

Financial Support of Families in the Czech Republic and Slovakia from the European Perspective: More Similar than Different?¹

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Financial Support of Families in the Czech Republic and Slovakia from the European Perspective: More Similar than Different? The paper explores the character and impact of financial pro-family measures in various European countries. A micro-level analysis is applied to examine how much financial benefit is obtained by different types of families using a "Model Family Method". The set of the countries analysed consists of two states from Central Europe and a number of Western democracies representing each of the welfare state types as defined by Esping-Andersen. A comparison of selected countries draws on an indicator assessing the difference in the value of all child related benefits when contrasted with benefits paid to families with no children. Through Cluster Analysis this paper uses the influential Esping-Andersen welfare state typology at the family income level, and explores the positioning of the two post-communist states within this typology. The key questions addressed are: Do the Czech Republic and Slovakia still employ a similarly focussed and generous financial support system for families? How do these two countries compare to other European states in respect to financial family support? Contrary to researchers who classify all the Central European states into one category of "post-socialist" countries, the author argues that despite their common values and shared history, these two post-communist countries do not constitute – on a level of financial family support – a unique group vis-à-vis states in Western Europe. Sociológia 2009, Vol. 41 (No. 3: 223-246)

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Introduction

With the fall of Communism one of the major questions regarding the transition process was the future of post-socialist welfare systems. Predictions concerning Slovakia and the Czech Republic varied widely. Some social scientists felt that the social democratic legacy of the inter-war period in Czechoslovakia would eventually propel its social system into becoming a social democratic type, often represented by Scandinavian countries. (Deacon 1993) Others predicted that the Czech Republic, in contrast to Slovakia, would due to its good economic situation adopt rather neo-liberalist thinking. (See Pringle 1998: 127) Nearly two decades after the wave of transformations in Central and Eastern Europe (CEE) region there is no definitive agreement among social scientists about the nature of social and family policies in this part of Europe. On the basis of two influential theories of the social state

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development (Gauthier 2002), researchers have adopted two main orientations: the first predicted that there would be a convergence between Eastern social policy making and patterns prevailing in the West (e.g. Deacon 1993, 2000; Esping-Andersen 1996); the second approach has in contrast highlighted the importance of deep-rooted socio-historical differences and predicted the emergence of a new welfare state type. (e.g. Pierson 2004; Tomka 2006) However, due to the impact of heterogeneous development within transition states an alternative possibility has become apparent. We may in fact observe several new distinct welfare regimes. (Potůček 2004; Rostgaard 2003; Manning 2004; Rys 2001; Sengoku 2004)

In the mid-nineties, in respond to the changing demographic structure and the increase of joblessness in the post-socialist societies, the family aspect of social policy became the centre of attention, as family policies can effectively alleviate the economic situation of families with children, which are at greatest risk, as well as provide their members with better life opportunities. (Bradshaw – Hatland 2006: 248; Rostgaard 2003: 14) At the beginning of the transition process the family policies of the former Eastern Bloc countries were in many respects very similar. A typical feature of these states was relatively lengthy paid maternity leave, the widespread availability of affordable pre-school childcare facilities and relatively generous family benefits. However, during the nineties each of these countries was compelled to reduce the level of social expenditure and embark on a new course in social policy making influenced by differences on how caring responsibility should be divided between state, market and family. The trajectories of transition states in this respect have been toward divergence – only to converge and diverge again at a number of points in time depending on internal demographic, political and economic developments.

This paper focuses on one of the outcomes of the welfare state policies, and that is the financial provisions to households with children. The attention is drawn toward the Czech Republic and Slovakia – countries which once used to form a single state and employed de facto identical approaches to families. Using the model family method the paper compares the effects of tax-benefit systems in 16 European states for providing financial resources to households with children. The goal is to discover which principles prevail in the Czech and Slovakian policy making nowadays and how family support measures adopted by these countries influenced their current standing vis-à-vis other European states. Focusing on a detailed analysis of the structure and effects of both the direct and the indirect financial subsidies for households with children, the main proposition tested is that in the domain of family support the Czech Republic and Slovakia will be more similar to *different* West European states than to each other.

The argument put forward in this paper is presented as follows. In the first section, there is an overview of the theoretical perspectives and research questions and this is followed in section two by a description of the data and methodology used in this paper. In section three, the results of the analysis are presented and in the final section, there are some concluding remarks and suggestions for future research.

I. Theoretical perspectives

The principles under which family policies work are shaped to a great extent by welfare-state policies. Classifications of family policies are therefore close to identical with welfare state models. Depending on the criteria selected a variety of welfare state typologies have been created. (See Arts – Gelissen 2002; Manning 2004) The most influential typology has been created by Esping-Andersen (1990), whose approach is based on two dimensions: the level to which a service is rendered as a matter of right where a person can maintain a livelihood without dependence on the market (decommodification), and the level of redistribution (stratification). Based on a country's location on these two dimensions, Esping-Andersen defined three different types of welfare regime: liberal (e.g. USA, UK and Switzerland), social democratic (e.g. Scandinavia) and conservative corporatist (e.g. Germany, France, the Netherlands). In the late nineties, a new southern or Latin type was added. (Ferrera 1996)

In 1999, in reaction to critiques from gender circles Esping-Andersen introduced the concept of de-familialisation when analysing the extent to which the welfare state enables working parents to be relieved from childcare obligations. (Sirovátka 2004: 107) The fundamental factor differentiating between these welfare state types is the approach adopted by governments toward maintaining traditional patterns of family behaviour. (Orloff 1993, 2002)

Esping-Andersen's typology was not developed with reference to family policies. Instead, cross-national differences in the field of pension, sickness, and unemployment benefits were used to develop his typology of welfare state regimes. Moreover, it has been adopted and criticised by many authors. (For example, Arts – Gelissen 2002; Bonoli 1997; Gauthier 2002; Kasza 2002; Korpi 2000; Orloff 1993; Powell – Barrientos 2004) Nevertheless, the Esping-Andersen typology represents the most influential framework for the analysis of welfare state dynamics.

The typology of family policy regimes introduced below is an adaptation of typology proposed by Esping-Andersen and subsequent studies as presented by Gauthier (2002). In this paper it serves as a reference background for comparisons.

