

# The Effect of Government Funded Childcare and Maternity Leave on Income Inequality Through Comparisons of Denmark, South Africa and The United States of America

Lindsey Hill

State University of New York College at Geneseo

## Thesis

Income inequality arises when the gap between the lowest income group and largest income group widens. Many scholars have pondered why the income gap continues to grow throughout the world, despite nations attempts to reverse the growth. Suggestions to decrease income inequality have included education reforms, wealth redistribution, higher wealth taxes etc. The United States ranks thirty three amongst forty OECD nations for income inequality. Denmark is one of the lowest ranking nations for income inequality, ranking fifth amongst OECD nations; South Africa has the highest income inequality of OECD nations.

Childcare amongst nations varies; there are levels to the degree of government aid available. Some governments offer grants, scholarships or publicly funded programs. Denmark, The United States and South Africa all offer varying childcare policies for their country. Going hand-to-hand with childcare, these nations also offer varying maternity leave policies. Maternity leave can vary from paid to unpaid leave, along with the length permitted. I argue that nations with more government funding and support in childcare and maternity leave will show a small income inequality gap than those that do not. If correct, Denmark will have the most publicly funded childcare and maternity leave policies, followed by The United States and then South Africa.

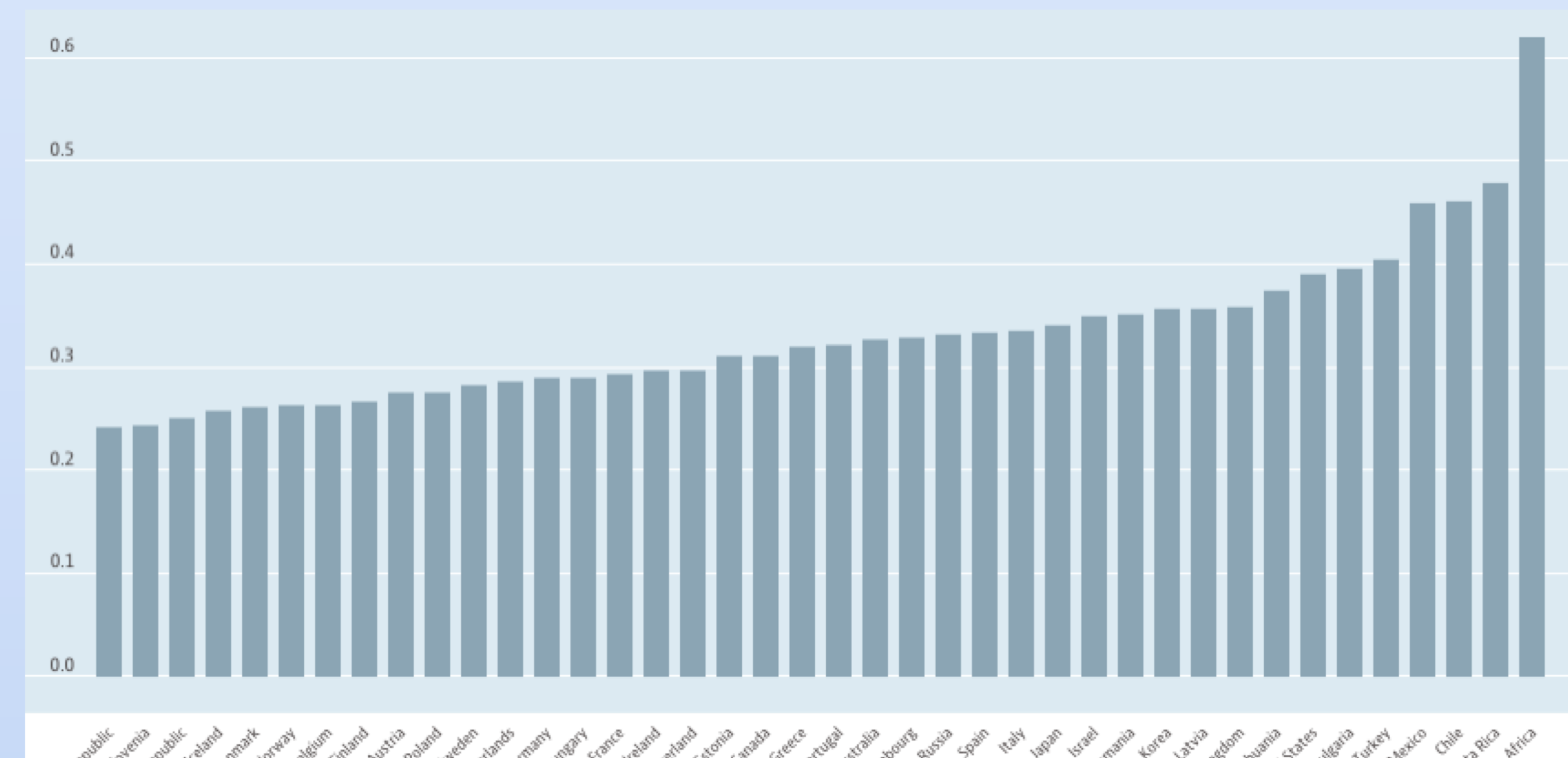


Figure 1: Income Inequality of OECD Nations

## Conclusion

Through this research it can be concluded that there is a direct correlation between government funded childcare and maternity leave policies and reduced income inequality. Other factors may be present in various nations that can contribute to the income gap, as no two nations are the same. The research showed that Denmark had the most progressive childcare and maternity leave policies in place; government funding was available in both cases. The United States policies in both instances varied state to state. With some states more progressive in government funding of these areas, and other less. South Africa's maternity leave policy allowed for more time off than the United States, but it was still unpaid for. While South Africa does offer grants for childcare, citizens of these nations can still find themselves paying more than fifty percent of the cost for their childcare.

