

10 The business of change

Employers and work-family policy reforms

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10.1. Introduction

Under what conditions do employers shift their social policy preferences and push governments to implement new policies? We study the reforms of work-family policies (WFPs), such as parental leave and daycare services, to address this question.¹ WFPs have seen massive expansion since the 1970, but with strong cross-national variation in the speed of reforms. Given the strong growth of WFPs, we use them as a case to understand employers' preferences for regulation of labor markets through social policy. By combing the peculiarities of WFPs with considerations of how employers generally perceive the cost-benefit calculus of social policies, we elucidate why employers' preferences for WFP underwent dramatic changes between 1970 and today.

Our theoretical contribution is to provide a dynamic argument about when and how employers go from opposing to supporting and proposing WFPs—and to what extent they can be expected to influence policy outcomes. Our novel claim is that the rise of knowledge economies—characterized by skill-biased technological change, increases in education levels, and the reversal of the gender gap in higher education²—shapes employers' interests for WFPs. With women starting to outnumber men in higher education, employers will call for expansion of WFPs in order to secure that these high-skilled, potential employees remain attached to the labor market in case of childbirth. The gender gap reversal is, in other words, key to understanding the change in capital's preferences *for* WFPs.

The theoretical focus on employers, however, becomes myopic if it fails to take into account the social institutions in which employers are embedded. The social partners must be able to influence policy to see their new preference for WFPs realized. Corporatist institutions organized at the national level—what Martin & Swank (2012) have labeled “macro-corporatism”—facilitate cooperation and coordination between capital and labor, as well as providing them with influence over policy (Hall & Soskice, 2001; Katzenstein, 1985; Martin & Swank, 2012; Nelson, 2013; Rueda, 2008; Traxler, 1997). The result is that employers use their central position in policymaking to ensure that WFPs are enacted.

In addition to allowing employers' policy preferences to vary over time according to the skill and gender composition of the workforce, we contend that firms' size affects their interest in WFP reforms (see also Mares, 2003a). Smaller firms face higher costs associated with WFP than larger firms. There can therefore be disagreements between different employer associations, as each association typically organize only either small or large firms. Over time, as women have become a key source of skilled labor, large employers have gone from "antagonists" to "protagonists" of WFPs, to borrow Korpi's (2006) terminology. Small employers, on the other hand, have remained antagonistic or only accepted minor non-paid parental leave arrangements.

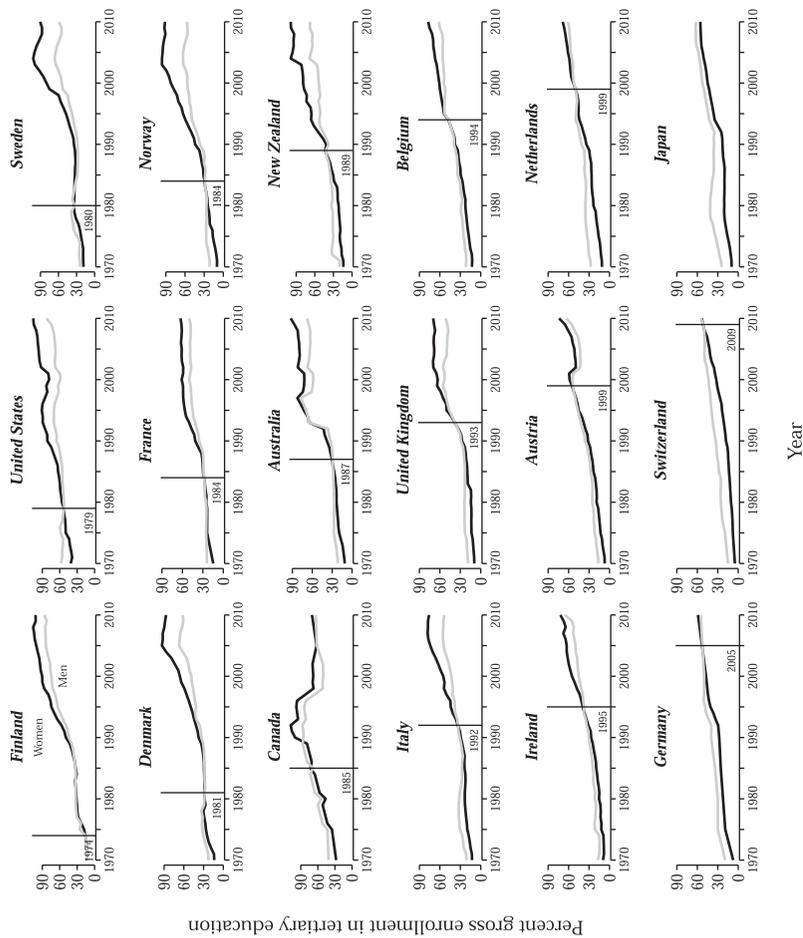
In order to test our proposed theory of employer preferences for WFPs, we carry out case studies that trace the political dynamics behind major WFP reforms in the Netherlands and the United Kingdom. Such a comparison permits us to investigate how WFPs develop both in a country with strong corporatist institutions but with slow growth in female educational attainment (the Netherlands) and in one with weak corporatist institutions and medium growth in female educational attainment (the United Kingdom). We use Norway as shadow case for both cases in order to draw attention to how the combination of both factors (high female educational attainment and corporatism) could have resulted in different outcomes than the ones observed in our case studies.

