characterized as economic or productive or contributing to the common good, takes place *within* households and so remains invisible to the SNA. In their role as producers of goods and services for society, households are not adequately reflected by the system. This is often because the goods and services they produce are not placed on the market—there is no money-based transaction providing a record of an economic relationship. And even where a commercial exchange does exist, the economic relations holding among households tend to remain out of sight for the SNA, such that the positive productive effect is disregarded for both households and society as a whole.

One line of research has sought to make up for this shortcoming by producing data and analysis on household time use and production, and by creating “household satellite accounts”. Household satellite accounts are an attempt to quantify households’ invisible output by using money-based measurement methods and linking the results thus obtained to existing data on official economic output (Casero and Angulo 2008, Durán 2000, García Díez 2003, Varjonen and Aalto 2006).

The present situation of global economic crisis, which arose first in the banking and finance system and then spread to sovereign states, lays bare the limitations of the prevailing money-based economic approach. The downturn is blamed on a misreading of the signals sent out by the current system of economic analysis and control, but the true issue may be that this system of information does not fully or adequately reflect the broad-ranging network of economic relations that are genuinely relevant to society. The pursuit of economic growth in pecuniary terms can be seen with increasing clarity as a blind race driven on by misleading measures of value.

Numerous initiatives have emerged in the search for alternative ways of understanding development, growth and social progress. These alternative perspectives identify and highlight concepts such as sustainability, human and social welfare, fairness, and so forth. The alternative approach plainly calls for alternative instruments of observation and analysis to guide the policymaking process.

The case study set out below on childcare and how it is represented in the SNAs of three European societies will draw attention to the practical difficulties attendant on prevailing instruments of analysis in any attempt to understand the rich complexity of human activity.

## 2. Childcare in Europe

THIS section briefly discusses standard practices in three European societies in response to households' childcare needs. The following questions are at issue: Who does the work? To what extent is the work paid, or otherwise covered by some sort of benefit or social support?

A society's way of dealing with childcare and children's education—or, taking a more general view, with the reproductive role—is one of the classic questions considered by the social sciences since the utopians of the nineteenth century. The existing or desired economic and social system shapes the cultural norms and expectations imposed on the relevant actors in a society. Where it is accepted that the state adopt an authoritarian or intrusive approach to the private arena, those norms may be based on a legal code that underscores the importance or necessity of a certain manner of conduct with regard to the childcare role, stipulating who must do the work and how it must be done: a sort of “code of good practice for mothers/fathers/educators”. An example here is the parenting standard introduced in Sweden in the 1930s as part of the “social engineering and planning” policy designed “scientifically” by Alva and Gunnar Myrdal in their book *Kris i befolkningsfrågan*, published in 1934 (Hirdman 1997).

The societies under study here will be classified according to a new scheme (see section 2.1) that draws on the work of other authors on these same societies, in connection mainly with the development, predominance and structure of the public sector (Esping-Andersen 1990), and introduces a new dimension to reflect patterns of care work distribution within households. This broad classification of social models is intended to facilitate a better understanding of the social structure of each country under analysis. This comprehensive treatment of social models is also useful for better understanding the accounting process for each phenomenon and the reasons why that process works better in some cases than in others.

The information sources on established childcare and education practices were supplemented with a small number of qualitative personal interviews with parents who, having elected to take parental leave, were in a position to share relevant experience.

## **2.1. Established practices for the care and education of children aged 0 to 3 years in Sweden**

Some academic sources present Sweden and other Scandinavian countries as being prototypical of a social democratic economy, in which the state—the “welfare” state—meets most household needs and pays special heed to gender equality. It has even been said that “Sweden is ... the best country for men and women to combine family and work” (Forsberg 2009, 15). This view also emerges from interviews with mothers and fathers in the country. One mother who lives and works in Sweden, an American national, states: “In the USA, I wouldn’t have been able to raise three children while working, or even two—it would have been economically impracticable.” One Swedish mother of two small children, who works as a child carer, states: “I find it easier to work than to stay at home looking after my own children.”

As to social norms and expectations about parenting in Sweden, one of the characteristic patterns revealed by recent research is that both men and women are expected to get fully involved in caring for and educating their children and in doing paid work: “involved parenthood” (Wislow-Bowe 2007). In Sweden, the concept of an active paternity in which fathers take on childcare duties and other domestic chores is widely accepted today as predominant, regardless of social class or cultural background (Bekkengen 2002, Johansson and Klinth 2008, Wislow-Bowe 2007).

Paternity leave, though known in Swedish society and not merely as a marginal phenomenon, in practice continues to be less widespread than maternity leave. Some research suggests that it is men employed in the public sector and certain private-sector industries (science, research, large corporations) who make most use of paternity leave. In this setting, not taking paternity leave is perceived as socially unacceptable. However, men working in more competitive segments of the private sector face different expectations among colleagues and employers; the extent of resistance and impediments to their choosing to take paternity leave depends on the specific sector in which they work.

The significance of the above comments can be gauged by the following data. In 2008, a total of 270,288 women received public benefits or aid in respect of maternity leave. Those women took a total 36,082,013 days of leave, making for an average of 133 days per woman per year. Among men, however, public benefits for paternity leave were granted to 88,379, just under one-third of the figure for women. Men took 2,564,857 days off work, making for an

average of 29 days per man per year (Sveriges Officella Statistik, *Förärltrapennig*—parental benefit). So only one-third as many men as women take parental leave, and, what is more, when they do take leave, they spend fewer days caring for their children.

The Swedish time use survey further reveals that there are still differences between men and women in the number of hours devoted to domestic chores and childcare. Among parents with children younger than 7, women devoted approximately 8 hours a day while men devoted an average of 3 hours a day (Statistics Sweden, 2003). Empirical studies have shown that in Sweden there remains an apparent discrepancy between the way men perceive and talk about their paternity and how they experience it in practice (Lareau 2000).