(1) The *Social-Democratic regime* is characterized by universal state support for families, a high level of support for working parents, and a high commitment to gender equality.

(2) The *Conservative regime* is characterized by a medium level of support for families, support that tends to vary according to the parents' employment status and support that tends to be driven by a more traditional view of the gender division of labour.

(3) The *Liberal regime* is characterized by a low level of support for families; support that tends to be targeted at the families with greater needs, and support that leaves room to the market, especially with regard to the provision of childcare facilities.

(4) The *Southern European regime* is characterized by a high degree of fragmentation along occupational lines, and a mix of universal and private services and benefits. It is also a regime characterized by no national guaranteed statutory minimum income scheme.

This typology did not yet count with the Eastern Bloc countries. Today, some authors drawing on the Esping-Andersen typology classify all the transitional states into one category of "post-socialist" countries. (Note, Matějková – Palonciová 2004; Blossfeld – Drobnič 2001) Similarly, among researchers whose primary focus is classification of family policies there are some who maintain that East European countries form one independent type. Hantrais (2004) and Pascall and Manning (2000) conclude that East European countries form one independent "refamilialised" type, which is characterised by a transition from universalism to means tested benefit targeting and a devolution of responsibilities from the state back to the family. Cerami (2005) similarly talks of a "unique model of solidarity". Other authors in contrast highlight a growing divergence in family policies among the CEE states. (See Kocourková 2002) In this context, it is interesting to note that the Czech Republic promoted rather generous pro-family financial measures in the mid 00's, while policies of other CEE countries at the time, including Slovakia, were more reticent and liberal. (Note MISSOC 2004; Robila 2004; Sirovátka – Saxonberg 2006; Soukupová 2007) Could it be that Slovakia and the Czech Republic are no more as similar as might be expected?

Esping-Andersen's welfare state typology has been created using the macro level indicators encompassing many dimensions. This paper does not challenge this typology on a macro level; it uses it, however, as a framework on a micro level. On the basis of differing assumptions regarding the family policies in the CEE region, this paper looks at the family policy from the family unit perspective and examines financial family support in Slovakia and the Czech Republic by situating it in a larger context of other European societies. The

goal is to contribute to the literature that compares family policy at a micro level in contemporary Europe by answering following research questions:

1) Do the Czech Republic and Slovakia still employ a similarly focussed and generous financial support system for families? (Do they constitute a single family support type?)

2) How do these two countries compare to other European states in respect to financial family support? (Do they fit in any of the existing welfare state /family policy types?)

One obvious means of addressing the research questions is to examine the generosity of state financial support for families given through child-related benefits, tax allowances, household benefits, etc. To date, this line of research for has been done mainly for Western European states. (See Bradshaw – Finch 2002; Matějková – Palonciová 2004) In the family policy literature concerning the Central and Eastern Europe, there are many studies describing the basic characteristics of state family policies (Fultz 2002; Matějková – Palonciová 2004; Potůček 2004; Robila 2004; Zeman 2000) and the relationship between these and (a) family behaviour and (b) societal values and beliefs. (Hamplová 2004; Chaloupková – Šalamounová 2004; Kocourková 2002; Neyer 2006; Sirovátka – Saxonberg 2006; Tuček – Kuchařová 2000) However, thus far very few scholars have attempted to analyse and compare in detail Eastern European systems of financial support for families.

In the next section, The Model Family Method will be introduced as one means of gaining leverage on evaluating key features of financial family support cross-nationally.

II. Methodology and Data

Most discussions of family policy in Europe and else do not use the family as the primary unit of analysis. Instead they explore the family policies from the macro level, looking at national social protection expenditures in GDP, etc. This limitation does not facilitate exploring important differences within countries, e.g. do specific welfare regimes give higher financial priority to particular kinds of families? The unit of analysis examined in this paper is the family, or more specifically formal definitions of a ‘model family’ that are used by public policy makers to target the financial effects of government policies. The goal of the analysis is to assess variations in how the national transfer systems target families with children based on the size and configuration of the family and the income levels.

Methodology: One of the appropriate indicators of a state’s pro-family orientation is the difference between absolute (Purchasing Power Parity, PPP) and relative (proportion of average family income) value of all child related

benefits, when contrasted with the sum of benefits paid to families with no children. This indicator is called the Child Benefit Package (CBP) and essentially means a difference in a net disposable income of a household with children (a child) compared to a net disposable income of a childless couple on the same earnings after the main transfers and taxes have been taken in account. This difference represents the contribution of public policies to households with respect to children (and being a lone parent). Using this approach, one can discover how child-rearing costs affect the family budget, and how much of an incentive governments offer families to have more children. More generally, this methodology facilitates defining which model of family life is most promoted by governments. (Bradshaw – Finch 2002: 17)

To obtain such a measure this research employs the Model Family Method, which works by creating abstract model families that are defined in a standard manner according to income levels, number of children and a presence or absence of both parents, and its key objective is to compare “like with like”. The method is typically classified as a profile method of comparison, which uses a “formal” unit of analysis where families are precisely defined. The goal is to find out how much financial aid each model family can obtain from government. This method is designed to compare the level of benefits and conditions under which such benefits are paid in different countries and is currently used by international organisations such as the OECD.

In essence, the model family method is a means of interrogating a data matrix containing information on a family’s sources of income according to family type and parent’s wages in terms of a pre-specified household structure. This approach inherently brings about certain disadvantage. The results of this method – in the form of Child Benefit Package – yield a formal picture of how the family policies should work depending on the current system of legislation, rather than how it actually works. Moreover, there exist methodological problems connected with the issue of standardisation. (Munková et al. 2004: 39) Apart from limitations emerging from discrepancies in the functioning of the social system, e.g. the non-take-up of social benefits³, the method does not allow for particular differences in the system of governance in the country⁴. It provides a snapshot of a reality at a given time not taking into consideration variation in numerous family-related measures like the length of parental and maternity leave, community services, etc. However, the intrinsic value of this methodology is that it operates on the level of specific life situations, solves the problem of data comparability despite the differences in national models, and

³ There are a variety of reasons as to why people don’t use all the benefits they are entitled to e.g. lack of transparency in the system, lack of information, or refusal to be part of an “under privileged” state support group. (See Mareš 2000)

⁴ In some countries after the benefits of the Child Benefit Package (CBP) the families then spend money on additional goods and services, which price level differs from state-to-state, e.g. extra-curricular activities for children, provision of school canteens, etc.

allows us to clearly identify and compare distinctive trends in the policy making across Europe at a specific time point.