10.2. Employers, the education gender gap, and work-family policies

10.2.1. Knowledge economies

We highlight two dynamic factors that have shaped employers' preferences, both of which are central to the growing knowledge economy. The first is that skill-biased technological change has led to a major decline in the number of semi-skilled jobs and the bargaining power of these workers (Autor et al., 2003). Decentralization of wage bargaining, as well as a decline unionization rates, has therefore ensued, as it is no longer necessary for skilled workers and their employers to coordinate with semi-skilled workers. This has facilitated major decentralization of most labor markets institutions in the area. The exceptions are the Nordic countries, and to some extent Belgium, where unionization rates and centralization of wage bargaining have declined less due to high unionization rates among particularly highly educated women in the public sector (Dølvik, Andersen, & Vartiainen, 2015; Iversen & Soskice, 2015; Martin & Thelen, 2007; Pontusson, 2011).

The second aspect is that the rise of knowledge economies is also characterized by a revolution in enrollment rates and the closing, and later reversal, of the gender gap in higher education, as illustrated in Figure 10.1. The liberal market economies and the Nordic countries have the highest gross enrollment rates.³ By the 1990s, women had higher enrollment rates in tertiary education than men, particularly in these countries. What we can infer from these trends is that women with higher education make up a more and more significant group of employees.



Percent gross enrollment in tertiary education

Year

Figure 10.1 Gross enrollment rates in tertiary education, with countries ordered according to when the female outnumbered the male enrollment rate. The vertical lines indicate the year of the reversal of the gender gap in enrollment

Notes: The gross enrollment rate “is defined as the number of pupils enrolled at a given level of education, regardless of age, expressed as a percentage of the population in the theoretical age group for the same level of education. For the tertiary level, the population used is the five-year age group following on from the secondary school leaving age. Gross enrollment rate can be over 100% due to the inclusion of over-aged and under-aged pupils/students because of early or late entrants, and grade repetition” (Svensson et al., 2012, p. 148).
Source: UNESCO (2012) in Svensson et al. (2012).

In the following, we therefore spell out how these two aspects of knowledge economies—the reversal of the gender gap and the changing role of corporatism—affect employers’ preferences for WFPs and their ability to influence legislation.

10.2.2. Employers’ WFP interests and influence

Our argument is that the preferences of employers toward WFPs depend on the gender gap in higher education as well as the level of corporatism. To arrive at this conclusion, we first need to recognize that, as with other social policies, WFPs have significant costs to firms. Unless there are clear-cut benefits of having WFPs, they will oppose their introductions.

There are key differences between parental leave and daycare services when it comes to their costs to firms. *Parental leave* implies significant non-wage costs for firms in terms of finding temporary replacement of staff who are on leave, either by employing a replacement worker, by making internal reshuffles of staff, or by allocating the work to other employees (Estévez-Abe, 2006; Ruhm, 1998). For firms with few employees, the option of staff reshuffles is more difficult, and they will need to find temporary replacements in the external labor market. Even with fully publicly-financed leaves, there are therefore extra search costs for such companies, also entailing the risk of not finding suitable replacements. Small firms will therefore generally oppose job-protected parental leave to a larger extent than larger firms. Additionally, the introduction of paid leave also has direct negative consequences for firms’ bottom line, as the leave has to be financed by firms or through increased taxation. Although financing through general taxation lessens the burden imposed on firms, it still affects their overall labor costs.

An expansion of *daycare services* does not entail the same non-wage cost as parental leaves, because daycare services reduce the time away from work in relation to childbirth and childrearing. Nevertheless, as affordable, full-time daycare services are much more costly than paid leave and requires an enlargement of the publicly-funded service sector, they involve higher taxation, higher government spending, and possibly higher payroll taxes. Overall, WFPs are consequently costly to firms, especially if they are small. In the absence of a tangible advantages, which was the case in a male-breadwinner economy, the default position of firms should therefore be to oppose WFPs.

With the closing and then reversal of the gender gap in higher education, however, we argue that large firms in sectors relying on high skills become more interested in both making sure that high-skilled women enter the labor market and return to full-time work after childbirth.

These firms therefore shift from opposing to favoring WFPs. With regard to *daycare services*, they will favor high-quality full-time services that suit dual-earner couples. In addition to childbearing and birth, women still do a larger share of the household work and childrearing than men (Iversen & Rosenbluth, 2010). Firms perceive that daycare services decrease the risk that women employees permanently leave the workforce to care for children, and

also enables a faster return to employment after childbirth. Moreover, the service makes it possible to combine full-time work with having small children, particularly for women, which again results in increased skill investment and job experience (for empirical evidence, see Finseraas & Skorge, 2018). With regard to *leaves*, firms will prefer short and well-paid parental leaves with high wage ceilings to prevent high-skilled women from leaving the labor market altogether. They will also start favoring fathers' quotas, where one part of the leave is reserved for fathers, since such a policy will increase the chance that high-skilled women return to work faster and do not permanently drop out of the labor market.⁴

Still, this skill and firm size framework leave some questions unanswered. The first question concerns why employers' skill demand is so decisive in explaining their support for WFPs? An alternative argument would be that employers instead generally are supportive of policies that increase the labor supply and thus drive down wages. Although employers in low-skill sectors can solve labor supply issues by labor migration, the availability of skilled workers is more constrained and is subject to tough international competition (see Boeri, Brucker, Docquier, & Rapoport, 2012). Increasing highly educated female workers' labor force participation is therefore a more viable option than attracting high-skilled immigration.