In Sweden, paid parental leave extends somewhat beyond the baby's first year of life (96 weeks), and may be divided up between the mother and father in any way they choose, subject to the requirement that each parent must take at least two months of leave in order for the couple to be eligible for the entire benefit. The established practice is for both fathers and mothers to return to their paid jobs. Statistics Sweden's Annual Survey of Childcare Needs suggests that during paid parental leave only 3% of children receive care away from home. After the child's first year, care is delegated to a public or grant-maintained day care establishment. About 75% of children aged 2 to 6 are cared for in such centers. The legislation governing parental leave—passed in 1995—requires local authorities to provide all parents who are in employed work or pursuing studies with a place at a public childcare center from the child's first year up until he or she turns 12. The duration of services provided by local authorities is determined by the parents' working time, and fees are means-tested. If both parents work full-time, they are entitled to full-time childcare at a fee not exceeding 3% of household income.

Sweden is a society in which men and women alike do paid work and look after their children on a cooperative footing. The arrangement is captured by the phrase “involved parenthood”. After the generous state benefits run out, Swedish parents are expected to take personal responsibility for caring for and educating their children, and the importance they attach to this is evident. It is rare for childcare to be delegated to babysitters, or for other forms of informal support outside the family to be used.

Grandparents and other family members sporadically play a role in childcare. Swedish families display their “involvement” responsibility via strategies whereby responsibility alternates between the father and the mother. In response to a question on childcare options over the weekend and in the evenings, one Swedish father said: “Our son



spends quite enough time at nursery school over the week. At the weekend, we are glad to spend time together.”

## **2.2. Established practices for the care and education of children aged 0 to 3 years in Germany**

Government responsibility for primary school and childcare in Germany is devolved to the regional authorities, the *Länder*. Each of the 16 German regions sets its own policy and passes its own legislation on childcare and education. There is still a wide gap in childcare practices and services between the regions of the former West Germany and the former East Germany; it is accordingly difficult to generalize or to point to specific figures applicable to the entire country.

The former West German regions exhibit wide conceptual variety as to the types of childcare centers and services on offer for children under 3. The options range from publicly funded and managed *Krippe* child centers, through entirely privately run centers, to centers run by non-profit organizations and in receipt of government subsidies; still other centers are largely managed by parents themselves, who play an active role in childcare by providing food, organizing activities, cleaning the premises, and so forth. Further alternatives include *Elterninitiative* and centers where parents join their children in their activities: *Familiengruppen*, *Spielgruppen*, *Mutter/Kindgruppen*.

In Germany today, both men and women are entitled to 12 months’ parental leave, to be shared out between the parents and paid at a rate of approximately 67% of their present salary (Bundesministerium der Justiz 2006: *Bundeselterngeld- und Elternzeitgesetz*). If the father elects to take at least two months of paternity leave, combined paid leave is increased by a further two months. Beyond paid leave, parents may opt for leave to be extended for up to a total of three years (the latter two years are usually unpaid, but this is subject to means-testing). This form of extended leave is known as *Elternzeit*, a term that might be rendered as “parenting time”.

In practice, however, childcare in Germany is shared out on fairly traditional lines: it is mostly women who take maternity leave. Although the new paternity legislation has encouraged men to make increased use of leave, the pattern remains one of limited uptake. In the first quarter of 2007, a total of 58,417 people were in receipt of parental leave benefits. Of these, 93.2% were women and only 6.8% were men, almost all of whom took a total of

only two months' leave, while women were typically off work for 12 months to three years. One highlight is that the highest available benefit—€1800—was granted to only 1.5% of applicants, while the basic benefit of €300 per month was awarded to 41.15%. This illustrates that in Germany fertility is low among highly qualified professional women.

In 2002, 9% of children under 3 were entitled to a nursery school place; the figures were close to 3% in the West German regions and 35% in East German regions (Statistisches Bundesamt 2004). The shortage of both public and private nursery school places for children aged 3 or under means that many women elect to extend maternity leave for a period of up to three years, even though the latter two years are unpaid and not covered by any form of state benefit. To a lesser extent, women look for specific solutions on the open market or via the support of family members so as to bring forward their return to paid work. In Germany, cultural norms exert strong pressure on women to take care of their children up to age 3; any form of early delegation is sharply questioned by the community.

### **2.3. Established practices for the care of children aged 0 to 3 years in Spain**

Since the 1990s, policymakers in Spain have sought to introduce wide-ranging gender equality plans encouraging a fairer distribution of family responsibilities between men and women and making it easier to find a balance between paid work and family duties. The LOGSE education statute enacted in 1990, which also governs care and education for children up to age 3, introduced an array of educational concepts that take account of households' work-life balance needs, with a particular focus on women.

These policymaking and legislative efforts have succeeded in shifting Spanish households' expectations about the way in which domestic responsibilities are to be shared, but real progress has been slow in terms of bringing about a more cooperative distribution among men and women of paid work and domestic chores.

Since the enactment of Organic Law 3/2007 for the Effective Equality of Women and Men, mothers and fathers alike are entitled to 16 weeks' leave at full pay. The first 6 of the 16 weeks cover the mother's mandatory rest period, while the remaining 10 weeks can be divided up between the mother and father in simultaneous or consecutive spells—the available leave consists of 10 weeks to be shared by the couple, not 10 weeks for each parent.

Time use survey data confirm that it is mainly women who care for their children at home and take on most other domestic duties. The 2002-2003 Time Use Survey figures disclose that in Spain 57% of children under 2 are cared for by non-household members (nursery schools, family members, etc.). The remaining 43% of children under 2, therefore, continue to be cared for at home by their mothers, in the light of the maternity leave data released by Social Security (*Seguridad Social*), discussed below.

