

# Measures for Securing a Subsistence Level for Children

What can be learned from other European States?

AGF European Expert Meeting on 27 June 2016 in Berlin, Germany





# Measures for Securing a Subsistence Level for Children: What can be learned from other European States?

European Expert Meeting

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## Background

The child subsistence level is a central component in the German system of equalisation of family burdens. It is of significant importance in a number of areas:

1. In tax law, the living costs parents necessarily have to pay in order to ensure subsistence and social participation of their children are excluded from taxation.
2. The minimum child support payment in case of separation or divorce depends on the fixed child subsistence level.
3. Moreover, the definition of the child subsistence level stems from German welfare law, which, with its benefits, provides the basic social support net.

The actual child subsistence level differs from welfare law, tax law and maintenance law – even though in parts the three areas highly depend on each other. This leads to many contradictory regulations and lack of transparency and even to existence threatening offsetting of benefits. This may affect families differently, depending on their life model and their income situation, creating considerable social difficulties for them, not least because the actual height of the child subsistence level and the underlying social minimum needs are being criticised as insufficient.

This means that the fundamental guarantee of a minimum subsistence level for children as well as its actual form decisively determines the socio-economic living conditions of families.



Experts from politics, from family and welfare organisations and from different European countries followed AGF's invitation and discussed about securing the subsistence level of children.



This is not only true for Germany but also for the other (European) states. But what do families and children need to live a good life? How has appropriate minimum needs to be calculated? Which are the basic needs of children that must be taken into account then? And in which way will such a subsistence level actually reach the children? Naturally, there are various answers to these questions in Europe because the frameworks set by social systems differ from country to country. Still, a look at the European neighbouring states and their approaches can and should bring new ideas to the national debate and provide some good advice for expedient change of the system here.

Invited by the AGF, experts from politics, different organisations and science came together at the European Expert Meeting to find out more and to discuss about the different systems and measures ensuring the child subsistence level. They focussed on the fundamental socio-political goals as well as the concrete derivation of benefit amounts. Country reports from Austria, Belgium and Great Britain gave insights into the main features and weak points of their systems, referring also to current political developments. So for example, the input from Belgium addressed the recently adopted reform of child benefits and the changes it brought for families, while the contribution from Great Britain focussed on the rather bad social security for families and the ongoing cuts of benefits especially for families with more children. The input from France on the other hand dealt in detail with the question, what children and families need for a decent live and how adequate reference budgets can be calculated. The requests and the panel discussion especially made clear the criticisms regarding the existing systems but also guiding values for a fairer, poverty avoiding reorganisation.



## Main Outcomes of the Expert Meeting

Similarities in the basic Structure of the Systems	In all countries presented, direct monetary transfers and tax components are the main pillars of the financial support system for families. Child benefit is the most important transfer measure and granted nearly universally. A child tax allowance forms the main part of the second pillar, at least in the countries from continental Europe.
Reference to a Child Subsistence Level	Only in Germany and Austria a defined child subsistence level plays a role for determining the benefits' amount. But the method to calculate the subsistence level differs just as how and to which extent it has to be financially granted to families.
Current Benefit Cuts	Child benefit in some countries is no longer universal but means-tested. By exceeding a certain income threshold, it will be cut back or dropped completely. Furthermore, in the UK, a benefit cap was introduced defining a maximum amount for all the social benefits that can be obtained. The current reforms of the social and tax measures as well as those still under debate mainly hit large families.
Revision and relevant Income Thresholds	Benefits are mostly adapted to inflation, but a regular recalculation of the needs does hardly take place. Big differences appear in the definition of relevant income thresholds. Whereas 55.000 euro/year still are seen as a low-income in Austria, in the UK an income of 60.000 euro/year already leads to cut backs of child benefit.
Political Objectives	In all countries, the benefits aim at covering at least part of the costs for children and to equalise the burden for families against childless persons. Further or more precise objectives exist only partly.
Effects of Benefits	In no country the financial support for families succeeds to lift families with a low income from poverty. Poverty prevention effects are only generated in a medium income area. Single parents, large families and single earner families are particularly disadvantaged. In some countries studies show that the benefits do not cover the needs of families adequately.
Main Conclusion of the Discussion	Reducing poverty should be a main objective of the financial support system for families. Particularly child poverty has to be diminished and the social participation of all children must be granted.



*„Political ambition to increase the social subsistence level is rather low because for the current German system this would lead to higher expenditures not only within social law but also in other law areas and at the same time it would decrease tax revenues.“*

Dr. Maria Wersig,  
Professor of Law,  
Dortmund University of  
Applied Sciences and  
Arts

## The Idea of a Child Subsistence Level

In her introductory contribution, Maria Wersig explained the special importance of the concept of a child subsistence level in Germany. Being tightly bound to the constitution, politics is obliged to measure and guarantee the subsistence level. In total, there are three focal areas in Germany in which the subsistence level manifests itself:

1. in social law the subsistence level has to meet children's needs because the income of their parents is not sufficient enough to do so,
2. in tax law the child subsistence level must not be taxed and
3. in defining the actual subsistence level in the question, what a child really needs, how this can be determined and whether it is not more than just money.