A second question concerns the role of firm size. While we have proposed that large firms should be more supportive of WFPs, it raises the question why large companies would not rather prefer to solve the issue internally by providing company-specific WFPs as perks. Employer-provided parental leave could, for instance, work to attract high-skilled women and give large firms an advantage. We propose two interlinked explanations for why firms will end up supporting state solutions. First, competition on this dimension between individual firms could lead to excessive costs, as firms outbid each other in offering such perks to attract labor. A state solution would bring the benefits WFPs, while at the same time take such policies out of the competition. This is especially the case for centralized employers' federations, where perk competition between employers could create rifts in the organization and thus decrease employer solidarity. Second and relatedly, a state solution (financed partially by payroll taxes) implies that firms in low-skill sectors and small firms would be forced to contribute to the financing of WFPs.⁵

We additionally contend that employers in countries with highly centralized peak employers' associations will on average be more favorable to WFPs and have a greater say in policymaking. With skill increases among women, centralized employers' associations are more likely to focus on the benefits of WFPs for the nationwide economy than fragmented associations. In economies increasingly reliant on high skills to innovate and grow,⁶ WFPs become a vehicle for ensuring high employment and skill investment (Gingrich & Ansell, 2015; Morel, Palier, & Palme, 2012). As the Confederation of Norwegian Enterprise, for instance, argued in favor of the fathers' quota: "[t]here are so many well-educated women, and it is a large problem that they have difficulties with

entering the labor market on the same level as men” (Klassekampen, 2010). Centralized employer federations thus take into account outcomes and the provision of collective goods beyond the bottom line of individual companies to a larger extent than fragmented employers (Crouch, 1993; Katzenstein, 1985; Martin, 2005; & Swank, 2012, p. 23; Nelson, 2013; Rothstein, 1998, 2005). This also makes them more likely to favor state-funded and state-administered WFPs, because such policies ensure that collective goals are achieved and that daycare services and parental leave become available to all employed women.

Moreover, and as discussed above, employers in corporatist settings typically have a greater say in policymaking, which increases the possibility of translating their interests into influence over the development of WFPs.

The predictions are summed up in Table 10.1. Employers become increasingly likely to favor WFPs as the gender gap in higher education narrows and reverses in favor of women. Still, their ability to *influence* politics for WFPs will depend on the presence of corporatist institutions. Where such institutions are present, employers will be more interested in public policies that benefit the economy as a whole, will more easily coordinate their preferences, and will have the power to influence policy.

A corollary of the argument is that the employers (and social partners in general) have a larger influence on the expansion of parental leave and the introduction of the fathers’ quota than on daycare services. The reason is that paid leave expansions can often be directly agreed upon in wage negotiations between unions and employers, which is then incorporated into policy. Development of publicly funded daycare services, on the other hand, requires the active participation of the government from the very beginning, as is also the case with other welfare state services, such as health and old age (Mares, 2003a, 2003b). This means that regarding daycare, social partners can influence the policy only indirectly, for example, through participation in policy commissions and lobbying.

10.3. Testing the mechanisms through case studies

We conduct case studies of the Netherlands and United Kingdom to investigate and verify the mechanisms of the argument. To support the argument, the case study should reveal (i) that the employers come to favor WFPs as women outnumber men in higher education; and (ii) that the employers’

Table 10.1 Theoretical predictions for the level of WFPs

		<i>Gender gap (GG) in higher education</i>	
		$\Delta GG \leq 0$	$\Delta GG > 0$
Corporatism	<i>High</i>	Limited	Extensive
	<i>Low</i>	Limited	Limited/intermediate

Note: $GG = \text{enrollment}_{\text{women}} - \text{enrollment}_{\text{men}}$. ΔGG refers to the change in the gender gap over time.

associations use their policy influence to push for reforms (Bennett & Checkel, 2013). We use Norway as a shadow case to draw comparisons and reflect upon findings from the two main case studies.⁷

We thus first provide a brief description of the Norwegian case. Today, Norway has generous WFPs. Parents can choose between 49 weeks of parental leave with a 100 percent replacement rate or 59 weeks with an 80 percent rate, one of the most generous leave programs in the world. The leave is “tripartite”, which means that 15 weeks are reserved for each of the parents and are non-transferrable. Mothers have 3 additional weeks before childbirth and must take 6 of the 15 weeks right after childbirth. The remaining 16 weeks can be split as desired. As for public daycare, 80 percent of 1- to 2-year-olds and 97 percent of 3- to 5-year-olds attended daycare centers in 2014; 97 percent of these children attended for more than 32 hours per week. Full-time daycare is relatively cheap. For example, a family in which the parents earned, respectively, 100 and 50 percent of average earnings paid 11 percent of net income in daycare fees in 2012, compared to 34 percent in the United Kingdom (OECD, 2012). Since 2009, parents have a right to daycare for their children starting at age 1.

In the early 1970s, however, Norway’s WFPs were limited. Paid maternity leave was 12 weeks, with payment typically amounting to a third of previous earnings. Only 2.8 percent of children under school age attended daycare institutions, and only 13.2 percent attended other forms of non-parental childcare (Vollset, 2011, pp. 32–36). Norway thus epitomized the WFPs found across advanced democracies at that time. Yet three waves of reforms—the first in the late 1970s, the second from the mid-1980s to the early 1990s, and the third from the 2000s and onwards—introduced considerable reforms of WFPs.

In Rasmussen & Skorge (2018), we provide a detailed analysis of how organized employers in Norway, as well as the trade unions, turned from opposing to proposing WFPs and became protagonists for reforms. The shift in employers’ preferences began in the 1980s, when the gender gap in higher education began to drastically diminish, and was fulfilled in the 2000s, when employers actively pushed for further daycare and parental leave reforms to enhance particularly highly educated women’s attachment to and presence in the labor market.