In the first half of 2008, Social Security processed 180,000 maternity leave applications and 140,000 paternity leave applications. On the face of it, these figures suggest very significant progress towards a more cooperative pattern in the distribution of domestic and care duties arising after the birth of a child, but this initial impression is counteracted by a glance at the data for the financial benefits actually awarded in response to leave applications. Social Security data shows that €825 million was awarded to mothers and €104 million to fathers: this clearly reveals who was really using the available leave. Fathers do take part in care activities soon after a child is born, but their involvement is confined to a far shorter period than the role of mothers.

Public childcare services are chiefly provided at institutions (infant school for children aged 0 to 3, 3 to 6 or 0 to 6 years), and mostly take the form of full-time day care benefits (nursery school places) all year round. Public centers are supplemented by privately managed nursery schools that may or may not be in receipt of some form of public subsidy or support. The LOGSE law also introduced a new service for children under 3 accompanied by their carers (usually their mothers). This marginal and underused service is designed to offer families with young children the chance to socialize and network with others in the same or similar situation. The innovations introduced by the LOGSE included new educational concepts and care possibilities, but went unsupported by the creation of new nursery school places or any significant increase in the education budget. Some research takes the view that the Spanish public sector offers an insufficient number of nursery school places (European Commission 1996).

In the private sphere, it is a widespread practice to retain paid carers within the home setting or accept support from family members, generally grandparents (unpaid care). The existence and significance of these practices in Spanish society are clearly reflected in the results of time use surveys. According to the INE (Spanish National Statistical Institute) Time Use Survey 2002-2003, 34.9% of children under 2 received a weekly average of about 22 hours of care under this arrangement (Casero and Angulo 2007).

Paid childcare within households has a significant presence (10.1%), and Casero and Angulo (2007) draw the inference that home-based childcare is one of the duties entrusted to domestic staff, on the basis that over half of children aged 0 to 2 years in households employing domestic staff received regular care from paid carers, whereas in the population as a whole only 1 out of every 10 children in that age group is cared for by a non-household member.

The INE Living Conditions Survey for 2008 discloses a somewhat higher proportion of children cared for at centers or by non-household members. 49.6% of children aged up to 3 years attended some form of preschool or infant education institution for a weekly average of 27 hours, while 22.7% of children in that age range were cared for by paid carers or non-household family members for a weekly average of 24 hours. This more recent dataset suggests the emergence of new household needs, perhaps prompted by a rising rate of labor market involvement among women with small children.

### **3. Accounting Analysis of Care for Children Under 3 Years of Age**

#### **3.1. Socio-economic classification of the countries under analysis on the basis of the structure of public coverage and within-household distribution of childcare and education duties**

Each of the economic models for childcare outlined above will now be examined in terms of how it is represented in Europe's prevailing system of national accounts, ESA 95. A proposed classification will be put forward for the various systems of care in aid of a suitable understanding of the accounting process. The three societies under study will be characterized in broad outline by two variables. First, the focus will be on the economic structure of coverage: is the society in question a liberal (in the free-market sense) market economy in which state intervention is restricted and the search for solutions to meet childcare and education needs is, in the main, undertaken individually via the market? Or, conversely, are the prevailing practices in childcare meaningfully shaped by the system of state aid and benefits?

This first analytical step will draw upon the now classic classification of capitalist state types advanced by Esping-Andersen (1990). However, this classification has often been criticized for disregarding the within-household environment and failing to address gender relations (Ellingsäter and Leira 2006). Here, the analysis will accordingly be enriched with a second dimension, such that each society will also be classified by pattern of cooperation in the father/mother distribution of childcare duties within households. A household is “traditional” if women are primarily responsible for domestic chores and childcare and men are the providers of money resources; it is “cooperative” to the extent that domestic and extra-domestic duties are shared on a pattern approximating equality among men and women. Looking at these two features—overall economic structure of childcare coverage and domestic structure of workload distribution—one finds (Figure 1) that each of the societies under analysis appears in a different quadrant of the diagram.

The first quadrant denotes a society in which state involvement is significant, via direct policy and effective benefits to cover childcare needs, coupled with a traditional pattern of domestic duty-sharing. German society (DE) may be placed in this quadrant. Cash benefits awarded by the state in response to the birth of a child are generous, but much remains to be done in terms of the availability of nursery school places for children under 3 to meet existing demand. The outcome is that it is women who take on childcare duties by taking up to three years off work, by which time their children are assured a nursery school place as a matter of entitlement. It is important to note that the mere availability of extended maternity leave —though unpaid— generates social pressure on women to avail themselves of it.

The second quadrant is occupied by Spain (ES). In this country state parental benefits are lower than in Germany: 16 weeks versus 14 months. The availability of public childcare centers for children under 3 also falls short of societal needs, but it appears that the supply of places on the private market is far greater than in Germany. Spain accordingly appears in the market-oriented quadrant. As to domestic structure, Spain, like Germany, exhibits traditional patterns of workload distribution.