At the beginning of the 90s, the Federal Constitutional Court introduced the right for protection of the socioeconomic subsistence level for adults and children, deriving directly from constitutional law. The subsistence level is a crucial value in equalising family burdens in Germany, which aims at materially compensating parents with obligations of child maintenance in comparison to adults without children. Such equalising follows from the general principle of equality before the law as well as the imperative to promote and protect the family in combination with the principles of the welfare state. Deriving from these legal principles, the idea of a child subsistence level mostly materializes in the German social and tax laws. But it also plays a role for the minimum child support payment in maintenance law.

### Subsistence Level in Tax Law

In 1990, the Federal Constitutional Court ruled that the subsistence level of every family member has to be exempted from taxation, as maintenance obligations of parents towards children are not comparable with consumer spendings. In fact, the necessary exemption is either made through the child tax allowance (Kinderfreibetrag) or through the child benefit (Kindergeld). According to another ruling by the Federal Constitutional Court in 1998, the need of a child does not only consist of meeting the physical and sociocultural subsistence level but also includes education, care, and training. In fact, that case law was criticised but it finally led to the introduction of a corresponding addition to the allowance.

Because the exemption of the subsistence level is only granted subsequently, one year later as part of the tax return, the child benefit serves all families up-front as monthly compensation or advance payment. Therefore, the German child benefit is not so much an instrument of family support, but rather more of a tax refund. Actual support only starts when the amount of the received child benefit exceeds the expected tax rebates. The support amount grows larger, the lower the family's income is.

With the annual tax return, the respective responsible tax office examines whether the child tax allowance or the child benefit is more favourable for families. They compare the sum of all paid out child benefits with the possible tax savings through the use of the child tax allo-



wance. For most families, paying out the child benefit is more favourable because they only gain a small amount of tax savings from their relatively low incomes.

So how high must the tax allowance be? Should legislation estimate its amount? The Federal Constitutional Court has pointed out that the subsistence level is relative, depending on the overall economic situation and on society's consensus on what the necessary minimum need is. Moreover, if a subsistence level is already designated in social law, then the subsistence level in tax law must not be lower. Therefore, the minimum need in social law, or in other words the lowest social security net, is also the measure for the tax allowance. This measure gets determined statistically and it forms the basis for the "Subsistence Level Report" issued every second year by the German government to specify the child tax allowance. At the moment, the tax allowance for each child amounts to 7.248 euro per year.<sup>1</sup> This at least applies to parents with joint taxation. Otherwise, every parent is granted half the allowance. The child benefit at the moment amounts to 190 euro for the first and second child, 196 euro for the third child and for every subsequent child 221 euro per month. So the tax saving effect turns out differently for the tax allowance and the child benefit. Due to the progressive tax system, the effect is bigger the higher the income is. At the moment, relief through tax allowance exceeds the total sum of the child benefit from about a yearly income of 65.000 euro onwards.

However, the connection to the social law causes a political problem. The social law's subsistence level must not be too high because then it would not only entail higher social expenditure but simultaneously lead to lower tax revenues because of an increase in the child tax allowance. Also, the circular reasoning behind determining the tax law subsistence level depending on the social law's subsistence level still reveals nothing about the needs of a child. So what does the social law say about it?

## Subsistence Level in Social Law

In 2010, the Federal Constitutional Court demanded a transparent procedure to determine the child subsistence level. It therefore rated estimations into the blue or the former practice of proportional deduction on the basis of an adult's needs as unlawful and a violation of the constitutional right for a humane subsistence level. The procedure to determine childrens' minimum needs that was implemented as a result is based on empirical surveys and complies with the calculated consumption value of lower income groups. The lowest 20 percent of households with one child are used to determine the child subsistence level. At this point, further details would go too far. But based on this, children receive lump sum payments for their sociocultural subsistence level and for their shared costs in adequate housing and heating. Additional, further payments are granted for education and participation, partially as lump sums and partially as individual requirements, as for extra lessons. However, it is controversial whether the resources provided are actually enough. And even though the calculation is based on empirical data it is still criticised that political state-

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<sup>1</sup> Tax allowance for the physical subsistence level: 4.608 euro/year, allowance for care, education and training: 2.640 euro/year, equals 604 euro per month.



ments determine the amount as well, for example through the choice of reference points. Especially, many of the associations concerned with family policy think that parents with low or no income of their own at all are in need of more resources for their children than those provided by the social law. They therefore demand a subsistence level that fully covers the actual costs, but in doing so, they see themselves confronted with financing problems and the possible effects on the current system of equalising family burdens.

## Further References and Reform Ideas

In maintenance law, there is a child subsistence level, too. Here it is called “minimum amount of maintenance”. It is the basis for the calculation of support payments. And it is based on the sociocultural subsistence level defined in tax law. Yet, the minimum amount of maintenance is not of the same amount as the subsistence level in tax law. In contrast to the tax law in maintenance law, the amount also depends on the age of the child. However, in reality maintenance payments are only paid in about half the cases and in another quarter only partially so. That means that securing childrens’ subsistence can hardly take place through maintenance.

In Germany, there are several reform ideas circulating on how to secure the subsistence level in the currently established system and how to provide families with children more money. They include proposals for an increase in transfer payments, for instance the child benefit could be raised to the maximum relief amount of the child tax allowance. Another idea wants to completely replace the current system with a new benefit, called “Guaranteed Child Allowance”. The question whether such a benefit would be taxed has been answered in various ways. Additionally a mix of different social benefits to support especially children of low-wage earners is being discussed.