10.3.1. The Netherlands: Corporatism and (slowly) increasing education rates among women

Work-family policies were developed much later in the Netherlands compared to Norway. By 1988, only about 2 percent of the children under the age of 3 attended daycare (Bussemaker, 1997, p. 32). Although coverage increased somewhat during the 1990s, it was just above 20 percent in 2001, and demand far exceeded supply (Bettendorf, Jongen, & Muller, 2015, p. 115; Gustafsson & Kenjoh, 2004, p. 45). Since then, it has increased to 55 percent in 2013. That said, it is a part-time service—average hours of attendance per week is

only 17—and the cost of a daycare slot is twice that of, for instance, Norway, Belgium, and Germany (Bettendorf et al., 2015, p. 114; OECD, 2012). Daycare services are, in other words, still much more limited than in Norway. Paid maternity leave was 12 weeks with full pay until 1990, when it was increased to 16 weeks. In 2009, 26 weeks of paid parental leave was introduced (OECD, 2012). Payment and rights to leave have, however, varied extensively depending on agreements between unions and employers in sector-level collective bargaining (Plantenga & Remery, 2009).

Unions and employers play a key role in the making of Dutch WFPs. Plantenga & Remery (2009, p. 182) put this point concisely: “[f]rom the very beginning, employers have been given an important role in the introduction of leave policies within the Dutch working time regime. By way of collective labour agreements, the social partners are supposed to top up public policy, which is mainly concerned with guaranteeing the minimum right.” This also holds for daycare, where a “main part of the organization of childcare provision has been delegated to employers and employees, who have to negotiate childcare in their collective agreements” (Bussemaker, 1998, p. 88).

In difference from Norway, however, women’s entrance into higher education has been slower in the Netherlands, as Figure 10.2 delineates. Additionally, although collective bargaining covers a large share of the labor market,

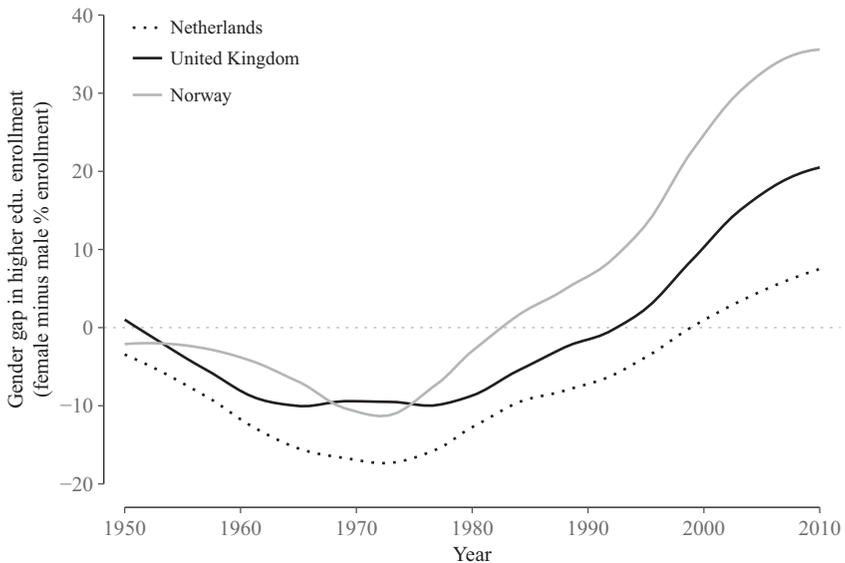


Figure 10.2 Gender gap in higher education enrollment in the Netherlands, the United Kingdom, and Norway (less smoothed trends)

Notes: See Figure 10.1 for the definition of enrollment in higher education. The gender gap is measured as the enrollment among women minus the enrollment among men.

Sources: Barro & Lee (2015) and UNESCO (2012) in Svensson et al. (2012).

bargaining is more decentralized to the sectoral level in the Netherlands than in Norway. The enactment of WFP reforms has consequently been slow.

Daycare became an issue of political contention in the 1970s, brought to the agenda by women within the trade unions, the Social Democratic, and the communist parties (Kremer, 2002, p. 123; Morgan, 2013, p. 91). Yet, with the majority of employers and trade unions uninterested, and with the Christian Democrats and Liberals dominating government, the flame quickly died out. Hence, by the late 1980s, formal daycare was almost absent (Kremer, 2002, p. 118). The same was true for parental leave (Plantenga & Remery, 2009). There was an early initiative on leave in 1980s, with the Social Democrats proposing a partially paid parental leave as an addition to the paid maternity leave. Yet, employers and the other parties were against and unions were largely uninterested in making leave paid. Paid leave was thus left to social partners, which meant that many workplaces did not pay leave until late 1990s (Plantenga & Remery, 2009).

By the late 1980s, employers, unions, and political parties—notably the Social Democrats and the Liberals, but also to some extent the Christian Democrats—started to become interested in daycare as a labor market policy for ensuring the labor market attachment of highly educated women (Bussemaker, 1998, pp. 86–87).⁸ From 1987 and onwards, trade unions requested that daycare arrangements should be included in collective agreements (Gustafsson & Kenjoh, 2004). Importantly, also the Social Economic Council—*Sociaal-Economische Raad* (SEC), which represents the employers and unions' interests and is the government's main advisory board on social and economic policy—expressed in this period a preference for some expansion of daycare (Plantenga & Remery, 2009, p. 177).

