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“The childcare system in France : a glance at the 2003 reform”

Hélène Périvier

During the annual family conference on the 29th of April 2003, the French Minister of Family Affairs announced the suggested reforms to the childcare system. Nursery schools accommodate most of the three-year olds for free, but what are the solutions available to working parents of children under-three? This issue is very important in terms of women's integration on the labour market and more generally their role in tomorrow's society.

Why reform the French childcare system?

The French childcare system is one of the most generous, diversified and developed in Europe. This helps to explain why France performs so well both in terms of fertility and of female employment. The system tries to take into account the well-being of children as much as possible. Nevertheless it is far from perfect. Firstly, all families are treated differently according to income and location. **Secondly, a part of this system discourages** During the 80's and the 90's a trend of individualisation passed through the childcare system. As a result, parents are supposed to have a wide range of choices for their young children:

A crèche is a form of collective childcare arrangement. Crèches are subsidised so that

fees can be fixed according to families' resources. Parents can also opt for an individual childcare arrangement:

- either a childminder (assistante maternelle) who takes care of two or three children at her home; parents do not need to pay social contributions and receive a monthly support on the condition that the childminder is authorised;
- or a person who takes care of the child in the parent's home; in this case parents pay only 50% of the social contributions and receive tax reduction of 50% of the cost up to 5000 euro a year.

Two main factors determine the choice of parents : the availability of childcare and the cost compared to their income.

The provision of collective, public childcare, that is of crèches, is unequal. The average rate of availability is 6.8 places per 100 children, but this rate varies between 1.1 in the area of “Ains” to 24.3 in the city of Paris. Rural areas are under-equipped. Poor areas cannot afford to finance these kinds of structures. Even with the financial support of the State, they still need to bring up 30% of the cost of the investment. In 2000, the government created a specific fund for the creation of places in crèches (FIPE). It amounted to 230 million euro.

The cost of childcare is a second factor that determines parents' choice. The price of a place in a crèche is progressive with parents' income, so that a family living on the social minimum (RMI) pays 60 euro per month while a family with an income above 5 times the minimum wage pays a fee of 530 euro per month. The most expensive form of childcare is to hire a person at home. This costs about 1 200

euro per month. Only rich families can afford this type of childcare. Moreover, financial support mainly comes as reductions in income tax, so that non taxable families do not benefit from this kind of public support. Parents pay a childminder roughly 400 euro a month. The exact cost depends on the childminder's wage: the more there are childminders in a given area, the lower is their wage. Usually parents mix several kinds of childcare in order to accommodate to their timetable.

These two points show that parents do not really have the choice : their childcare use is determined by their place of residence and their resources.

The French system offers a possibility for one parent to stop working and take a parental leave (named APE, Allocation Parentale d'Education) in case of a 2nd child and for a period of 3 years on the condition that he/she has worked for 2 years in the 5-year period preceding the birth of the second child. This parental leave is taken up at 98% by mothers. It has a negative effect on female employment. Women tend to be over-represented among the unskilled workers and for those who did not have a secure job before they went on parental leave the chance that they will find a job after the leave has ended is rather small.

Evaluation of the reform

The reform abolishes all existing sorts of support. The tax reduction for hiring a person at home is maintained. The new system, named PAJE (Prestation d'Accueil du Jeune Enfant) offers a means-tested benefit of 160 euro per month to all family with an under three year old child (up to a

total family income of 4.5 times the minimum wage). For parents choosing either a childminder or hire a person to look after their child(ren) at their home, the above support is broadened by a transfer amounting to 350 euro in case family income is below 2.1 times the minimum wage, 250 euro for income between 2.1 and 4.5 times the minimum wage, or 150 euro per month for income above 4.5 times the minimum wage. If one parent chooses to stop working, the basic amount is topped up to reach the level of the APE allowance (around 500 euro a month). This reform has both positive and negative features.

Positive points: redistributive improvements and increase of public facilities

The PAJE has improved the unfair redistribution of the old system. The public budget allocated to childcare support has been extended by 1 billion euro. This is to the benefit of all families. The redistribution of the budget introduces some progressive elements in the fees paid to childminders: the poorest families, who could not afford this possibility before, can now pay for this solution. In short, the fees to hire a childminder now depend on family income in the same way as the cost of a place in a crèche. Hiring a person at home still remains too much expensive for the middle classes, however, while it continues to be a feasible option for the richest families.

These measures are introduced alongside the continuation of the public fund for the creation of places in crèche of 200 millions of euro.

Furthermore, the government proposed to offer a professional qualification to

childminders in order to both improve their situation in the labour market and the well-being of children.

Negative point: weight of parental leave on female employment

The French government has chosen to maintain the parental leave even if its negative impact on female employment has been demonstrated. The leave has been renamed but the length of it has not been altered. The same amount as before is given to each parent who decides to stop working to take care of a child. The reform has made leave available from the 1st child onwards, in which case the leave covers a 6-month period. The activity criteria for eligibility include “having worked 2 years in the 5 years preceding the birth for the third child”, “having worked for 2 years in the 4 years preceding the birth of the second child” and “having worked for 2 years preceding the birth of the first child”. Unemployment counts in determining the activity period so that it often occurs that mothers are out of the labour market for such a long time that they are hardly employable anymore. This, of course, more harshly affects unskilled women.

As this parental leave is gender oriented, that is only mothers take it, this will certainly play in the cards of the unequal access to the labour market of women relative to men.

What should have been done?

The way the parental leave is implemented in France entails disadvantages in terms of female employment. The paternity leave should have been extended in order to promote fathers' investment in childcare and allow mothers to keep in touch with

the labour market. The paternity leave has been extended in 2002 from 3 days to 11 days. The first results show that the take up rate is quite high (30% of the fathers). The non take-up rate is mainly explained by financial considerations: fathers whose wage is above the social security replacement income paid out during the leave did not take it. To become a fairer option, the parental leave should be an individual right without possibility of transfer between both parents. It should be compensated in a way that is dependent on the wage of the parent (this can be negotiated with employers). Unfortunately, the structure of the APE has been maintained, nothing has been done to improve mothers' incentives to work. It seems that there is no political willingness to give mothers a chance to be strongly tied to the labour market and to give fathers the chance to spend more time with their children.

“ The impact of childcare characteristics on mothers' employment. Evidence from Italy”

Del Boca, D., Locatelli, M., Vuri, D.

Paper presented at ESPE (European Society for Population Economics), New York University, June 2003, New York

In spite of relatively generous public subsidies and well-known high quality, public child care is only used by a very small proportion of Italian families. In this