# Securing a Subsistence Minimum for Children in the EU Member States

## Austria: Measures for financial Support of Families with Children

In her contribution, Sonja Dörfler underlined that the design of the fundamental family benefits on the federal level does not follow the definition of a child subsistence level as strictly as it does in Germany. The Austrian constitutional court named securing subsistence to be the reference point, but the discussion focuses much more on the so-called “luxury limit”, at which the state is no longer responsible to provide the maintenance costs for children.

In Austria, family support is generally structured very tightly and detailed. For many of the benefits provided the responsibility lies at the federal “Länder” and partly turn out to be very different from Bundesland to Bundesland. The minimum income in case of unemployment is one example. But in principle, Länder benefits rather complement federal benefits, as for example the extension of payments for parental leave after the birth of a child.

Federal policy measures’ primary goal is to equalize parents’ obligations of maintenance for a child. The main concern here is not so much the question of what a child needs but rather the equalisation of the burden for people with compared to people without children. In total, there are four benefits pursuing that goal:

1. the family allowance (a sort of child benefit),
2. the supplement for large families,
3. the so called tax credit for children and
4. as a real tax benefit, the child tax allowance.

In 1997, the Austrian constitutional court specified the equalisation of the burden for families and decided therefore, that at least half of the part of the income that is needed for children’s maintenance has to remain tax-free. However, the court did not clearly determine the upper limit, the so-called “luxury limit”, up to which the tax exemption of one half has to be implemented. Therefore this is often the subject of discussion.

## Specifying Necessary Child Maintenance

In Austria, child maintenance has in total three dimensions:

1. it influences the fixed standard requirements, which do not represent the minimum but the average requirements of a child from a certain age group and they consist of necessary needs for basic provision and social participation, no matter what the life situation of the parents is. However, the amount of these age-specific standard requirements is based on a consumer survey from 1964. Its basis is a product basket, which was then developed and which gets adapted annually by the Regional Court for Civil Matters so that it approxi-



*“Recalculating children’s standard requirements is always under discussion. But while family organisations are concerned that they might suffer losses, politicians fear that a recalculation would mean a significant increase in costs.”*

Sonja Dörfler, Sociologist and Scientific Associate at the Austrian Institute for Family Research (ÖIZ)



mately corresponds with inflation. Even though its general composition has not changed since, experts estimated the amount of the standard requirements to be largely appropriate. In total, the standard requirements are graded into six different age groups from 0 to 28 years and they increase with age from at the moment 199 euro to up to 555 euro per month. A recalculation is discussed again and again, but so far it has not been done because on the one hand family organisations fear a worsening of the families' situation and on the other hand politicians fear additional expenditure.

2. Because child maintenance does not depend on needs only but also on parents' capacity, there is a second dimension, the "Percentage Based Method". Here a fixed percentage depending on the child's age takes effect, which determines the part of the monthly net income of the parents that must be set in as child maintenance. For children between 0 and 6 years these are 16 percent, between 6 and 10 years 18 percent, between 10 and 15 years 20 percent and between 15 and 28 years 22 percent of parents' net income. If there are more children, then there will be one percentage point deducted from the calculated percentage for every further child under 10 years and two percentage points for every further child above 10 years.<sup>2</sup>
3. The already mentioned luxury limit constitutes the third dimension. However, it is not a fixed mathematical figure but rather a benchmark that defines the upper limit of child maintenance – and its corresponding tax-free half. The legal basis for this limit is rather a pedagogical one: developing luxury needs in children should not be encouraged. At the moment, the luxury limit lies at about two to two and a half fold the standard requirements and reaches according to the six age groups from about 500 euro to about 1.400 euro.



Table 1: Figures to calculate child maintenance in Austria

Age of child	Standard requirement	Percentage	Luxury limit
0 – 3 years	199	16%	497
3 – 5 years	255	16%	637
6 – 10 years	329	18%	822
10 – 15 years	376	20%	940
15 – 19 years	433	22%	1107
19 – 28 years	555	22%	1387

<sup>2</sup> This calculation method is used in juridical practice of the civil courts in cases of financial maintenance claims of children against their parents, for example after divorce or when children have their own household and are undergoing vocational training, but gain not enough income.



## Monetary Benefits to Provide Child Maintenance

The family allowance is the equivalent to the German child benefit and it counts as the most important benefit for families. It is usually also the basis for all further benefits. A maintenance obligation towards at least one child is the prerequisite.<sup>3</sup> Parents from the EU-area whose children do not live in the country also receive family allowance. Actually, the amount depends on the age of the child or the children and on the number of siblings. For families with three or more children, there is a supplement for large families in addition to the family allowance. It was introduced in 1999 after the already mentioned ruling of the constitutional court. The supplement depends on the income and only takes effect in cases of low income up to 55.000 euro per year. At the moment, the supplement is 20 euro per month for every third and every further child.

Family allowance					
Basic amount per month			The monthly basic amount is raised by a siblings' supplement of ...		
Age of child	birth	109,70 €	Number of children	for two children	13,40 €
	3 years	117,30 €		for three children	49,80 €
	10 years	136,20 €		for four children	102,00 €
	19 years	158,90 €		for five children	154,00 €
The supplement for a substantially disabled child is 150 euro per month.				for six children	205,80 €
				for seven children	350,00 €
				for each following child	x 50,00 €

Table 2: Family Allowance in Austria

The so-called child tax credit used to be a component of the tax system, but in 1993 it got changed into a direct transfer amount. It amounts to a little bit more than 58 euro per child per month. The child tax allowance on the other hand is purely a tax measure, which reduces parents' taxable income by 440 euro per child and year. If both parents claim the child tax allowance, then every parent gets awarded 60 percent of the allowance (300 euro each). The possibility of a split between parents that increases the amount is especially advantageous for those families in which both parents gain a taxable income. In this way, employment of both parents is supported.