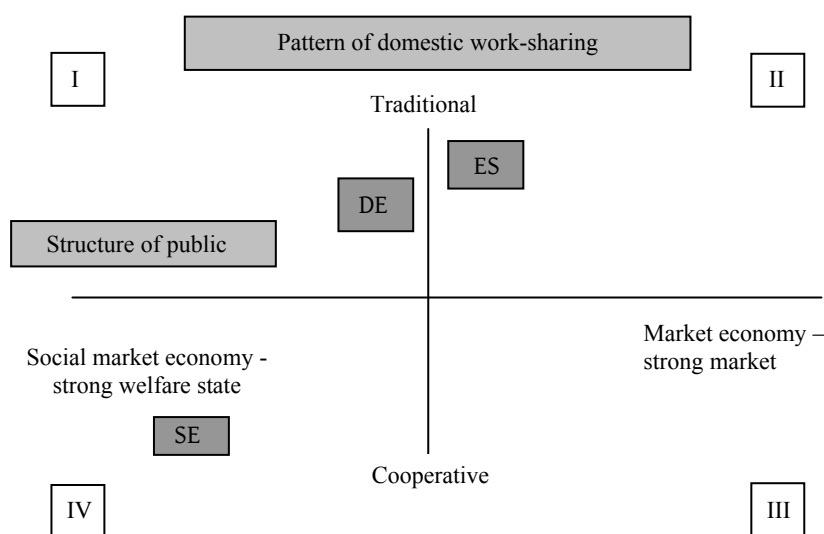
In comparison with other European societies, in Spain a lower proportion of women with small children have entered the labor market. In 2007, according to the EU Labour Force Survey, the employment rate among Spanish women aged 15 to 64 was 15 points lower than in Sweden and 10 points lower than in Germany. This is one of the reasons why childcare continues to be more frequently conducted within the domestic sphere than in other

European countries. On one hand, a higher proportion of women are not employed before the birth of their child; on the other, women who return to their jobs post-maternity leave more often have recourse to close family members—typically their own parents—to cover their child's care and education needs.

By way of contrast with Germany and, all the more so, Sweden, in Spain it is socially accepted that grandparents take on a large share of day-to-day responsibility for childcare; this fact, allied to the relatively low rate of female employment, may have diluted women's need to demand childcare coverage in the public sphere. The ability to lean on the extended family—often as the first option—has enabled Spanish women to return to work promptly and flexibly. Prime facie, one might suppose that this phenomenon would encourage a more cooperative pattern of distribution of domestic and extra-domestic duties among men and women. However, no such effect is visible in time budget surveys, in which Spain continues to exhibit some of Europe's most traditional patterns of domestic work distribution.

In Spain, according to INE 2002-2003 figures, women devote an average of 4 hours 24 minutes to domestic work or, according to those of the CSIC in 2003, 4 hours 25 minutes, more than three times the amount of time (hours and minutes) devoted by Spanish men: 1 hour 30 minutes (INE) or 1 hour 17 minutes (CSIC). In Sweden, women devote 3 hours 42 minutes to domestic work, while men spend an average of 2 hours 29 minutes. For Germany, the equivalent figures are 4 hours 11 minutes for women and 2 hours 21 minutes for men (European Commission 2004, Time Use Survey; INE 2002-2003, CSIC 2003).

FIGURE 1: Classification of care models by public coverage and domestic workload distribution



The position of Sweden (SE) in the diagram remains to be explained. As discussed in section 1.1, Sweden enjoys a robust system of state support for childcare and education needs. Support takes the form of cash benefits to parents and a generous supply of places at primarily state-funded care centers. Sweden is thus a society where the welfare state plays a preeminent role. The pattern of domestic work-sharing is also more cooperative, mainly due to the social norms and expectations discussed earlier, whereby men and women alike are involved in their jobs and in childcare on a more egalitarian footing than in the other European societies analyzed here.

One thought-provoking point is that the German and Swedish systems of paternity leave are similar in form, but Swedish men make greater use of the option. Swedish men are probably the male European population most frequently taking paternity leave (at a rate of approximately 18%), but even here the distribution of domestic work between men and women is far from being fully equal.

The diagram provides a straightforward classification of the societies under study, which can be characterized as follows: a social market economy with a cooperative pattern of domestic work-sharing (SE), a social market economy with a traditional pattern of domestic work-sharing (DE), and a market economy displaying a traditional pattern of domestic work-sharing (ES).

### **3.2. The accounting treatment of childcare for children under 3 years**

This section discusses the national accounting treatment of care for children under 3 years of age in each of the socio-economic models described above. For ease of understanding, a graphical representation is provided of each model under analysis.

#### **3.2.1 The accounting treatment of childcare and education in Sweden**

One of the key features of the Swedish system is the strong bond between the individual and the state. The relationship is construed primarily as the source of an individual's autonomy and independence from other people, the market and even his or her own family. The state largely covers basic individual needs, including the care of young children, and so gives individuals a measure of independence from their environment when organizing their working life. The other side of the coin is that individuals are expected to honor a strong commitment to the system and to identify closely with the community, and community interests sometimes take precedence over their own. Moreover, in Sweden the state actively encourages equality of opportunity in all respects, which translates into high social transparency in all money and service transfers between the state and the individual (Hirdman 1997, Miller 1997).

The Swedish model, characterized by a strong welfare state and a cooperative pattern of domestic work-sharing, is reflected with relative accuracy in the system of national accounts, *Nationalräkenskaper*, and other administrative sources of economic data. Practically all childcare work is formally integrated within the accounting system via money transfers from the state to the household sector and direct state expenditure on childcare centers and qualified personnel. This is a largely state-organized system, as clearly reflected by the significance of the public sector in the system of accounts.

There are three conventional ways of calculating gross domestic product. First, output can be calculated as the gross value added produced by the various industries and economic sectors. Secondly, output can be determined by calculating expenditures, and, thirdly, output can be determined by calculating income.



Where the expenditures or consumption approach is used—*Försörjningsbalans*—private household expenditure must be added to public expenditure, gross investment and exports less imports. In this specific case, care during a child's first year of life is reflected primarily by state transfers to households (public expenditure). The Swedish welfare state, one of the most generous in Europe, structures its benefits with the aim of enabling both men and women to enjoy up to 480 days (96 weeks) of paid parental leave. This benefit is a personal entitlement. Everyone is assured a minimum standard monthly wage of approximately €400, regardless of whether the mother or father was employed before the birth of the child. A person who was employed at least six months before the birth of his or her child is entitled to a benefit of approximately 80% of his or her salary at that time (Ellinsäter and Leira 2006).

