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From Universalism to Selectivity: Old Wine in New Bottles for Child Benefits in Europe and Other Countries

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6.1 Introduction¹

Welfare states have been subject to a subtle and a sometimes-unrecognized transformation: the fiscalization of social benefits. This change of national policy is notable in the area of family policy, where various forms of child tax benefits have been introduced. The composition and level of child benefits varies therefore not only across countries, but also over historical time (Kamerman and Kahn, 1981; MacNicol, 1992; Wennemo, 1994; Gauthier, 1996). In the immediate Post-World War II period many countries either complemented or replaced various types of income-tested child benefits with universal ones, introducing a shift in the distributive profile of the system. However, far from all welfare states relied only on the principle of universalism in the design of child benefits. Child tax benefits and fiscal policy has often been used as an alternative or complement to social policy legislation. During the era of welfare state stagnation and decline since the mid-1970s some countries have relocated parts of the child benefit package from social policy to the income tax system. During this process of fiscalization, elements of income-testing have once again been introduced to child benefits, thus adding stronger elements of vertical redistribution between socio-economic groups. The change of scenery not only involves a shift in the relative emphasis of social and fiscal policies in the redistributive budgets of the European countries, but also a greater degree of selectivity and low-income targeting is introduced to the provision of child benefits.

Maybe it is too blunt to speak of a retreat from the broader ideas of universalism and solidarity that distinguished the introduction of universal child benefits in the immediate Post-World War II period. Nonetheless, the fiscalization of child benefits seems to have moved family policy closer to the traditional forms of low-income targeted responses to social protection that used to be the dominant strategy for income distribution to families with children

before the principle of universalism appeared on the political agenda of policy reform. The transformation of child benefits therefore is closely integrated with the wider discussion about the provision of minimum incomes and the distinction between universal and targeted approaches to redistribution and poverty alleviation (e.g. Lerman and Townsend, 1974; Le Grand, 1982; Korpi, 1983; Tullock, 1983; Lee, 1987; Barry, 1990; Besley, 1990; Creedy, 1996; Rothstein, 1998; Kenworthy, 1999; Nelson, 2004; Brady, 2005).

This remarkable example of social change in the provision of financial resources to families with children raises several questions of relevance for both the composition and generosity of child benefits. In this explorative study we present a first attempt to disentangle complex institutional change in child benefit programmes using a new comparative and longitudinal dataset that we have assembled for 18 advanced welfare states. The purpose is to analyse the European development of child benefits in an international perspective, covering the period 1960–2005. In what ways has the balance between social policy and fiscal policy in the provision of child benefits changed? Which trajectories in the social and fiscal policy mix of child benefit systems can be identified? To what extent do levels of child benefits vary according to those trajectories? Since the non-European liberal welfare democracies in several ways were pioneering in the fiscal transformation of child benefits, the study is broadened beyond the European context and covers also developments in long-standing English-speaking welfare democracies. The following countries are included in the study: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and the United States.

As noted earlier comparative analyses need to take both social and fiscal policy into consideration in order to account for potential long-term shifts in the provision of child benefits. Some studies have integrated the income tax system into the comparative analysis of child benefits (e.g. Wennemo, 1994; O'Donoghue and Sutherland, 1999; Montanari, 2000; Battle and Mendelson, 2001; Bradshaw and Finch, 2002; Ferrarini, 2006). However, potential shifts from social to fiscal policy in the design of child benefits have not been examined in sufficient detail, in large part due to lack of longitudinal and comparative institutional data. Some recent studies have focused on structures of in-work tax benefits that sometimes also have special rates for families with children (Immervoll and Pearson, 2009; OECD, 2009), but the organization of child benefits has yet to be explicitly analysed. In this chapter, the fruitfulness of using institutional indicators to analyse long-term socio-political change is highlighted in the focus on broader policy trends and country-specific peculiarities in the design and development of child benefit systems.

The study is structured as follows. Next the institutional structure of child benefit systems is discussed and the prevalence of different programmes