Another kind of monetary benefit for children is advanced child maintenance, however, they pursue different goals than equalising parental maintenance costs. They comply with the income of the person with maintenance obligations and are capped at 570 euro. If the income is unknown, fixed amounts are used instead, which are defined in proportion to the maximum amount and which are dependent on the age of the child. Furthermore, there are other tax

<sup>3</sup> The family allowance is provided until the completion of the 18th year, or, in case of an initial vocational training until the completion of the 24th year, respectively. Until a few years ago family allowance could be received until the 28th year. The cut caused some vehement protests especially among students.



benefits related to children like the single parent and the single earner tax credits. These are provided for income earners, who are neither married nor in a registered partnership or whose partner earns less than 6.000 euro per year. In general, Austria practices individual taxation but these measures somewhat break with this principle and take into account the families' situation. In addition, there is a tax credit for maintenance payments for people with maintenance obligations towards children who live outside the household as well as the possibility to write childcare costs off against tax.

## Effects of Benefits and Current Reform Discussions

A study examined the effects of the benefits by looking at model families. It showed that the family benefits indeed contribute to lift families with low income above the poverty line. However, this is neither true for single parents with low income nor for families in which only one parent is employed and who only gain a low income. The situation is also difficult for low-income families with three and more children. However, especially in the medium income sector the benefits lead to an increased household budget and to preventing poverty. To achieve this, the family allowance is financially the most important benefit. However, the benefits should fundamentally be raised in order to lift low-earning families out of poverty too, or to not having to refer them to the minimum income (comparable to the German Hartz IV), respectively.

But currently, the debate points into another direction: pushed by the FPÖ, it is being debated to cap the standard child requirements in the minimum income system in all federal states. The reason behind this is the fear that more and more immigrants with high numbers of children will arrive in Austria. Therefore, it is considered not to pay out the minimum income to all children any longer. In some federal states, preparations are already on the way. Moreover, the government program for 2013 to 2018 includes the plan to further develop advanced child maintenance, which would make necessary not only a recalculation of the standard requirements for children but also raising the maximum amount for maintenance payments. But nothing has happened so far and there is not much time left. In general, family support is rather a "patchwork" in Austria. The amounts of the respective benefits are updated and adapted to current developments, but there is no well-founded, transparent empirical calculation basis. The system does aim at guaranteeing the exemption of half the necessary child maintenance through the four mentioned benefits. But how high the amount of half of the child maintenance should actually be, has not yet been specified.



## Belgium: Reorganisation of the Child Benefit System

In his contribution Toon Vanheukelom made clear that in Belgium too financial support for families with children is provided mostly by child benefits and tax allowances. His description of these crucial benefits focused on the recent reform of child benefits in the region of Flanders, which, instead of in the past being differentiated according to rank and age of the children, now provide a higher, uniform lump sum for them.

In Belgium the two crucial elements, child benefit and tax allowances, are placed at different political levels. While since mid 2014 the regions are responsible for child benefits, responsibility for tax policy still lies with the Belgium federal government. There are further family support measures, such as higher benefits for the heads of household of families getting employment benefits or social assistance, but these measures were not considered here.

### Child Benefit in Belgium Before and After the Reform

Child benefit is the most important element of family support, amounting to more than 6 billion euro per year.<sup>4</sup> In the old system, child benefit consisted of a base allowance of 90 euro per child, plus additional supplements depending on the rank and age of each child as well as, if needed, a (rather small) social supplement, and an annual allowance for school-children as well as for orphans. The benefits were provided tax-free.

The aim of these benefits was to cover a part of the costs of children. But there are no detailed definitions of targets in Belgium for instance regarding the height of these costs to be covered or how to avoid child poverty. Toon Vanheukelom pointed out that in his view, however, clearly defined objectives were the basic prerequisite for an appropriate system of benefits. How could reforms and evaluations of family support take place without knowing the goals and the purposes of the respective political measures?

In Belgium the responsibility for family support has been transferred to the regions a few years ago. Following this new responsibility Flanders has adopted a child benefit reform just now in May 2016. Its crucial goals are to simplify the old system as well as doing so by a rather cost-neutral remodelling. Nevertheless, the old system will be continued, only for births from January 1st 2019 onwards, the new child benefit system will take effect. Therefore, there will be two systems side by side for approximately 24 years. Even though somewhat embarrassing this is probably due to the difficulties of implementing a new system more radically: because when it comes to child benefit, parents these days are very much aware of how much money they can count on. Yet the credo of cost-neutral remodelling will inevitably lead to some families losing money as a result of the reform.