The model families in this study are defined according to number of children, economic activity of the parents, parental income, and presence of both parents in the family. Consequently, values of CBP for five family types (configurations) and six income cases form the basis of the empirical analyses reported in this paper. In this respect, the matrix of permissible combinations of family types and income cases yielding 21 different model families is shown in Figure 1.

A definition of a model family used in the analysis encompasses the households consisting of couples with children as well as lone-parent families. It should be noted that all two-parent families and couples in this study are such where the partners are married.

Figure 1, **21 model families' matrix of cases (income) and types (household structure)**

	Cases (x5)	One earner	One earner	Two earners	Two earners	No earners
Types (x6)	Case by type conditions (x 30)	Half national average earnings or the minimum wage	National average earnings	Average and half average earnings	Average earnings each	Receiving social assistance
<i>Couple (married)*</i>	<i>Childless</i>					
<i>Lone parent (divorced)</i>	<i>One child, <3 years, receiving full time child care</i>	1	2			3
<i>Lone parent (divorced)</i>	<i>One child, 7 years, at school</i>	4	5			6
<i>Couple</i>	<i>One child, 7 years, at school</i>	7	8	9	10	11
<i>Couple</i>	<i>Two children, 7 and 14 years, all at school</i>	12	13	14	15	16
<i>Couple</i>	<i>Three children, 7, 14 and 17 years, all at school</i>	17	18	19	20	21

* Note grey cells refer to (i) the reference group – childless married couples, and (ii) non-logical combinations. This results in a total of twenty-one model family types.

In order to examine the research questions elaborated earlier, this research follows three main steps. First, construct an indicator of “government generosity toward families” using the level of financial support given to households with children (i.e. Child Benefit Package). Second, identify on the basis of CBP which model families are most favoured in the set of countries

examined. Lastly, use cluster analysis to determine if the two CEE countries constitute a unique group vis-à-vis states in Western Europe⁵.

Data: The set of the countries examined consists of two states from Central Europe, i.e. the Czech Republic and Slovakia, and a number of Western democracies. The selection of countries has been made as wide as possible in order to (a) provide a comprehensive basis to which to compare the Czech Republic and Slovakia and (b) represent each of the welfare state/family policy regimes as outlined by Esping-Andersen and Gauthier. Key data for representative countries (in the form of a data matrix) come from the international project on 'Welfare Policy and Employment in the Context of Family Change'.⁶ Additional supporting information is drawn from the relevant literature and internet portals of national institutions such as the Ministry of Labour and Social Affairs, National Statistical Offices, Social Welfare Offices, etc. In order for the data to be comparable the analysis refers to one specific time point, namely January 2004. Values of all the transfers in tax-benefit system and the average wage are therefore valid for January 2004⁷. The only exception are the Southern states (Spain, Portugal, Italy) for which the latest available data date back to July 2001.

Selected countries are compared based on the features of the tax-benefit system. Net income for each family model was calculated by adding or subtracting the following transfers and taxes from earned income:

- (a) tax benefits,
- (b) social insurance contributions,
- (c) family cash benefits (both means tested and non-means tested),
- (d) housing costs/benefits,
- (e) local taxes,
- (f) social assistance, and
- (g) guaranteed child support.

When contrasted to the amount of financial support directed through the transfer system to childless families, these costs and benefits are aggregated to estimate the child benefit package (CBP) which essentially measures the level of (dis)advantage for families with children.

Figures are calculated per month and are expressed using the Purchasing Power Parity system. Keeping in mind the differences in level of economic

⁵ For more information on the applicability of this method, see Bonoli 1997; Saint-Arnaud and Bernard 2003; Sengoku 2004.

⁶ The author would like to thank Professor Jonathan Bradshaw, University of York, for providing the access to the data used in this paper.

⁷ In the case of the Czech Republic and Slovakia the average wage refers to the 1st quarter of 2004 as published by the Czech Statistical Office and the Slovak Statistical Office, respectively. (http://www.czso.cz/csu/2004edicniplan.nsf/publ/3106-04-za_1__ctvrtleti_2004; <http://portal.statistics.sk/showdoc.do?docid=6618>)

capital among the countries (namely the Central European countries compared to the rest of the sample) most of the comparisons are made using the relative value of CBP expressed as a percentage of the national average wage.

III. Empirical Results

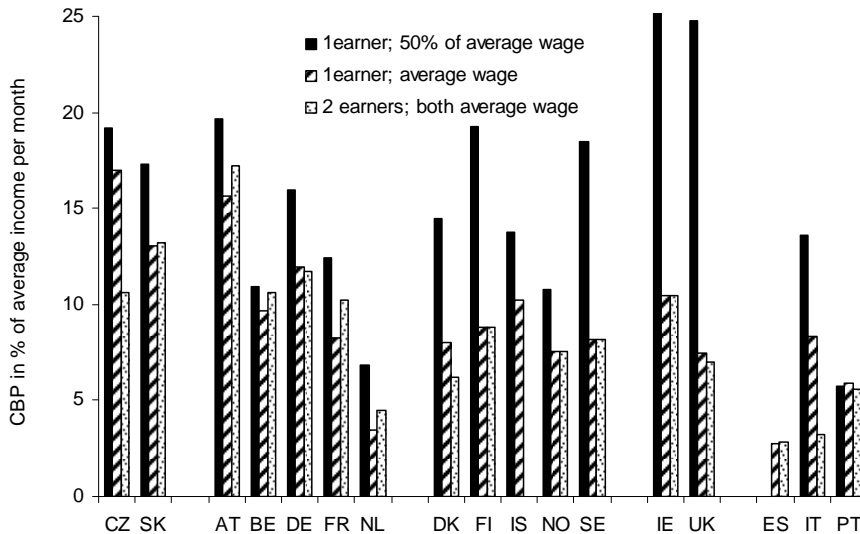
It is quite obvious that within each country there are particular emphases within national family policy plans on different types of families. In some countries, special attention is given to potentially vulnerable lone parent families, in others countries the state targets its attention on promoting the institution of marriage and stable two parent households. Some states adhere to the belief that only the poorest need government help, while others like to support all families with children no matter what their income status. In some states it is large families that receive the most generous benefit package; whilst in others there is no differentiation between families on the basis of size. The following subsections illustrate how family support in each country differs according to above mentioned criteria.