The first daycare reforms, initiated under the Christian Democratic–Social Democratic government in office from 1989, and the Liberal–Social Democratic government in place from 1994, gave a modest expansion of daycare slots. The latter government had a record number of women ministers, 26 percent, and these played a part in these reforms (Morgan, 2013, p. 92). The social partners were given the role of implementing the reform through collective agreements (Bussemaker, 1998). Still, by 1995, only 8 percent of children under the age of 4 attended formal daycare; and by 2001, the number was just above 20 (Bettendorf et al., 2015; Kremer, 2002, p. 119). Despite being in the position to expand WFPs, the social partners were thus content with quite minor reforms. Although the gender gap in higher education started to diminish in the Netherlands during this period, the gap was still larger and the rate of change smaller than in Norway (and Sweden) (see Figure 10.2). The Dutch employers' more hesitant stance towards WFPs in this period than in Scandinavia is thus consistent with our theoretical argument.

Education rates among women continued to grow in the late 1990s and 2000s. New reforms were put in place by another Liberal–Social Democratic government at the turn of the millennium. The daycare reforms raised the attendance rate in formal daycare—reaching a coverage rate of 25 percent in

2004. A large share of these daycare slots were subsidized by employers and local governments (Bettendorf et al., 2015, p. 114).

The government also modestly expanded leave to include 16 weeks of leave and 2 days of paternity leave. The payment of leave was, however, left up to employers, although half of the leave payment would be subsidized. During this period, employers have generally been reluctant, and small employers outright negative, to increase leave payments, which may reflect the fact that skilled women are still a less decisive part of the workforce than in the Nordic countries (Plantenga & Remery, 2009, p. 183). Indeed, whereas the gender gap in enrollment closed in the early 1980s in Norway, it closed in the 2000s in the Netherlands, as Figure 10.2 illustrates.

The 2005 Daycare Act, initiated by Liberal–Christian Democratic government (2003–2006), changed the daycare arrangements so that subsidies were transferred to parents instead of daycare centers (Bettendorf et al., 2015, p. 114). Over the 2005–2009 period, the governments increased subsidies considerably, leading to daycare coverage to reach 55 percent by 2015. As mentioned above, however, most of the daycare slots are still part-time.⁹ In 2009, the Social Democratic–Christian Democratic government (2006–2010) also expanded parental leave to 26 weeks, though, apart from some tax deductions for half of the leave, payment was still left up to the collective agreements, with the public sector employees being more likely to have paid leave than private sector employees (den Dulk, 2015, p. 236).

Finally, WFP reforms seem to be afoot with the new Rutte III coalition government that was sworn in 2017—especially given the response of the social partners to these changes. The coalition government has proposed some rather extensive changes to the parental leave schemes currently in place. Paternity leave is to be extended by (a rather moderate) 3 days (paid by employers), and they will introduce a supplementary paternity leave of 5 weeks, with an earning-related payment of 70 percent of previous earnings. The leave will be funded by the unemployment fund, which is financed by employers.

Prior to these proposals, the tripartite SEC had in 2016 evaluated the parental leave scheme. They concluded that “[i]t is the Council’s view that the current leave arrangements are less than ideal . . . Women are also more likely to go on leave than men, and do so for longer periods” (SEC, 2018, p. 1). Since the arrangements depressed female work hours, further changes were needed. Consequently, in their 2018 advisory report, *Optimalisering verlof na geboorte kind* (Optimization of Leave Arrangements after the Birth of a Child), the SEC argued that the proposed changes were not going far enough to achieve female labor market integration: “the Council does not regard the government’s plans as either optimized or future-proof. They ignore one important aim, i.e., to promote employment participation among women” (SEC, 2018, p. 2).¹⁰ The Council therefore proposes several changes in order to achieve this aim, including an extensive simplification of the existing system, shifting founding from employers to the government, and most

importantly to increase the length of *paid* leave. SEC recognizes that they are here proposing something quite different from the government proposal but it remains to be seen whether their challenges will be acted upon.

To summarize, WFPs arrived much later and are much more modest than in Norway. As we would expect in a corporatist country, unions and employers are central in the making and implementation of WFP reforms. Women's enrollment in higher education was slow to take off. Employers have thus, until the late 2000s, not had the same incentives to push for WFP expansion as in Norway. Only more recently have women within the dominant parties been able to work actively with employers and unions to significantly expand WFPs. Comparing the Dutch to the Norwegian case, in other words, illustrates that, even where the employers have the power to influence policy, their incentives to do so vary in accordance with the gender gap in higher education.

10.3.2. United Kingdom: Weak corporatism but increasing education rates among women

In the United Kingdom, daycare and leave policies are still limited but have undergone significant change over the last years. Daycare coverage for children under 3 years of age was 35 percent in 2013, compared to, for instance, 55 percent in the Netherlands. Moreover, the average hours of attendance per week is 16, which implies that full-time daycare coverage is even lower. The cost of daycare is also considerable. A dual-earner family in which the parents earn, respectively, 100 and 50 percent of an average income typically pay 34 percent of their net income in fees for a full-time daycare slot (OECD, 2012). Paid maternity leave is available for 6 weeks with benefits equal to 90 percent of previous earnings and then with a low flat rate payment (£140 in 2015) for 39 weeks. Unpaid statutory maternity leave is available up to 52 weeks. There is additionally a 2-week paternity leave paid at the same low flat rate. From 2015, shared parental leave allowed partners to portion their leave and pay period, but without any requirement on how the leave period is to be distributed between the parents. The government estimates only 2 to 5 percent of eligible fathers will take leave during the child's first year. WFPs are thus more restricted in the United Kingdom than in both the Netherlands and Norway.