The reform will increase the base allowance from 90 euro to 160 euro per child and month. In return, however, the additional allowances according to age and rank will stop completely. The latter used to amount to almost 80 euro for the second child and almost 160 euro from the



*“So far, there are no defined and confirmed objectives in Belgium to be achieved by family support measures. Yet, without designated political goals neither evaluations nor effective reforms of measures can take place.”*

Toon Vanheukelom,  
economist at KU Leuven

<sup>4</sup> That is the equivalent of about 3 percent of the general government's budget.



third child on. Additional age allowances used to be between 15 and 30 euro. For any further child that amount was then doubled. Up to now, the social supplement depended on the socio-economic status of the parents and amounted to a rather small five to 48 euro. In contrast to the rest of the system, this correlated negatively with the rank of the child, which means that for the first child the highest amount was paid, while for any further children smaller amounts were provided. The current reform will widen the circle of those eligible for a social supplement. Entitled are no longer only single parents, pensioners, unemployed, sick and parents with disabilities, but falling below the relevant income threshold alone will count. Also, the amount of the social supplement will visibly increase to up to 50 to 80 euro. Even after the reform, in contrast to the base allowance, the social supplement will still depend on the rank of the child, which means that the allowance will increase with a growing number of children. On top of that, another low-income sector has been defined, for which a definite social supplement of 60 euro is still granted.

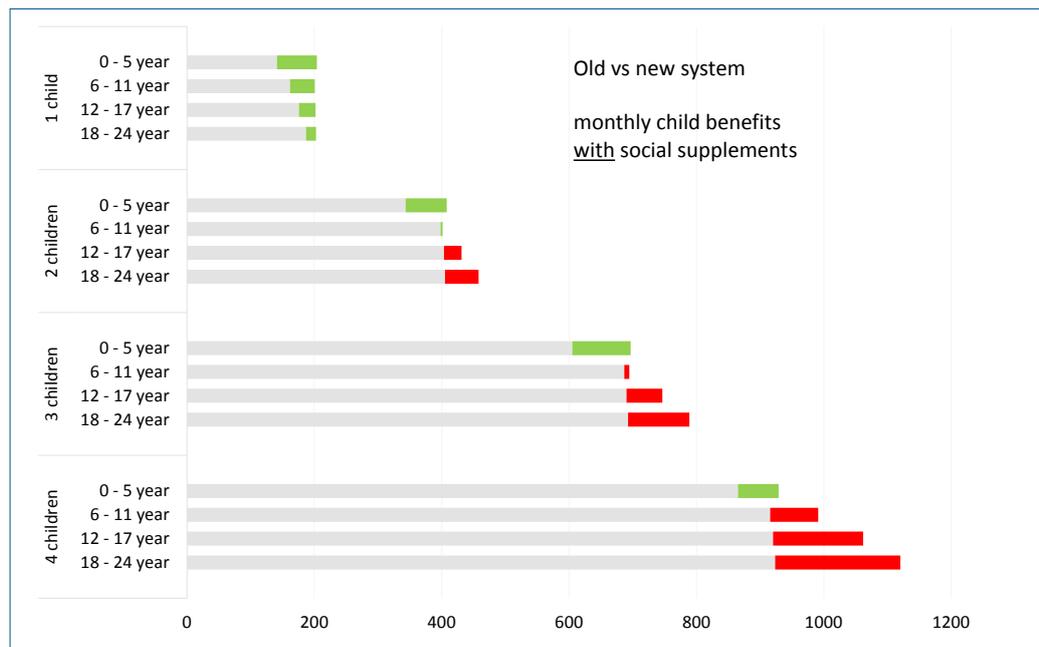
The school allowance will remain at a slightly decreased amount and is also still dependant on the age of the child. In the future, this allowance will also be granted to three- and four-year-olds, even to a much higher amount than to older children. The idea behind is to create an incentive to send children to pre-school.

## Effects of the Reform on Families

Small families with one or two children will profit most of all from the new benefits, gaining a small additional benefit. However, by getting rid of additional allowances for successive children, families with more than two children will suffer great losses. Only the extension and noticeable increase of the social supplement will lessen these negative effects for large families a little bit.



Table 3: The effects of Flanders' child benefit reform depending on age and number of children, including social supplement





## Family Support within the Belgian Tax Law

As in Germany and Austria, tax allowances for families are additional support measures in Belgium, too. These tax allowances increase the more children a family has, reaching from about 450 euro per year for the first child to up to a little more than 1.300 euro per year for every fourth and further child. The problem with tax relief however is, as has already been seen from the German example, that families with low income profit less than top earners do. To eliminate these negative effects, there is a possibility in Belgium since 2001 that the tax allowance can also be paid out, but only to the extent of the allowance for a first child. The pay out option can therefore reach a maximum of about 450 euro per child, which limits the effect for families with many children a lot.

## Conclusions

Child benefit remains, according to Toon Vanheukelom, the main benefit for families in Belgium, also after the reform. However, large families loose out a lot in the new Flemish child benefit system, because number and age of children hardly play a role anymore. In contrast, the social supplement is upgraded. Regarding the income tax, the support of large families is somewhat better, at least in case the family has the appropriate income. For large families with low income there will also be losses, because of the cap of the tax allowance pay out amount. Toon Vanheukelom assumes that this preference for small families stems perhaps from their continuously increasing number and hence the change in the electorate. In total numbers, there are more families that win than families that loose through the reform, but among the losers there are especially those families who are already burdened and at risk of poverty anyway.