Does Income Matter?

Figure 2a presents a picture of how the CBP varies with earnings for the same family type (a couple with two school-age children, i.e. models 12, 13 and 15 in Figure 1). The UK and Ireland (Liberal countries) are particularly generous to low-income families. Austria, Belgium, Germany (Conservative countries) and Slovakia differentiate very little between the earning levels. Nordic countries (with the exception of Iceland) supplement the income of very low income families, but beyond that there is no variation with earnings.

The state funding of families in Southern countries exhibit considerable differences where for example Italy's CBP drops quickly with higher income, in contrast Portugal's level of support is constant. The Czech Republic provides a relatively generous support to one-earner families, but this generosity is relaxed when a second income comes into play. This Czech tendency to promote the male-breadwinner model is particularly apparent in Figure 2b. That puts the Czech Republic in clear opposition to countries like France, Belgium and the Netherlands who tend to promote the entrance of a second parent (usually woman) into the labour market. Slovakia stands somewhere in the middle. Although not directly supportive of women's labour market participation, it definitely does not discourage it. Quite distinct differences among the countries appear in Figure 2c when a comparison is made between the CBP for unemployed (on social assistance) and poor working couples. While countries like Ireland, the UK and Slovakia tend to help the working poor rather than those on social assistance, Portugal and Austria have adopted the opposite policy.

Figure 2a, Comparisons of CBP in three different household incomes across Europe, 2004 (% of average wage per month)



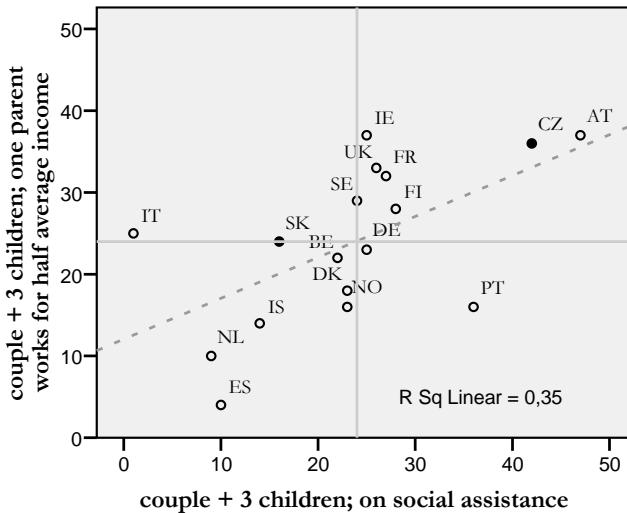
Legend: Austria (AT), Belgium (BE), Czech Republic (CZ), Denmark (DK), Finland (FI), France (FR), Germany (DE), Iceland (IS), Ireland (IE), Italy (IT), Netherlands (NL), Norway (NO), Portugal (PT), Slovakia (SK), Spain (ES), Sweden (SE) and United Kingdom (UK).

It should be noted that the Czech Republic stands much closer to protectivism evident in Austria than to the more liberal system prevailing in Slovakia. The difference in the family policy of the two post-communist states appears even more starkly when we look at the support of dual-earner families and the unemployed. Within Slovakia CBP for two-earner family is very generous as in France, Germany and Belgium, within the Czech Republic the focus is on protecting the long-term unemployed rather than promoting dual-earner arrangement. In short, the evidence presented shows that income does matter in some countries, but is not the only criteria used by government in making financial contributions to households.

Does Family Composition Matter?

The pattern of state funding of families is quite obviously influenced by family structure. For example, some countries accept and support an ever growing group of lone-parent families. In contrast, other more conservative states are reluctant to acknowledge the growing prevalence of single parent households.

Figure 2b, Scatterplots of CBP rates for average income couples where one spouse does not work vs. dual-earner couples where one spouse works half-time and the other full-time



Legend to figure 2b, 2c: Austria (AT), Belgium (BE), Czech Republic (CZ), Denmark (DK), Finland (FI), France (FR), Germany (DE), Iceland (IS), Ireland (IE), Italy (IT), Netherlands (NL) Norway (NO), Portugal (PT), Slovakia (SK), Spain (ES), Sweden (SE) and United Kingdom (UK). Note the figures represent the value of the Child Benefit Package (CBP) in terms of the percentage of average earnings. Lines in the chart represent the median value of the CBP.

Figure 2c, Scatterplot of CBP rates for couples on social assistance and couples with low incomes who are not recipients of social assistance