Subsequently, childcare continues to form part of state expenditure but no longer as a cash transfer to the household sector but as a direct expenditure on education. In this case, the state funds both public and private educational and childcare institutions. In 2007, 75% of children aged 1 to 7 attended a state-subsidized institution of one kind or another. Sweden's childcare and education systems is one of the most liberal in Europe today in terms of the variety of alternative educational philosophies on offer (Blomquist 2004). Nevertheless, by means of a voucher system, institutions are funded primarily by the welfare state, such that the central government covers approximately 35% of costs while local authorities bear 52%. Parents contribute 13%. The largest contributions thus come from the various communities —*kommunala myndigheter*— and from the central government—*statliga myndigheter*.

Using the value added approach—*Bruttonationalprodukten*—childcare forms a part of the value added of the following private producers in the service sector (*tjänsteproducenter*): education, health and social work (*Utbildning, hälso- och sjukvård, omsorg*), community, personal and social services (*samhälleliga och personliga tjänster*) and, of course, the state (*stat och socialförsäkring*).

Childcare in the private sector (businesses), though on the rise, is a relatively modest affair in Sweden. This is mainly due to the availability of strong state support and to social democratic expectations and norms, which militate against the purchase of “domestic help”. Swedish households tend to disapprove of delegating childcare other than under state-supported arrangements. In the traditional social democratic climate, economic relations of this sort are viewed as morally suspect, although society is increasingly opening up to other

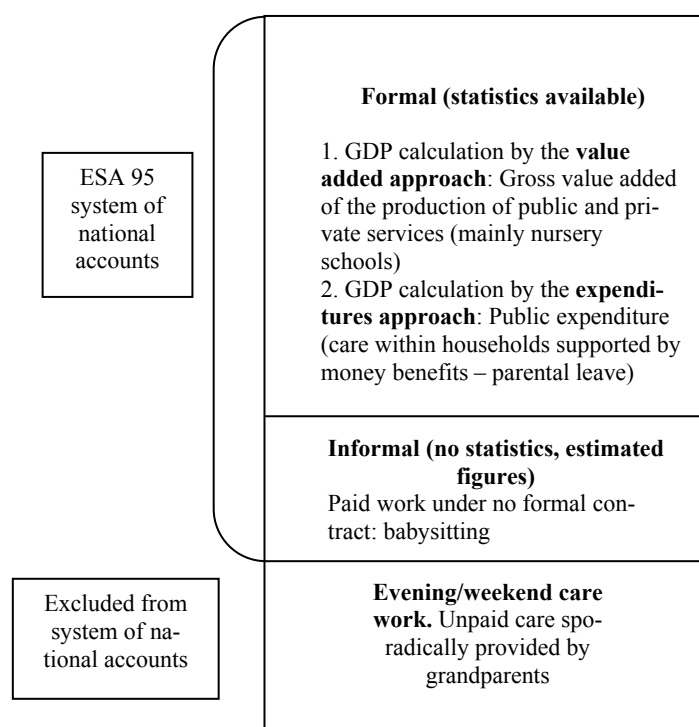
practices, particularly in households where both parents work and the mother holds a senior managerial position. As a rule, households cover their own remaining childcare needs in the evenings, mainly by alternating duties between mothers and fathers (Forsberg 2009).

Another trend detected by the literature —and which goes beyond the specific case of Sweden— is the increasing commercialization of time devoted to care for young children (Vincent and Ball 2006). Parents increasingly perceive parental leave as a period that has to be put to good use in stimulating the child's potential (“Am I doing enough with my money and time to help my child?”). The process typically involves courses, workshops and activities —generally purchased on the market— such as swimming for babies, yoga for mothers and babies, or music and art classes. Parents also use their parental leave to socialize (in cafés and restaurants, which nowadays are better equipped with chairs and utensils for babies and young children) and even travel in the company of their children.

Children are more visible in public spaces than they were a generation ago, when child-rearing was largely circumscribed to the domestic setting. This shift has led to the professionalization of childcare in some respects: a new category in the service sector may be emerging that could be termed that of the “childcare expert/professional” with qualifications in various areas. One reason for this trend may be that parents on leave now have more disposable income as well as time. The greater presence of children in the public milieu is reflected in national accounts by an increase in household consumption and an increase in the value added of the service sector.

In Sweden, the social model is both highly transparent and highly formalized. Childcare is fully integrated with the accounting system by the use of statistical and administrative sources and, to a lesser extent, the estimation of informal activities in this type of model. Childcare by family members such as grandparents, etc., being unpaid, is not captured by the system of accounts, but may be assumed to be negligible.

**FIGURE 2: Representation of care for children aged 0 to 3 in the Swedish system of national accounts**



### 3.2.2 The accounting treatment of childcare and education in Germany

The accounting treatment of care for children under 3 in Germany has two distinct stages. First, during the child's first year of life, his or her mother or father receives a direct cash transfer from the state (state expenditure) in respect of care. The cash benefit amount depends on the parent's salary prior to the birth of the child (67% of salary), up to a ceiling of €1800 per month. A parent who was not in paid work before the birth of the child is entitled to a benefit of €300 per month. This stage has its counterpart in the Swedish model, as seen above. Here, care is clearly formalized and reflected by the accounting system via state expenditure. The system of social security or public expenditure (*Sozialleistungen* or *staatliche Leistungen*) makes a cash transfer, the offsetting item of which is household income. Parents' contribution to nursery school and care center fees has recently risen from about 16% in the early 1990s to 23% by 1998 (Statistisches Bundesamt 2004). This fact also drives up private expenditure. Public and private expenditure are aspects of consumption,

which is in turn a major component of gross domestic product under the expenditures approach.