A principal problem of Belgian family policy is, that the regions are responsible for it, including all family support measures, whereas tax policy is part of the federal level. This creates inconsistencies like the two different, parallel systems of child benefit. In Belgium, too, empirical studies have already been conducted to determine a children's subsistence level. The objective was to find out about children's needs and to what extent those needs are already met by state support. To determine such relative deficit does, however, not yet reveal a lot about how much money families actually miss in their budgets. Further research and discussions are needed here.



*“Child poverty is a widespread problem in Great Britain and regular studies show how welfare benefits more and more fail to cover the needs of families and their children. Yet there are few relevant public or political debates addressing the issue.”*

Steve McKay, Professor in Social Research, University of Lincoln

## Great Britain: Social Welfare for Families with Children

In his contribution, Steve McKay emphasised that in general rather little support is provided for families in Great Britain, with support directed at those in lower paid work, and that welfare benefits have been cut back. Social policy has largely been replaced by a policy that mostly aims at giving incentives to work. But despite having working parents, many families are poor and increasingly held responsible for their situation themselves. Overall, the importance of families and family policy has decreased in Great Britain since the turn of the millennium. While they were still seen as politically important during the 1990s and the 2000s, today the elderly seem to be the more important group to support, perhaps linked to their voting power. The last Labour government still implemented a great redistribution in favour of families, but under the government of David Cameron this support has nearly come to a halt.

### Family Benefits in Great Britain

Steve McKay briefly explained the role of family benefits within the welfare system. Social benefits are mostly means-tested and only granted in case of very low incomes, though support can continue for those in lower-paid work. Because the welfare system lies within the competence of the British Government there are no regional differences.

In the 1940s, the British welfare model had in fact been based on the subsistence level. Since then, politicians rarely check how high the current value of benefits is in comparison to the subsistence level. However, usually benefits only get adjusted to meet inflation rates – in recent times, even falling behind inflation for some benefits.

The tax system is based on individual taxation, it does not grant any tax allowance for children. There are only a few exceptions, in which the tax system is used for family support, as with the value added tax.<sup>5</sup>

The system of demanding child maintenance is highly ineffective and there is no advanced (or guaranteed) child maintenance by the state. So the organisation of child support after a separation is mostly left to parents themselves. The state only intervenes if parents cannot come to an agreement but even the state can only manage to collect child maintenance in about 25 percent of cases.

Most childcare services are private and quite expensive. But an entitlement to 15 hours of childcare per week from an age of three years on has been introduced, which is at least a small step forward that is now being extended.

In the light of the above there are basically only two benefits for children granted by the state: the near to universal child benefit and the means-tested Child Tax Credit:

<sup>5</sup> In Great Britain some types of goods, which are used especially by families like children's clothing or fresh food, are free of VAT.



Child benefit was introduced in 1978. It amounts to about 90 British pounds for the first child and 60 pounds for every further child (about 108 or 72 euro). There is no differentiation according to age or rank, as support for large families is not intended. Currently the political debate is rather not in favour of big families. They are not seen as a priority target group of family policy. A few years ago, the decision was made to cut child benefit completely for top earners with an income from 5,000 pounds/month (about 6,000 euro). Repayment of at least some of the benefit is due already in cases of a monthly income of a little bit more than 4,000 pounds (5,000 euro) onwards and is made through a surcharge to the income tax. The cut affects about 10 per cent of families and follows the guiding principle that no benefits should be paid to “the rich”.

The second measure, the Child Tax Credit, sounds like a tax law instrument but in fact it is a social benefit. The benefit aims mostly at families with low or no income and amounts to about 230 pounds/month per child, or 2.700 pounds/year, respectively (about 275 euro/month or 3.200 euro/year), regardless of age and rank of the children. Even though there are some circumstances to be considered and that no clear maximum income limit is defined, the system thought to be complicated is in fact quite simple: the higher the income, the lower the benefit. In contrast to child benefit, this benefit has to be applied for every year anew. At the moment, about half of all British families receive Child Tax Credit. According to the planned reform, however, from 2017 on, this benefit will only be paid out for a maximum of two children per family.

## Effects of the Benefits

Child poverty is still very high in Great Britain. It strongly increased during the 1980s under Thatcher and shortly decreased afterwards, but in the last years it has stagnated at about 30 percent (depending on the specific measure used). The so-called “working poor” are a widespread phenomenon. It means that there is a lot of poverty in Great Britain, and over the last 10 years increasingly so, particularly among families in paid employment.

Different studies have calculated the minimum requirements of families in Great Britain and compared them to the actually received benefits. The most recent study done by Loughborough University in 2015 shows that family needs are not covered by the state benefits and that the gap is actually getting bigger. Best covered are the needs of pensioners with a cover ratio of 96 percent. For a couple with two children or for a single parent with one child the ratio lies at only a little above half of the actual need, for a single person even below that.

## Outlook

In the next two years Great Britain will see the introduction of the so-called “universal tax credit”. This social benefit will replace and combine the different previous ones. However, families with children will be yet again disadvantaged because, no matter what the actual number of children is, this new benefit will take into account only a maximum of two children. This has to do, among other things, with a fear existing in Great Britain that especially parents with many



children give birth as a sort of “lifestyle” in order to then exclusively live off the child-related benefits. No incentives should be given for that, according to government. In general, there are increasingly stricter conditions for welfare benefits. The annual adjustment of welfare benefits to inflation has been limited to just one percent, also there is a cap in the sum for all social benefits one can receive of 20,000 pounds (about 23,600 euro) per year (23,000 in London, 27,000 euro ) including for housing costs.