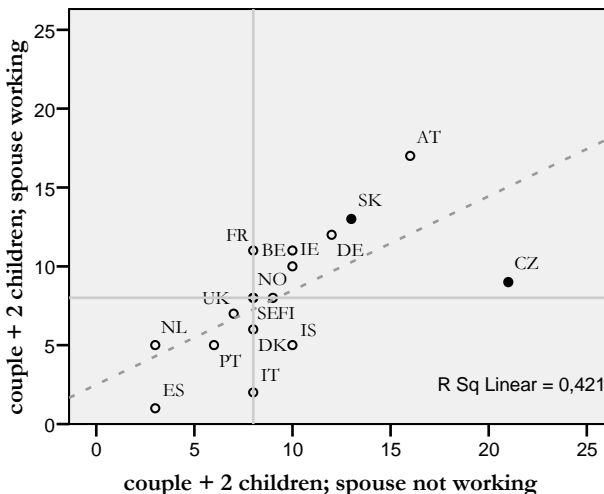
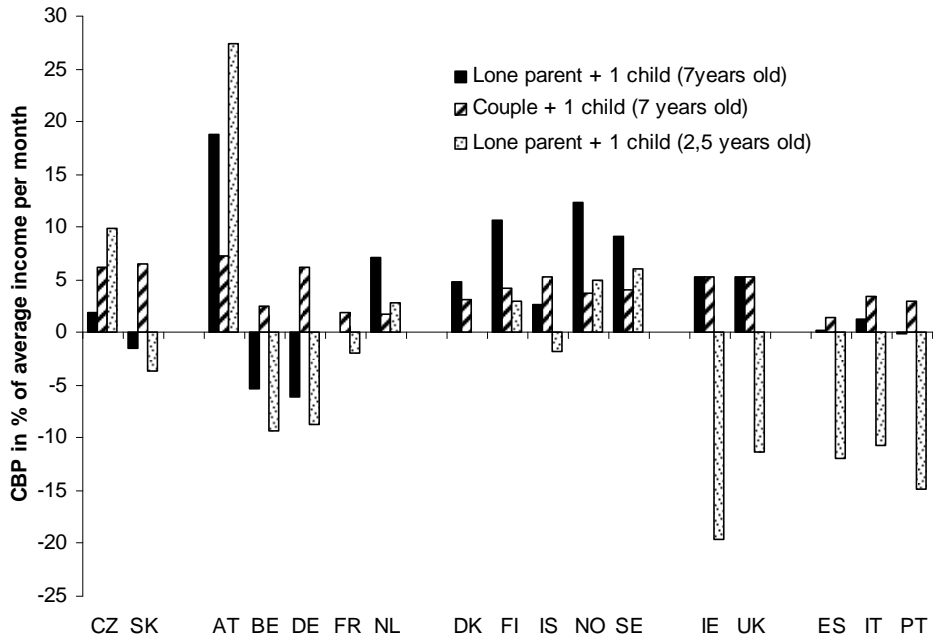


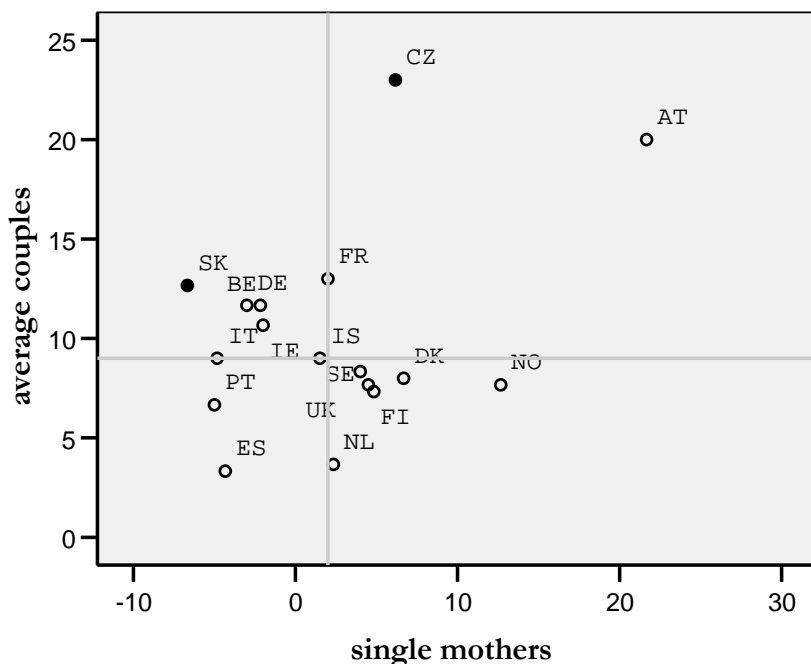
Figure 3a, Comparisons of incomes in three different household types across Europe, 2004 (% of average wage per month)



Legend: Austria (AT), Belgium (BE), Czech Republic (CZ), Denmark (DK), Finland (FI), France (FR), Germany (DE), Iceland (IS), Ireland (IE), Italy (IT), Netherlands (NL) Norway (NO), Portugal (PT), Slovakia (SK), Spain (ES), Sweden (SE) and United Kingdom (UK).

In most countries, the value of the CBP for single parents is “negative”, which means that the net disposable income of this type of family is less than that of a childless couple (Figure 3a). This situation improves when a child reaches school going age, and the parent no longer needs to pay for pre-school facilities. Even then, the position of the single parents is not particularly beneficial. Only in the cases of Austria, the Netherlands and the Scandinavian countries (with the exception of Iceland) do lone parent families receive a more generous CBP than childless couples. In the Czech Republic this is true only for families with very young children where the parent is still entitled to parental leave. The extent to which the countries’ support for different family types varies is clearly evident in Figure 3b. In short, governments’ within different welfare regime clusters do discriminate on the basis of family type, which begs the question if family size is important given widespread concerns about demographic decline in many states.

Figure 3b, Scatterplot of CBP rates for single mothers and average couples



Legend: Austria (AT), Belgium (BE), Czech Republic (CZ), Denmark (DK), Finland (FI), France (FR), Germany (DE), Iceland (IS), Ireland (IE), Italy (IT), Netherlands (NL) Norway (NO), Portugal (PT), Slovakia (SK), Spain (ES), Sweden (SE) and United Kingdom (UK).

Note the figures represent the value of the Child Benefit Package (CBP) in terms of the percentage of average earnings. Lines in the chart represent the median value of the CBP.

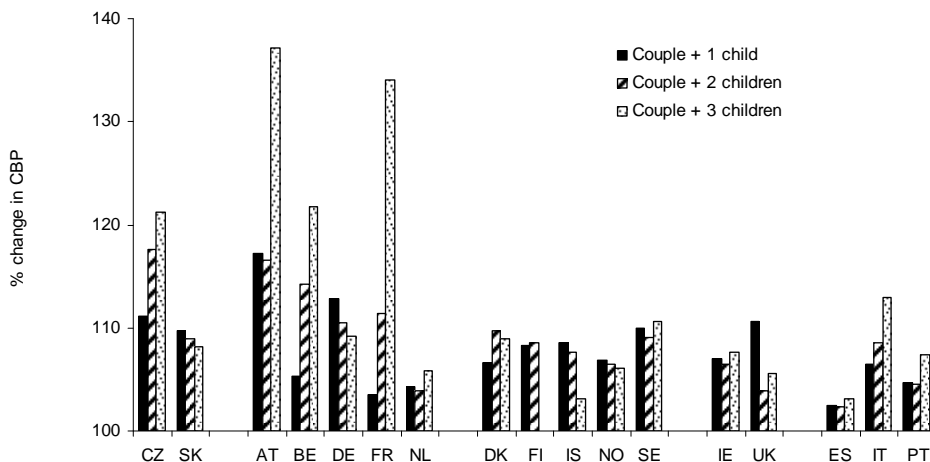
Does Family Size Matter?