Despite a brief level of higher coordination between unions and employers' associations in the 1960s and 1970s, the United Kingdom is best characterized as having "pluralist, weakly organized, decentralized employer associations and trade unions, and collective bargaining agreements cover only a small part of the British economy" (Martin & Swank, 2012, p. 191).¹¹ Bargaining has been fully decentralized to the plant or company level since 1994, and coverage has declined rapidly in the postwar period, with only 30 percent of workers being covered by collective agreements. The institutions that facilitate policy influence for the social partners are thus much weaker in Britain than in Norway and the Netherlands.

The main employer organizations are the Confederation of British Industry (CBI) and the National Federation of Self Employed and Small Businesses (FSB), together with smaller but still relevant British Chambers of Commerce (BCC). The CBI represents both small and large firms in the same organization, and can make the claim to be the largest of the three organizations, organizing 190,000 businesses which cover about 7 million workers. The CBI neither has any formal power over member organizations ability to call lock-outs, nor does the organization conduct wage bargain on behalf of its members. The FSB organizes more exclusively among small firms, and makes more effort to organize the self-employed. BCC is smaller than both CBI and FSB in terms of members, with membership from small and medium-sized firms.

Based on our theoretical argument, we would expect employers to be slower to push for WFPs than in the two other countries. The gender gap in higher education has lagged that of Norway but has been more favorable to women than in the Netherlands, as displayed in Figure 10.2. We should, however, see that employers slowly *begin* to revise their stance on WFPs—and go from being antagonists to consenters—from the early 1990s and onwards, as women outnumber men in higher education for the first time in 1993. The membership profile should, moreover, matter for the preferences of the specific employer organization. Small firms and self-employed should be the most critical of parental leave, given the problems of finding temporary replacements. We therefore expect the CBI to be clearly more supportive of paid parental leave than the FSB. The stance of the BCC should fall in between the two other organizations.

As in other advanced democracies, not only the British Conservatives, but also employers, favored the male-breadwinner perspective until at least the 1970s (Randall, 2000; Ruggie, 1984). A paid maternity leave, with 6 weeks paid at 90 percent of previous earnings and 12 weeks with a flat-rate benefit, was introduced under Labour in 1976, but it had strict eligibility criteria.¹² Daycare coverage remained low. By 1980, only about 2 percent of children under the age of 3 attended publicly-funded daycare and this did not improve during the 1980s (Bussemaker, 1997).¹³ By 1988, the number was still 2 percent, and local authority full-time daycare covered just 1 percent of children aged 0 to 4. It had not improved by the mid-1990s (Bussemaker, 1997).

The gender gap in higher education enrollment rates started to diminish in the 1960s and 1970s in Britain, though at a much slower pace than in Scandinavia, as depicted in Figure 10.1 and Figure 10.2. Whereas Norway and Sweden massively expanded higher education in the 1960s and 1970s, Britain held back the expansion until the latter half of the 1980s and in the 1990s (Ansell, 2010, Chapter 5).¹⁴ The labor supply of highly-skilled women compared to men was in consequence even less of a concern to employers in Britain than in Norway in the 1970s and early 1980s. Employers should therefore be antagonistic to WFPs in this period.

Evidence for the antagonistic position of employers can be found in the position of the CBI taken on legislation introduced by the Labour

governments during the 1970s before the Thatcherite years. CBI firmly opposed the Equal Pay Act of 1970, remained critical of the Employment Protection Act of 1975, and continued to oppose daycare expansions during the 1970s (Ruggie, 1984).

By the late 1980s, however, there were signs of change in employers' policy preferences, as they "added their voice to pressures on the government to take more of a lead on the child care question" (Randall, 2002, p. 225). Their lack of willingness to put this policy demand at the top of the agenda, as well as their more limited policy influence compared to employers in Norway, and the Netherlands, meant that the government could get away with symbolic gestures (Randall, 2000). The daycare services that were available by 1990 were thus largely fully private ones (O'Connor et al., 1999, Chapter 3).

As women's entrance into higher education continued to rise and outpaced men's entrance in the early 1990s, the social partners have increasingly emphasized the need for expansive WFP reforms. From the early 1990s and onwards, both the Trade Union Congress (TUC) and the CBI called for a national daycare strategy to secure greater supply of daycare. Employers became interested in ensuring the labor supply of highly skilled women (Daguerre, 2006, pp. 221–223).

Under New Labour, which was in office from 1997 to 2010, both paid leave and daycare were expanded, albeit from a low initial level. Daycare coverage reached 35 percent for children under the age of 3 by 2010, though it was still costly and most daycare slots were only available on a part-time basis. Paid leave was expanded several times during the New Labour period, extending the flat-rate benefit period to 33 weeks. Merely 6 weeks were still paid at 90 percent of previous earnings. Compared to the Netherlands and Norway, as well as the recent daycare expansions in Germany (see Fleckenstein & Seeleib-Kaiser, 2011), these reforms are quite small. That said, they marked the first shift in the British approach to family policy.

How did business respond to these reforms, and did they push for changes prior to the reforms? Following our theoretical expectations, employers should be more positive to daycare than parental leave.

Let us first examine the *daycare reforms*. Under the New Labour and the following (liberal-) conservative governments, employers always responded positive to initiatives to increase daycare provisions. It is also clear that up to the 2010s, business agreed that daycare expansion should be prioritized over leave reforms as a mean to secure the labor market participation of high-skilled mothers. The FSB, representing small firms, argued that changes post the 1999 parental leave reforms be shelved in favor of increasing daycare support (FSB, 2001).