The Blair-government wanted to get rid of child poverty by 2020. Yet between 1997 and 2010 it had not even been cut down to half. The current government’s policy focuses mainly on incentives to work and less on providing the subsistence costs for children. Even the definition of what child poverty is, is changing at the moment. The British government thinks that poverty is less caused by low income but by families’ behaviours, such as drug abuse and gambling, family problems, debts and long-term unemployment.

All in all, the topics of social policy, welfare and welfare benefits do not have a good reputation in Great Britain at the moment. While inequality is a big problem, it is very little under combat. Many social scientists are greatly worried especially about the situation of families with low income, however, there is no public or political debate taking place on the issue. Obviously, this will not change now, because for the next years the Brexit will dominate the political agenda.

## France: The Family-Budgets of the UNAF – What Do Children And Their Families Need To Live A decent Life?

Since 1952 the French Family Organisation UNAF determines what different family types exactly need in order to secure their basic material needs as well as their social participation. In her contribution, Myriam Bobbio talked about the results of the current update and described the methods used. She focused on the results for children’s needs. The budgets are most of all used in cases of separation or divorce in order to determine support benefits as well as to give families financial advice. They are also used as argumentation aid in the discussion about social benefits. Addressees are therefore mostly family court judges, social workers, families themselves, and of course, politics.

### Calculating Standard Budgets

To calculate the budgets the UNAF starts with gathering what families need, creates an adequate shopping cart and translates it into monetary value. Based on that, for different types of families a minimum amount is defined that is needed to live a decent life. This does not only include physical survival but rather a decent living, which assures social participation as well. This, for instance, also includes the possibility to go on holidays, which especially for children is an important experience in their development. While at the beginning, the calculation was based only on the needs of a family consisting of a couple and their two children, in the fol-



lowing years not only were the methods improved but also new family models included, so that in France the method for calculating the so-called family-budgets is generally quite accepted.

Because society and lifestyles change and by this new needs are created while others lose their importance, the underlying standard goods are regularly updated. For example, the last calculation took into account for the first time mobile phones and the Internet access. Also the increase of unreimbursed medical expenses led us to create the new item "Health". Yet, the three basic targets of the calculation are unchanged:

1. Coming up with a point of reference for what is necessary for a decent subsistence level for families in France,
2. long-term observation and adaptation to current price developments and
3. a contribution for calculating the cash benefits needed by the families with dependent children.

To determine the criteria for adequate family needs, the UNAF uses norms and standards taken from precise, objective and pragmatic sources. The four principal types of sources are scientific recommendations (for example regarding the diet for children and grown-ups), laws and rules (for example regarding adequate living space or the UN Convention on the Rights of the Child, e.g. to determine leisure activities suitable for children), the UNAF's own recommendations (for example regarding media consumption) as well as taking into consideration usual or average behaviours (for example the average commute in France).

Not taken into account for the budgets is any possible saving potential in the case of later born children (for example through the passing on of clothing), they are based solely on new products. Moreover, the budgets see the family as a whole, so that the calculated budget is not the sum of the needs of every single person.

Myriam Bobbio also stressed that the calculation has significant limits. For example, children under six years are not taken into account, because their needs change very fast over these 6 years and day care expenses are heterogeneous. Here Myriam Bobbio referred to a small example: younger children can also be taken care of by grandparents or friends, rather than a kindergarten or nanny. Here the calculation of the benefit is very difficult but still necessary in order to translate the needs collected in the virtualshopping cart into money.

Similar problems occur when it comes to young adults. Nevertheless the UNAF at the moment is trying to calculate their needs more accurately. Another limitation of the budgets is that they are issued universally for the whole of France, even though the cost of living differs significantly. Therefore, the budgets get at least differentiated between greater Paris and the rest of France. Also, income tax to be paid and potential savings are not accounted for either in the calculation of the budgets.



*„We have been calculating family-budgets for more than sixty years. Since then society and lifestyles have changed a lot. That is why it is so important to regularly adapt the subsistence level according to new, actual needs.“*

Myriam Bobbio,  
UNAF Coordinator for  
Economics, Consumers  
and Employment



## The Needs of Children

Myriam Bobbio gave a few examples for calculated budgets: for a household of a couple with two children (12 and 6 years old) it lies at about 2.900 euro/month, for a single parent with an almost adult teenager at about 2.200 euro/month, and for a family with more children (a household of a couple with three children, 17, 14 and 6 years old) at about 3.700 euro/month. At first glance, these amounts seem quite high, but they have been recently confirmed by calculations from another organisation, which were based on interviews with families. The results were very much the same despite very different methods used. Moreover, it should not be forgotten that not only a minimum for physical existence was calculated, but also the needs for a decent life and full social participation.

Even though the UNAF does not actually look at children in particular but at the family as a whole, its calculations could still at least in parts constitute the needs of children. This was demonstrated as an example in the areas of diet and education: in both areas, there are detailed data about the needs of children, teenagers and adults. According to the recommended diet, about 226 euro/month should be provided for a teenager, about 169 euro/month for a child of six years. In the case of education, the French Ministry for Education issues an annual list of requirements. On top of that, the UNAF demands two excursions per year and one school trip every four years. If these costs<sup>6</sup> are compared with the French school start allowance (depending on the age of the child between ca. 360 and 395 euro), then it shows that for six- to fourteen-year-old school children it may fully cover the costs but for teenagers, it rarely covers two thirds of the costs.