Under the value added approach (*Entstehungsrechnung*), childcare outside households is included in the gross value added produced by the public and private service sectors (*Bruttowertschöpfung der öffentlichen und privaten Dienstleister*). In the child's first year of life, care via public or private services—nursery schools—can be assumed to be relatively low, because fewer than 9% of children under 3 are given a place at these centers. A slight increase can be assumed in the gross value added generated by the children's activities and courses sector, discussed earlier.

After the child's first year of life, the accounting treatment of the second stage of childcare in Germany diversifies considerably because state transfers to households cease and parents need to find an economic response to the new situation. One option is for the mother to extend her maternity leave for up to three years. But extended leave is only rarely supported by continued state aid. Consequently, there is a decrease in social benefits and public expenditure and henceforth households must cope by drawing on their own resources. Households' disposable income is sharply reduced, and their consumption is reined in accordingly. Childcare and education cease to be remunerated by state benefits and drop out of the system of accounts and GDP calculation; they become an activity internalized within the domestic sphere and of no accounting relevance.

The following figure (Figure 3) shows that the sector left out by the system of accounts is larger than its Swedish counterpart. The system does not recognize childcare and education conducted within households, mostly by mothers, for approximately 2 years. In Germany, the system of accounts renders a significant portion of childcare and education invisible.

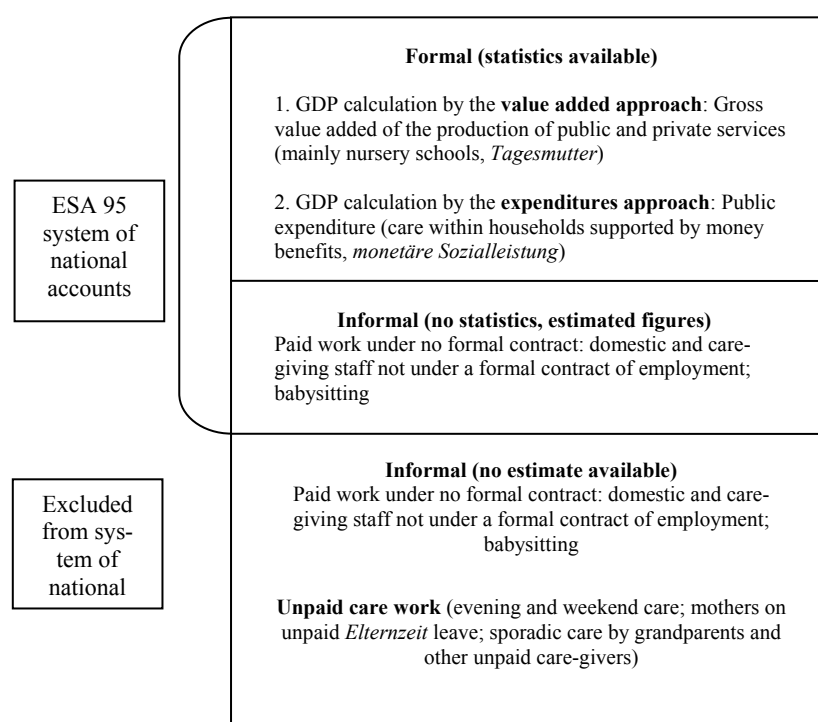
Another possibility open to a household is to end parental leave after the first year covered by state benefit. The mother returns to work and a solution needs to be found for childcare. Again, a wider range of possibilities opens up in Germany than in Sweden. First, the parents can send the child to a public or private nursery school; if they do this, the care activity is reflected in the system of accounts via the gross value added of the public and/or private service sector. However, as pointed out in the preceding section, there is a severe shortage of nursery school places for children under 3 in Germany—demand is far from covered, and households often have to find an alternative solution up until the child turns 3. One option is to engage a private childcare-giver: the most widespread example in Germany

is that of the *Tagesmutter*, a woman who registers her childcare activity with Social Security and reports the related earnings up to a given ceiling. Here, then, childcare is formalized and reflected in the system of accounts via household expenditure (*Konsumausgaben der privaten Haushalten*) under the expenditures approach and, under the value added method, via the gross value added of services provided by private individuals registered as sole traders.

A further alternative is to pay a care-giver outside the channels of formal employment. One interview in Germany highlighted a situation where a mother was paying her own mother (the child's grandmother) for day-to-day childcare. Babysitters working without any formal contract can also be classified in this category. These arrangements outside the legal framework are not *prima facie* recognized by the system of accounts simply because of an absence of statistical or administrative data on the underlying economic exchanges. A statistical estimate is nonetheless possible if informal solutions are thought to be significant in households in the society under study. The diagram for Germany shows a larger informal sector than that for Sweden. Though encompassed by the system of national accounts, the informal sector is difficult to estimate and any figures produced are unreliable and opaque. Childcare, though notionally within the accounting system, is present only in a blurred and scarcely perceptible form that tends to defy accounting observation. It seems likely that any estimate will leave out part of the economic transactions concerned; hence the diagram for Germany includes an informal cash-driven sector not recognized by the system of accounts.

In Germany, the two major childcare items left out by the accounting system are paid informal care not captured by estimation and care provided by mothers during the two years of extended leave after paid leave, *Elternzeit*. The proportion of childcare that falls outside the accounting system in Germany is larger than in Sweden, where it can be said that care for children under 3 is almost entirely captured by the system of accounts.