We have seen that CBP varies greatly by income and family type. Does it also vary by the family size? The simple answer is that yes, it does, although not as much. Figure 4 shows how the CBP differs with the number of children for couples, keeping earnings constant. The evidence presented indicates the presence of three different groups of countries.

First, there are those who financially support each subsequent child more than the previous one. An extreme example of this group is France, which is known for providing little for small families but lots for larger ones. As noted earlier, Austria is relatively generous to all families regardless of sizes, but is nonetheless more positively disposed to large families. The rest of this group consists of the Czech Republic, Belgium and Italy who exhibit an intermediate pattern. Portugal and the Netherlands also subsidize larger families, but do not differentiate strongly between one and two children. Second, some countries such as Iceland, UK and, surprisingly, to a certain extent also Germany adopt the opposite policy and give more financial support per child for smaller

families, or more precisely, subsidize the first order child more than the subsequent ones. Finally, other countries like Norway, Denmark, Ireland, Sweden and Slovakia do not place a strong emphasis in deciding financial support on the basis of family size.

Figure 4, Comparisons of incomes in three different household sizes across Europe, 2004 (per cent change in CBP with each subsequent child; net income of a childless couple=100%)



Legend: Austria (AT), Belgium (BE), Czech Republic (CZ), Denmark (DK), Finland (FI), France (FR), Germany (DE), Iceland (IS), Ireland (IE), Italy (IT), Netherlands (NL) Norway (NO), Portugal (PT), Slovakia (SK), Spain (ES), Sweden (SE) and United Kingdom (UK).

Having demonstrated the impact of level of income, family type and size on the level of financial provisions given to families across Europe, we are now in a position to assess if this impact creates any groupings within the sample of countries, and if the Czech Republic and Slovak Republic fit in any of these groupings or rather form a category of their own.

Where Do the Czech Republic and Slovakia Fit?

In order to address the question of which countries are most similar to each other in terms of family policy, it makes sense to use a hierarchical cluster analysis to search for natural groupings in the data.

This analysis is exploratory in the sense that the number of clusters was not known prior to the analysis, although clusters similar to the Esping-Andersen typology were anticipated. In the beginning of the cluster analysis a similarity or distance matrix was computed to calculate the distance between the units of analysis. Here, the most common distance metric employed is Euclidean distance. (See Rudra 2007) Out of the set of possible agglomerative linkage methods, Ward's method was selected, as it is designed to optimize the

minimum variance within clusters. Moreover, in comparison to other linkage methods, this method is seen from simulation analysis to be best at recovering the presence of true clusters in a dataset. (Blashfield 1976) The key questions it was hoped to answer using cluster analysis were to determine if the Czech Republic and Slovakia constitute one unique group within Europe or if they resemble more other European countries than each other.

The hierarchical cluster analysis classification of countries is based on the values of CBP as a percentage of national average wage computed for different model families. Using this approach twenty-one variables were obtained for each country. For obvious reasons, these variables are moderately correlated and could not therefore be used directly in a hierarchical cluster analysis because of potential collinearity problems. Consequently, in order to assess how best to aggregate variables into a smaller number of factors thereby facilitating cluster analysis an exploratory principal components (factor) analysis was undertaken. In this respect, it was expected from the evidence presented in the preceding paragraphs that the main underlying factor would relate to the level of income as the financial support offered in most countries is means-tested. It was also anticipated that the household composition might also be the basis for another factor within the data.

Principal Components and Cluster Analysis Results

The hypothesis that the underlying dimensions behind the set of variables would be determined by the composition of the family (couple with children vs. single parent) and the level of earnings in the family was supported by results of an exploratory principal components analysis), which revealed five underlying factors. Factor one explained most of the variability between the countries (27%) and consisted of variables determining CBP for families where both parents work. Factor two was the second strongest dimension and included lone-parent households. The third factor consisted of families where only one parent works and earns half of the average income in the country. Factor four comprised once again of families where only one parent works, but this time earns an average wage in the country. The final factor included families where both parents live on social assistance.

It is important to stress here that principal component analysis was used here only as a means of exploring the data because the number of cases in the dataset is rather small ($N=17$). Nevertheless, some authors suggest that if the communalities of variables are high enough (>0.8) and factor loadings are significant, factor analysis is applicable even on a small dataset. Field (2000) states that for $N \leq 50$ and $p < .01$, the factor loadings should be higher than .7 while Guadagnoli and Velicer (1988) suggest that if a factor has at least four factor loadings higher than .6, the results of factor analysis are valid regardless of sample size. Alternatively, MacCallum et al. (1999) conclude that with

communalities above .6 with relatively small samples (less than 100 cases) may be adequate.

In this study, all communalities were $>.8$, the majority of factor loadings were $>.7$, and the factor analysis with varimax rotation explained 90 per cent of the total variance. As a robustness check, a direct oblimin rotation was run because it seems reasonable to expect that some of the factors would be correlated. This additional analysis found that only factors 1 & 5 and 2 & 5 were somewhat negatively correlated ($r=-.4$). In short, use of principal components analysis on the dataset reported here seems justified.