In a 2014 study, CBI, started out by highlighting the increasing cost of daycare, was becoming a growing problem, as wages had remained stagnant (CBI, 2014). The employers' association proposed to introduce 15 hours of free daycare to all 1- and 2-year olds. In the same report, the organization also noted that the new economic situation required employees to skill up to

meet the increasing business need for high-skilled labor. What is more, 1 year later, the CBI (2015) stated that “British business needs access to more skills and talent, and a high-quality, affordable childcare offer is central to increasing labor market participation” (CBI, 2015). Daycare was, in other words, explicitly seen as a mean to increase the supply of general skills. Moreover, when responding to the 2015 proposed daycare act to increase free daycare for 3- and 4-year olds to 30 hours a week, the CBI stated that “[i]ncreasing free childcare provision is an important step to enabling parents to pursue their careers, and to allowing businesses to retain skilled and talented employees” (CBI, 2015). In 2016, the CBI undertook a major push for government reform, incurring the government to increase spending on daycare by £2 billion (The Telegraph, 2016a). The CBI was not alone, also the BCC argued that the lack of affordable daycare was an act of “self-harm”, and that daycare should be a core business infrastructure (Times, 2016). During the 2010s, the employers’ associations were consequently actively voicing their support for the expansion of daycare services. Even as business agrees on daycare services, a division still stands between the CBI and the FSB. The FSB highlights the need for daycare coverage for the self-employed, while the CBI remains silent on this issue.

Turning to *parental leave* reforms, employers’ support for leave expansions under New Labour can be classified on a continuum ranging from supportive to consenting to outright hostile (Fleckenstein & Seeleib-Kaiser, 2011). CBI had strong reservations to the White Paper that would end in the 1999 Act, even if the organization eventually would accept the outcome (Fleckenstein & Seeleib-Kaiser, 2011). The 1999 Employment Relations Act introduced a gender-neutral 13 weeks of unpaid parental leave and extended the maternity leave from 14 to 18. The primary concern voiced by the CBI was administrative hurdles, since paid paternity leave was off the table. CBI wanted the government to act as a gatekeeper to relieve firms of complicated administration tasks associated with ascertaining the validity of maternity claims. This issue would again provoke conflict between the CBI and the Labour governments during the 2000s, when the government renegaded on its promise to compensate business for increases in leave periods by taking on administrative duties. The BCC responded by highlighting that there were significant negative costs to small firms, that this led employers to reconsider hiring women of childbearing age, that proposed reductions in the qualifying period had to be rescinded, and that the notification period had to be increased from 21 days to 10 weeks. The position of the FSB was simple: there was no need for parental leave and the government should instead provide additional state-financed daycare (Lourie, 1998). Even with these critical points, business would accept the minimum conditions laid out in the legislation (Fleckenstein & Seeleib-Kaiser, 2011).

If business could swallow the 1999 reforms, the 2001 Employment Bill, which introduced paid paternity leave and extended the length of paid maternity leave, was too much. In line with our theoretical expectations, the opposition was strongest from small firms. Responding to the proposed increase in paternity

leave, the FSB described the proposal as “a raft of employment legislation too far” (quoted in Lourie, 2001, p. 28). Costs were described as lopsided at the expense of employers (and especially small firms), and possible further legislation would hurt employment and firm productivity. In short, enough was enough. The CBI was also concerned about the increasing cost for business, but restricted their criticism to highlight the negative costs for small firms and specific issues associated with implementation of the reform (Lourie, 2001).

The unison employer opposition to further expansion of leave schemes would continue over the 2000s. In 2009, the Equality and Human Rights Commission (EHRC) put forward a proposal for increases in the replacement rate and extension of benefit period of the parental leave scheme. The CBI was critical of all proposals. On the issue of benefit extensions, the association stated that “[g]iven the alarming state of the public finances, these plans, which would cost taxpayers an extra £5.3bn, are unaffordable” (quoted in Personnel Today, 2009). The CBI was also critical of the proposal that fathers were to be allowed to share part of mothers’ paid leave, arguing that, “the proposal to introduce paid parental leave to be shared between parents would be complex and costly for companies to administer” (Personnel Today, 2009).

During the 2010s, the gender gap in skill acquisition continued to widen in favor of women. With businesses increasingly becoming dependent on the labor supply of highly-educated women, the position of employers turned decisively in this final period. The CBI, which had previously been critical of expanding shared parental leave, now switched to highlight shared leave as a way to increase workers’ possibility to combine childrearing with work (CBI/Accenture, 2015). The previous concerns about administrative hurdles associated with shared leave had proven unfounded. Responding to the new Liberal-Conservative government’s plan to allow parents to share, the CBI argued that, “[w]e support moves to make parental leave more flexible. This will help families better balance their work and home life” (quoted in The Telegraph, 2011).

Employers, however, were split. The proposal was criticized by the BCC, which again felt that costs would be felt disproportionately by small firms. The CBI-BCC discord would only become more pronounced with the appointment of Carolyn Fairbairn as the Director-General of the CBI in 2015. In 2016, CBI went on the offensive, arguing that statutory parental pay be increased to 52 weeks, up from 39 weeks (The Telegraph, 2016b). The CBI reasoned that the proposed expansion would end up cost-neutral. The parental leave changes combined with the aforementioned daycare reform would increase female labor participation by 2 percent, paying for any increased government costs. The proposal marks a striking reversal of employers’ stance on WFPs; the CBI now responded to proposed reforms by pushing the government to take further action on parental leave.

The division between small and large firms over WFPs is still present in the U.K. For example, while FSB has by now become supportive of shared parental leave, extending the leave duration is still an anathema. What is more, when responding to Labour’s 2015 election promise to extend paternity leave

from 2 to 4 weeks, the FSB again highlighted the negative costs for small firms and was against further extensions. Business is thus clearly split along a large-small firm dimension when it comes to the issue of further expansions of paid parental leave.