## Childcare Policies Amongst Nations

**Denmark:** Childcare in Denmark is seen as a top priority. The nation has a policy labeled Early Childhood Education and Care, or the ECEC. The ECEC sets regulations for government funded as well as private, childcare facilities. The typical family in Denmark only pays at most thirty percent of what the cost of sending their child to a care facility costs. The remainder of the cost is covered by the government through tax revenue. These facilities are available for children starting at six months old.

**South Africa:** In South Africa, childcare government assistance exists through grants. Grants are eligible to citizens or permanent residents of the country. Those wishing to apply must also make less than R48,000 yearly, which is equivalent to roughly 2500 US dollars. The grant will award the recipient with R420 a month per child; the cost of childcare a month in South Africa ranges from R1200 to R120000. Assuming the citizen is paying the lowest cost, with the grant they would still be paying more than fifty percent of their childcare costs.

**The United States:** While there are federal laws and regulations regarding childcare, each state has their own set as well. State agencies can offer financial support for eligible families, as well as tax credits. Combined nationally, families spend \$213 a week on childcare; roughly eleven percent of the average yearly income goes to childcare.

## Maternity Leave Policies Amongst Nations

**Denmark:** Denmark offers 52 total weeks of maternity/paternity leave, divided amongst both the mother and father. The mother is offered a pregnancy leave, which can begin up to four weeks before the expected childbirth. Maternity leave is available for fourteen weeks after the birth, this leave is strictly available for only the mother; this leave can be awarded to the father in cases of death of mother or other extraordinary circumstances. The father is awarded two weeks of paternity leave following the birth of the child. Then there are thirty two weeks of leave labeled as Parental leave, these weeks can be divided amongst the father or mother. If maternity/paternity/parental leave is not offered through the person's employer then they are entitled to this government funded plan.

**The United States:** There are no federal laws in The United States regarding maternity leave. The maternity leave policy is left to the states to decide. The Family and Medical Leave Act (FMLA) allows some workers to receive 12 weeks of unpaid maternity leave, however only around sixty percent of workers are eligible for this. Eight of the US states have passed their own paid family leave policies. Washington State recently passed a bill that would allow for eligible employees 12 weeks of paid leave.

**South Africa:** Unpaid Maternity leave is offered in South Africa, for up to four months. The leave offered is unpaid but employees may apply for unemployment during the time of leave. The policy is not gender specific and may be awarded to both the father and mother.

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