

Merkel's "cash-for-care" subsidy under fire in Berlin ^[1]

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EXCERPTS:

Angela Merkel is having a stressful week. As the euro-crisis blizzard blows into the summer and pressure on Berlin to back euro-zone bonds continues, the German Chancellor faces flak at home on a number of domestic issues — like a controversial child care proposal the Bundestag will debate Friday.

Under the draft law, the government will from next year pay parents a monthly supplement of €100 for two-year olds cared for at home rather than in a childcare facility. From 2014, it will rise to €150 a month for two- and three-year olds.

The government markets the policy as a way to extend access to public facilities and services, and increase parents' choice.

Critics call the contentious policy as the Herdprämie or "stove bonus" (as it ties women to their kitchens).

Opposition parties want the money (an estimated €300 million in 2013 and €1.1 billion in 2014) to be spent on expanding childcare facilities.

Increasing the number of Kindergarten places, the argument goes, would enable women to return to the workplace more quickly and start paying into the tax system again after having children.

Hostility towards the subsidy from members of Ms. Merkel's own government has reportedly grown so strong that news agency DAPD reports she will meet with female members of her faction Thursday ahead of the parliamentary session to quell unrest.

Fodder for opponents of the scheme came in an OECD report published Monday, which looked into the effect of a "cash-for-care" subsidy in Norway and found it highly detrimental to immigrant women's labor market participation. It also hinders the integration of immigrants' children at a time when their language learning is most beneficial.

In countries where public childcare is expensive, like Norway, the report said a cash-for-care subsidy may have reduced the labor supply of the immigrant women concerned by as much as 15%, and suggested abolishing it for children after the age of two.

Whether that will have any effect on Germany's proposed law remains to be seen.

The government is in a tight spot over childcare due to an earlier pledge to give every one- and two-year old the right to childcare from August 2013. The clock is ticking to create the necessary number of spots. Of the estimated 780,000 needed, some 160,000 are still to be created.

Childcare facilities are being expanded for two reasons: to promote women in the workplace and to increase Germany's low birth rate. The average number of children per woman of 1.39 is well below neighboring France's 2.00, and not enough to counteract population decline.

Policymakers have been scratching their heads for years over the falling birth rate. Germany's tax system that favors a single breadwinner, its half-day schooling and over-demand for Kindergarten places often mean women can forget about going back to work full-time once they have children. So apparently, many just don't have children.

Thus paying parents a subsidy to stay at home jars with promoting their prospects in the workplace, although it runs in line with Germany's recent innovations to boost the birth rate — all of which center on raising children at home rather than encouraging parents to work.

Germany's roots in conservative Christian values strongly anchor mothers to the home.

Germany in 2007 introduced one of Europe's most generous schemes to promote parenthood — a salary-linked payout for 14 months after a child's birth.

That has helped the birth rate creep up from 1.331 in the year before the policy was introduced to 1.393 in 2010, but it hasn't produced the hoped-for explosion.

Now the dwindling population is starting to impact the German economy as baby-boomers retire from the workplace. Berlin recently introduced a blue card scheme to attract qualified immigrants.

Ms. Merkel — up for re-election in 2013 — has plenty of global concerns on her plate: a currency union to save, as well as a euro-zone bailout fund and fiscal pact to ratify.

But domestic issues refuse to abate.

- reprinted from the *Wall Street Journal*

Region: Europe ^[2]

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