FIGURE 3: Representation of care for children aged 0 to 3 in the German system of national accounts



### 3.2.3 The accounting treatment of childcare and education in Spain

In the preceding section, Spanish society was described as market-oriented and patterned on traditional lines as regards domestic work-sharing in the field of the care and education of children under 3. More than in the other two societies, solutions for childcare and education needs for children under 3 are sought individually on the market. Households exhibit a traditional pattern of domestic work-sharing, furthermore, with women taking on most domestic chores and childcare duties.

As mentioned earlier, parental leave is limited to 16 weeks, during which women, rather than men, receive Social Security benefits. A woman who was not in paid work prior to giving birth is entitled not to the standard benefit but to a scaled-down alternative. For women with jobs, the first 4 months of childcare are closely reflected in the system of national accounts. As in Sweden and Germany, childcare is represented here by direct transfers from Social Security to the household sector, and these payments constitute public expenditure.

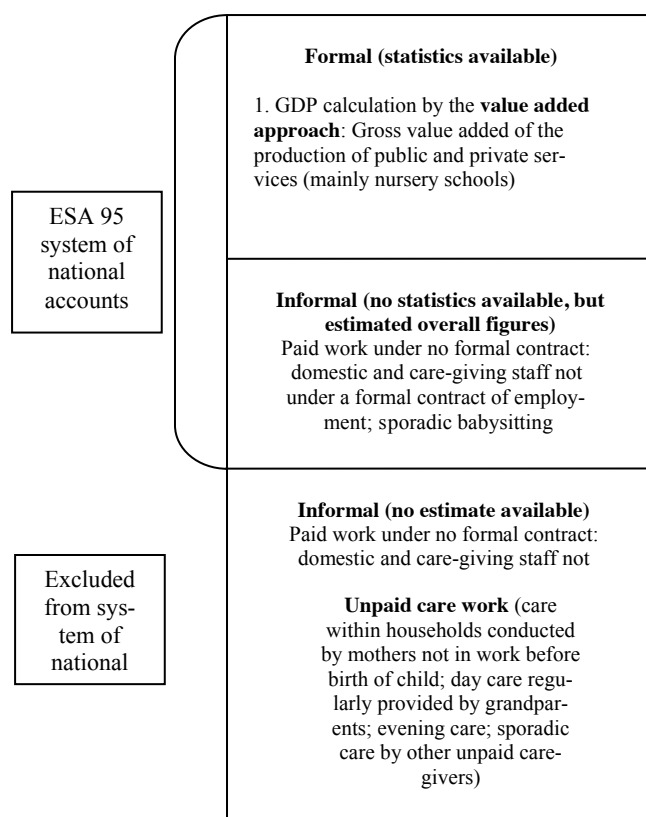
The outlay is lower in Spain than in Sweden and Germany, for two main reasons. First, a lower proportion of Spanish women are employed than their European counterparts. As seen in the preceding section, the employment rate among Spanish women is 10 points lower than among German women and 15 points lower than among Swedish women. Secondly, the period during which parents are in receipt of benefits in Spain is only one-third the time covered in Sweden and Germany. However, in some cases coverage in Spain is somewhat higher, in so far as benefits are equivalent to 100% of work earnings, as against 80% and 67% in Sweden and Germany, respectively.

In Spain, a significant portion of childcare that falls outside the system of accounts and is larger than in the other two countries under analysis is in fact the within-household work done by mothers who were not in employment before having their baby.

In addition, the time use surveys cited in the preceding section show that a significant portion of care for young children (0 to 2 years) is conducted at home by non-household members on a paid or unpaid basis (34.9%). Within the group of children cared for at home by a non-household member, most are cared for regularly on an unpaid basis by a family member, whom one may assume to be a grandparent (26.8%). This significant group is entirely absent from the system of national accounts, and can be regarded as a distinctive feature of the Spanish scenario.

The remaining 10% of children are cared for at home by non-household members on a paid basis. This is a widespread practice in Spain. Women who cannot regularly draw on the support of their own parents, and who return to work after maternity leave, seek a market-based solution. The childcare market in Spain, much like the market for care for the elderly, is predominantly informal. Most care-givers are female immigrants—chiefly Latin Americans—who work under no formal contract despite the fact that they live in the country legally. Given the size of this cash-based market, it ought to be measured by some form of statistical estimation so that it may be at least partly included in the accounting system. However, this is the haziest and most opaque area of the system; it is difficult to obtain any sort of detailed information. The informal care market in Spain is larger than in Sweden or Germany, and its recognition by the system of national accounts is dependent on the availability of some reasonably reliable method of statistical estimation.

**FIGURE 4: Representation of care for children aged 0 to 3 in the Spanish system of national accounts**



#### 4. A Final Reading of the Models Under Analysis

BEFORE comparing the results of the models analyzed above, a number of points need to be made about how the data provided by a system of national accounts should be construed. First, the system of national accounts used here is, as mentioned at the beginning of this paper, only *one possible* representation of the numerous and varied economic relations arising in a society.

Systems of national accounts were historically directed to observing the structure and development of a society's various industrial and productive sectors. The system's headline figures evoke its focus on the production process, fundamentally the production of goods: e.g., gross domestic product, labor productivity, etc. However, this approach makes it difficult to represent and measure activities in the service sector, and still more so when the



object of study is human activity of the kind that concerns us here. The sort of human activity that the system of accounts recognizes is simply an activity for which someone has paid a price in the market, and is measured exclusively in terms of hours of work, and even this is uncertain if the transfer is made informally. Estimating such transactions, as we have seen, is no easy proposition.