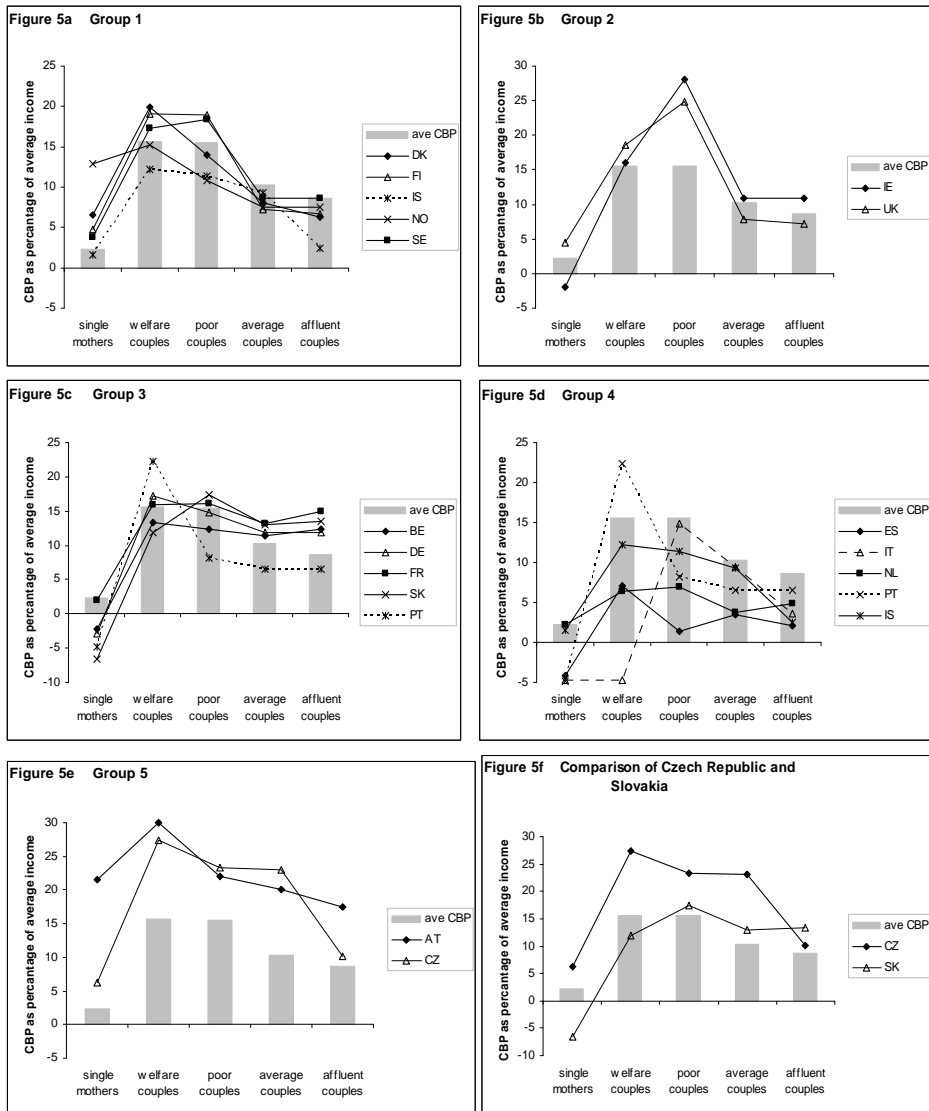
The results of the factor analysis were used as the basis for constructing indices on the basis of the variables defined in the factors. Average values for variables in each index were computed to construct new variables. These new variables were then subjected to a cluster analysis.

- Index 1 “affluent couples” = average value of CBP in percentage of average earnings for families where both parents work for an average wage.
- Index 2 “single mothers” = average value of CBP in percentage of average earnings for one-parent households.
- Index 3 “poor couples” = average value of CBP in percentage of average earnings for families when only one parent works and earns half of the average income in the country.
- Index 4 “average couples” = average value of CBP in percentage of average earnings for families where only one parent works and earns an average wage in the country.
- Index 5 “welfare couples” = average value of CBP in percentage of average earnings for families where both parents live on social assistance.

The hierarchical cluster analysis with the indices as variables suggested five or six distinctive groups in the data set. These country clusters closely correspond to the Esping-Andersen welfare types⁸. Cluster 1 includes Nordic countries such as Finland, Sweden, Denmark, and Norway. Cluster 2 contains Anglo-Saxon countries, i.e. United Kingdom and Ireland. The third cluster is composed mostly of Continental countries – Belgium, Germany, France, plus Slovakia. Cluster four has just one member – Portugal. Cluster 5 includes Spain, Italy, Netherlands and Iceland, and the last cluster is composed of Austria and the Czech Republic.

⁸ Even if we run the analysis using the absolute values of CBP (in Power Purchasing Parities), which are largely dependant on the economic situation in the countries, the main groups stay the same: the Conservative countries (Belgium, France, Germany); the Social-Democratic countries (Norway, Sweden, Denmark, Finland), and Liberal countries (UK and Ireland). Austria still stands alone as an outlier. The rest of the countries re-group: Czech Republic falls into one cluster with the Netherlands and Iceland, while Slovakia forms one group with the generally not-too-generous Southern countries.

Figure 5, Value of CBP for five types of model families in groups of countries suggested by cluster analysis.



Legend: Austria (AT), Belgium (BE), Czech Republic (CZ), Denmark (DK), Finland (FI), France (FR), Germany (DE), Iceland (IS), Ireland (IE), Italy (IT), Netherlands (NL) Norway (NO), Portugal (PT), Slovakia (SK), Spain (ES), Sweden (SE) and United Kingdom (UK).

Each graph within Figure 5 represents one of the suggested clusters. On the X axis we can see the indices while Y axis denotes the values of CBP for each

of the indices. Each line represents one country while bars signify the average value of CBP for the respective index for the whole sample of countries. The dotted lines in the graphs symbolize countries which did not clearly fit within any of the clusters or whose membership within the grouping was weak (such as Portugal and Iceland). These countries are for exploratory purposes included in more than one group.

The first group consisting of Nordic countries provides an above average support to single parent families and less well-off households, while the financial subsidies to families where both parents work are medium. The UK and Ireland, usually classified as liberal regimes, are particularly generous to the working poor (one-earner families with low income). Unlike Ireland, the UK is also supportive of lone-parent families. Countries in the third grouping stand somewhat in an opposition to the first two clusters of countries. The financial support in these states is directed especially to dual-income families while the subsidies to lone parent households are well below average. Group 4, consisting of Southern states, the Netherlands and Iceland, is the most diverse. The most apparent common characteristic seems to be the low support to any type of model family. Finally, Austria and the Czech Republic, countries forming the fifth group, show an above-average generosity to all the model family types. Particularly high support is provided to households with both parents on social assistance.

Figure 5f provides an overall picture of differences between the two Central European countries. While the financial support in Slovakia aims to promote the labour market participation of parents, the policies in the Czech Republic target mainly the households living on welfare and the lone-parent families.