While both social partners, from the trade unions to the employers' associations, now favor more extensive daycare expansion financed by general taxation, parental leave policy is still a source of friction. This allows for policy alliances between labor and capital. With the recent change at the CBI documented previously, a future cross-class coalition between CBI and TUC on further expansions in parental leave seems likely.

In short, the British case study shows that although the social partners also here have turned around and gone from opposing to favoring WFP reforms, they have only to a limited extent been able to notably influence the policy trajectory. Even with the existence of a cross-class alliance between unions and employers, with both calling for expansion of WFPs, the policy impact has (at the time of writing) been minor. In the absence of corporatist institutions that could facilitate coordination between employers and unions, and forums to actively shape policy development, congruence between employers' and unions' preferences is no guarantee for policy change. Instead, the U.K. is much more reliant on shifting political coalitions to expand WFPs. The difference from Norwegian, but also Dutch, employers and unions is stark. For instance, during the 2000s, Norwegian employers had joined unions in actively supporting WFPs. From this point on, employers and unions would coordinate their demands to the government, usually appearing together in press-release statements and even re-tweeting each other's statements on social media. Compared to the other cases, this appears to be an important reason for why both the provision of daycare services and the length and benefits of paid leave are more limited in the United Kingdom than in Norway and the Netherlands.

Together, the case studies document that macro-corporatist employers, combined with the reversal of the gender gap in higher education, were crucial to the timing and size of WFP reforms. First, as women's entrance into higher education started significantly earlier than in most Organisation for Economic Co-operation and Development (OECD) countries, Sweden and Norway became pioneers in the expansion of WFPs (Rasmussen & Skorge, 2018). Second, the Dutch case study shows that the Netherlands lags behind Scandinavia when it comes to women in higher education. Thus, even though employers play a key role in policymaking in the Netherlands, they have only recently become interested in using their position to call for and instigate WFP reforms. Finally, the study of the United Kingdom documents that, although women have, by now, entered education on a large scale, the fragmented organization and limited influence of organized employers (and workers) have meant that their increasing calls for WFPs have largely been unsuccessful. Instead, it was only when women acquired key government positions under New Labour that serious WFP reforms took place.

10.4. Conclusions: The business of change

We started out by asking when employers go from disapproving to favoring work-family policies (WFPs). We have shown that the stances of employers are highly dependent on factors associated with the rise of knowledge economies, in particular the reversal of the gender gap in higher education. Our empirical findings—based on case studies of the United Kingdom and the Netherlands—support these theoretical claims. As women have started to outnumber men in higher education, capital has become increasingly interested in developing WFPs further. Centralized employers' associations have, often together with unions, used wage bargaining and their policy influence to push parties to enact WFPs.

By combining the literature on macro corporatism with that of growth of the knowledge economy, we have been able to build a dynamic theory of employers' interests. The primary building block of the argument is simple and resonates with Thelen's work on employers and skill acquisition (Thelen, 2004, 2014). By highlighting how employers in skill-intensive industries will push for increasing the supply of highly-educated female workers, and that WFPs can facilitate such supply, we have developed a better understanding of firms' social policy preferences in the new knowledge economy. Moreover, by focusing not on the difference between specific and general skills, but instead on employers' demand for skills in general, we believe that the literature can make novel insights into the preferences and the role played by capital in the extension of labor market policy.

Notes

- 1 This chapter forms a part of a broader project on the social partners and work-family policies (for a supplemental examination of trade unions and cross-class coalitions, see Rasmussen & Skorge, 2018).
- 2 See, e.g., Powell (2004), Autor, Levy, & Murnane (2003), Goos & Manning (2007), Goldin, Katz, & Kuziemko (2006), Goldin & Katz (2008), Reenen (2011), Oesch (2013), and Soskice (2014).
- 3 For excellent analyses of the politics of higher education, see notably Iversen & Stephens (2008) and Ansell (2010).
- 4 Employers in male-dominated sectors may still oppose parental leave and other WFPs because they increase government spending without being of direct use to them. Employers' federations will thus only become favorable to WFPs when firms and sectors in need of the labor supply from women with high general skills acquire a dominant position within the associations.
- 5 See Mares (2003a) for a similar argument for traded vs. non-traded sectors.
- 6 See Brynjolfsson & McAfee (2014); Acemoglu (2008); Aghion & Howitt (2009).
- 7 An in-depth study of the Norwegian case can be found in Rasmussen & Skorge (2018).
- 8 The exception was the smaller Christian parties on the right-wing, which still opposed the expansion of daycare (Bussemaker, 1998, p. 87).
- 9 The 2010–2012 center-right government moderately cut back daycare subsidies (Morgan, 2013).
- 10 Similar statements were made by the Norwegian employers, only 20 to 30 years earlier (Rasmussen & Skorge, 2018), which matches well with the timing of the reversal of the gender gap in higher education in the two countries.

- 11 See, e.g., Crouch (1993) and Thelen (2004) for accounts of the craft- and occupation-based origins of the fragmented industrial relations in Britain.
- 12 To qualify for the benefit, a mother needed to have “two years of continuous employment of sixteen hours or more with the same employer” (O’Connor, Orloff, & Shaver, 1999, p. 84). A large share of working mothers was therefore ineligible or only qualified for reduced benefits.
- 13 For children aged 3 to 5, the coverage rate was 34 to 40 percent in 1988 (Randall, 1995, p. 329).
- 14 The British Conservatives envisioned a limited expansion in the early 1960s, which would benefit mostly the upper classes, whereas the Labour government in power from 1964 rejected the proposal to build six new universities (Ansell, 2010, pp. 197–201).

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