The general difficulty involved in looking at human economic activity from a money-based perspective lies in the use of the adjective “productive” to qualify every activity that the system recognizes: the corollary is that anything falling outside the system is “non-productive”. Though intended to represent all a society’s productive activities, in reality the system represents only those productive activities that have been commercialized or rendered capable of being bought and sold. Moreover, the adjective “productive” ought not to be used in support of value judgments on the efficiency, let alone the quality, of the thing produced, and still less so if the subject matter at issue is the outcome of a service, or human development and welfare, this being the case of education, care and health. The money spent in these sectors relates exclusively to the hours of work dedicated to the activity, and may or may not have been wisely invested. The quality and effectiveness of the activity falls to be judged by another form of information and analysis, which, furthermore, should be assessed individually or personally, not in the aggregate for a whole society.

In the comparison set out below of the ways in which childcare is represented for accounting purposes in the three societies under study (Figure 5), no value judgment is intended as to which society best meets childcare needs. It is impossible to pass a general judgment on whether children are better cared for in Swedish nursery schools or by Spanish grandparents. The only point made here is that one and the same activity—care for children aged 0 to 3 years—depending on who carries it out and whether it is commercialized or institutionalized or not, is reflected with varying degrees of accuracy, or not reflected at all, in the system of national accounts, and is accordingly treated as productive or non-productive for a society.

**FIGURE 5: Care for children aged 0 to 3 in the national accounts of Sweden, Germany and Spain**

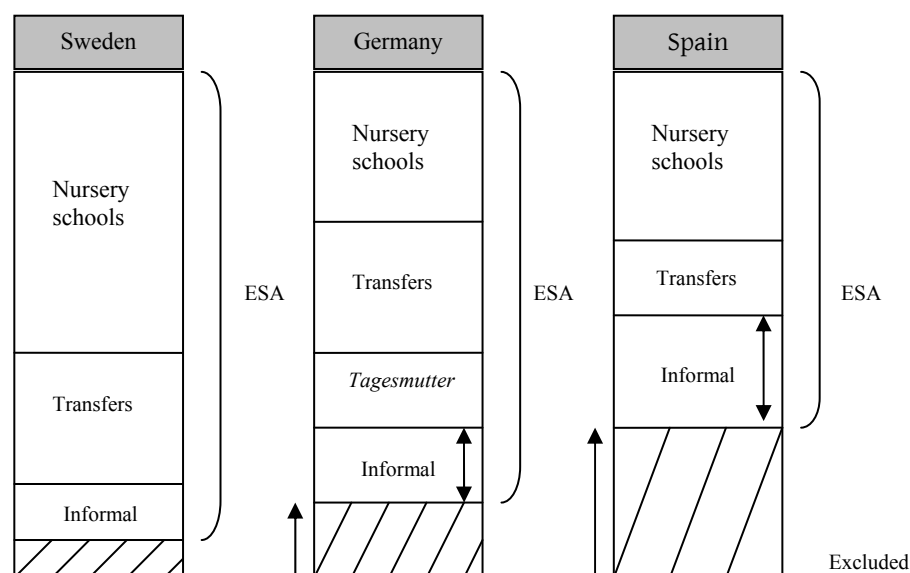


Figure 5 throws into relief the difficulty faced by the system of national accounts in representing this human activity in largely unregulated societies or, following the classification used above, in heterogeneous, strongly market-oriented societies, where households seek individual solutions that are often informal or submerged, either because there is an intention to escape regulatory strictures, or because the solutions found are internal to households themselves and so remain invisible for accounting purposes.

A society such as Sweden's —formally determined by the so-called “welfare” state, highly uniform and largely egalitarian, where the state regulates many aspects of human activity and keeps rigorous records of it— is more readily depicted in a system of accounts. Conversely, for a market-oriented heterogeneous society, the schema offered by ESA 95 provides —and not only in matters relating to gender relations— a less satisfactory and transparent snapshot of existing economic relations.

Careful study of Figure 5 reveals that childcare is not comparable across the three societies if ESA data alone are considered. Relations encompassed by the accounts system of one society, because they are financially measurable in some form, are excluded from the accounts for another society, despite also being money-based, because estimating the transactions is too difficult.

Any interpretation of the output of this activity is apt to be conceptually confused. Looking only at ESA results, one might think that care output contributes more to the gross domestic product of Sweden than it does to Germany's or Spain's, i.e., it does more for the country's growth and wealth. Yet at this point there emerges the question of whether grandparents who care for their grandchildren and so enable their daughters to return to their jobs are not in fact making just as significant a contribution to the country's economic growth—to mention but one example.

The conclusion can be drawn that the system of national accounts fails to recognize a significant portion of human activity or output that is actually taking place (striped area), depending only on how society and its members are structured. The prevailing system of accounts' original focus on the largely industrial production of goods makes it incapable of representing—let alone helping us to understand—those human activities that probably carry the highest value for our societies' development and welfare.

This paper analyzes a specific economic activity in order to highlight the difficulties of international comparison. It is reasonable to assume that childcare is not an exceptional case, and that other activities and sectors involve similar difficulties. The international comparison of a monolithic aggregate figure like gross domestic product tends to obscure these inconsistencies and remove them from view, but it is essential to take account of them if the goal pursued is to promote social development and welfare.

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**ABOUT THE AUTHOR - *NOTA SOBRE EL AUTOR***

**SUSANA GARCÍA DÍEZ** holds a degree in Economics and a doctorate in Sociology (2002) awarded by the Autonomous University of Madrid. She currently works in the National Accounts Department of the German Federal Statistical Office, Destatis. Previously, she was a research fellow at the Economics Institute of Spanish National Research Council (CSIC), where she took part in numerous projects, and a visiting researcher at the Max-Planck-Institut für Bildungsforschung, Berlin. She specializes in national accounts and the measurement of non-market productive activities. Her award-winning doctoral thesis on the subject was published by the Consejo Económico y Social, an advisory board to the Spanish government.

E-mail: [susana.garcia-diez@destatis.de](mailto:susana.garcia-diez@destatis.de)

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