To summarize, while the Czech Republic appears to be somewhat unique it is nonetheless closest to Austria – a country to which it has old yet strong historical ties through the Austro-Hungarian Empire. In contrast, Slovakia seems to fit in with a group of countries usually labelled as Conservative. It shares with them a tendency to support working couples, rather than couples on social assistance or with just one income. Another common characteristic of such countries is their low support of lone parent families. However, the Czech Republic still seems to promote the male-breadwinner model implying a certain conservative orientation⁹. This is especially true for families with three children where the family loses out on taxation and forfeits benefits worth nearly three-quarters of its income, if a woman takes up a part-time job. In Slovakia, Germany, Belgium and France this loss is approximately 50 per cent.

Obviously the results depend largely on the choice of parameters and number of clusters chosen. However it can be safely concluded that: (1) Czech

⁹ Note that the data are as of January 2004. It needs to be said that nowadays the family policy in the Czech Republic moves more in the direction of dual-career model.

Republic and Slovakia do not constitute a single group, and (2) while Czech Republic does not fall into any existing welfare regime type, Slovakia's family policy comes closest to that of Conservative countries.

It is important as a final step to elaborate some of the implications of the empirical analyses presented in this section.

Conclusion

The results presented in this paper demonstrate that despite their physical proximity and shared communist experience, the Czech Republic and Slovakia are not as similar as might be expected. On the contrary, it has been shown that these two post-communist countries concepts of family support are rather diverse. It would therefore be misleading to classify the two Central European countries mechanically into one "post-socialist" group. Both countries had a similar starting point after 1989, yet their paths were shaped by different set of values, rationales, pre-WWII ties, and varied economic development. Moreover, the welfare policies in these countries were, more than in the established Western democracies, influenced by the ideological orientation of the government in power at a time. The political and economical climate seems to be a particularly strong determinant of the policy development in both countries. Although Czech and Slovakia strive to act upon recommendations issued by the EU guidelines and aim their family policies in the direction of more flexibility, targeting and individualisation, the political situation does not always allow the proposed policy changes to pass in their entirety. The same applies for the intentions to follow the trends observed in other European countries. The final legislation is often a product of compromise rather than a clear strategy and different political and economical forces in each country result in diverse policies.

The Czech Republic does have an inter-war social-democratic legacy, but this seems to have most impact in shaping policy principles rather than the actual policy practice. However, some of the family values prevailing in the country, especially those regarding the importance of marriage and the relationship between mother and a small child have always been rather conservative. In addition, liberal patterns stemmed from the turbulent changes in the mid-nineties. At that time a financial crisis in the country resulted in reforms abandoning many of the generous supportive measures for the families provided by the former socialist government. A family support system targeting primarily the low-income families was introduced. All these circumstances have led to the current family policy mix, which cannot be fitted precisely into any of the existing family policy regimes despite the stability of underlying socialist feelings.

Slovak family policy is also a mix of policy approaches. The social reforms in Slovakia, which largely affected the financial support to families, have combined Christian principles with activating labour market incentives. Unlike the Czech Republic, Slovakia abandoned the generous provision for large families. The joint effect of the far-reaching liberal measures aimed at activating the workforce, which were introduced in 2003 (Sirovátka 2008), and the conservative traditions, brought Slovakia closest to countries with wage-complementing systems commonly classified as conservative, such as Belgium, Germany and France.

The empirical evidence and data analysis presented in this paper show that Slovakia and the Czech Republic exhibit different patterns in the methods of financial support of families with children, and do not form their own, new type of family policy within Europe. While the Czech Republic is quite similar to Austria, Slovakia resembles in many aspects Conservative countries and fits quite neatly in their group. This paper, however, analyses the situation as of January 2004. Since then, some significant changes have been implemented in Czech and Slovakian family policies. Nonetheless, in line with the findings presented in this paper, each country altered its policy in slightly different way. Slovakia aimed the reforms mainly at those most in need. In January 2007 the joint taxation for low income families was introduced. Since July 2007 a Guaranteed Child Support has been provided by the state in cases where a parent fails to pay. Another innovation was a special Supplement to Parental Benefit for those cannot make use of the Tax Credit. In the hope of improving the unsatisfactory birth rate, a supplement increasing the maternity grant paid in a lump sum at the birth of a child started to be paid out to first, second and third child rather than only to the first child. A step in the direction of stronger targeting seems to be the Child Care Benefit. It is paid to working parents instead of a Parental Benefit and can be as high as the Parental Benefit providing the child is placed in an officially registered child care institution. If a child is minded in some other way, say by a grandparent, the benefit amounts only to 25% of the Parental Benefit.

Czech Republic has chosen an avenue of greater individualisation and flexibility. In 2005 a joint taxation of married couples was institutionalised. It was, however, abolished as soon as in 2008 when a flat rate individual taxation and higher tax deductions were introduced and the joint taxation therefore lost its purpose. Perhaps the most important change happened in the field of Parental Leave. Parents are now allowed to make a choice about the length of their parental leave and subsequently the amount of the parental benefit. The longer the parental leave (2, 3 or 4 years) the lower the monthly allowance. Although a completely free choice is reserved only to those parents who have

had high enough previous income, it is certainly a step toward tailoring the policy to meet individual needs.

This paper illustrates that a Model Family Method can be successfully applied to classifying purposes. It enabled us to have a more detailed look at diversity of the family policy impact and yet did not prevent the final generalization. The obvious advantage of the micro-level method is that it is the family unit, not macro level indicators, that is the centre of attention. One possible avenue for future research would be to employ this method to an extended range of family support measures by including maternity leave and associated pay into the cross-national analysis reported here. Moreover, it comes as essential to include more of the Central and Eastern European countries for the classification purposes. Only thereafter can it be safely established how much have state policies in post-socialist countries in common in the area of financial family support. More generally, the model family method would seem to have important applications within academic research and policy evaluation. To date, within academia, this methodology has been applied to a relatively small number of research questions. Within the policy making arena this methodology could have an important role in (a) evaluating current policies and (b) assessing the likely consequences of future policy proposals. In this respect, there would seem to be an opportunity for family policy specialists within academia to make a practical contribution to the formulation and evaluation of future policy initiatives and proposals for reform.

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