In cases where the needs of children cannot be gathered directly, there can be at least a mathematical split done with the help of either an equivalence scale or the subtraction model. In the first instance, valid equivalence scales such as the one of the OECD are used. With the subtraction model, the child's part can be calculated as the difference resulting from "overlapping" different family types. The figures differ slightly from method to method. Whichever method is used, the expenditures for teenagers are always higher than those for younger children.

## Conclusional Remarks

A recent study evaluates that only about a third of the total costs for children are financed by the public sector's expenditure. The far bigger parts are made up of benefits in kind (parenting, household work) and expenditures from the families themselves. Thus, Myriam Bobbio emphasised, that especially in light of the discussion about the subsistence level children should fundamentally not be labelled with a "price tag", because they need more than just money. Caring parents, the family, love, time together for playing and talking are difficult to translated into money.

Finally, Myriam Bobbio also gave a short insight into the French family benefits system. She explained that the main family cash benefit had been universal until 2015. Since then, its

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<sup>6</sup> Without school meals, private lessons, transport, after-school childcare and extracurricular activities.



amount has been reduced by half or three quarters for the the wealthiest tenth of entitled households. Additional money is provided for childcare for under three-year-olds, for the already mentioned school start allowance and for special benefits for families with three or more children. Children with disabilities also receive special support, as do single parents. As a second pillar, there are tax credits for families in France, too. These depend on the number of children. However, the age of the children plays no role.

An average supplement income given by child benefit and tax credit amount to 117 euro/month for a couple with one child, 176 euro/month with two children and from the third child onwards 267 euro/month. For single parents, the average is 256 euro/month for one child and 300 euro/month for two children and more.

## Discussion and First Conclusions

Discussed were details from the various country reports as well as fundamental considerations towards a reform of family supporting benefits and the child subsistence level. Once more, the questions dealt most of all with the reference points and the goals of providing a subsistence level for children. For example the Austrian proviso that only half the child subsistence level should be taken into account when providing the benefit was met with astonishment. It is true that the issue is disputed in Austria too, but the focus of the discussion lies rather on the valid upper limit for proper maintenance. Looking at Belgium, especially the focus of its current child benefit reform was put into question. There seems to be unanimity in the other parts of Belgium, too, concerning the direction in which the Flemish reform is heading, even though families with more than three children definitely loose out. But cuts are very counterproductive, especially for this family form, which is at great risk of poverty in Belgium too. The ongoing trend towards smaller families in Belgium, which brings with it a changing electorate, was used as political argument for the reform. It was officially announced that about 80 percent of all families profit from the reform and in fact in Flanders there are fewer large families than in other parts of Belgium. But those will fall deeper into poverty.

Looking at the state of debates in different countries about family politics and especially better financial security for families and children led to a rather sobering conclusion. Strictly speaking, there is no family policy in the true sense any longer in Great Britain. The word is not even mentioned there. Family is primarily seen as a private matter. The objective is rather to avoid the “wrong incentives”. However, what is fundamentally helpful is that in Great Britain social welfare benefits are determined at the national level.

Also, the budget calculations of the UNAF find only a small response in French politics. When it comes to this topic, it is difficult to be heard and so the benefits for families are still not based on those calculations. It was added that such reference budgets do not only exist in France but that, led by the EU, similar studies are carried out in the 28 Member States, too. One of the goals of this comprehensive project is to develop a standard method



to create reference budgets. However, the focus are family budgets rather than budgets for children. Germany has been involved in the study by co-developing the food-basket. The final report is to be published directly on the pages of the EU-commission.<sup>7</sup>

The assessment, that calculating reference budgets is a very good approach, generally resting on empirically collected data and micro simulation, found approval. The possibilities of such a concept were seen as enormous and if it can be managed to reach politicians it would be worth the great effort. The question whether the benefits should be a right of the child or of the parents, a decision that could have significant effects especially in the German system for the offsetting against parents' income, is currently of secondary importance in the other European countries. In Belgium it is discussed now and then but the right of the child is not really the focus. In Great Britain however it was discussed. As a result, child maintenance after separation or divorce is already defined to be a right of the child in Scotland, while in Wales and in England it is an entitlement of the caring parent. There is a fundamental interest in stressing the right of the child, but it remains to be clarified what practical effects this ultimately has or whether it is solely a theoretical redefinition. In the debates in Austria, this distinction plays no role. However, family policy in general is still an important topic area and is discussed at least before elections. It was seen as difficult to implement a legal right of the child. Children do have the right to a certain amount, but the crucial point is rather to define and calculate it. The parents come into the picture at least when the benefit is paid out, because they eventually have to decide what the money will be spent on. Also, family income can hardly be divided. Especially in emergency situations, families cannot differentiate who actually owns the money legally.

In search of ideas to secure the child subsistence level for all children, various and also novel concepts for solutions were discussed. For example, the Dutch model was referred to where politicians use family packages, which means they give out contributions in kind instead of transferring money. This type of support is the subject of very controversial debate. Does the principle of contributions in kind help to support families? Or does it inappropriately restrict the parents' scope of decision-making? In Austria, for instance, there are in fact voices that prefer solutions with vouchers or contributions in kind. Belgium is adopting similar approaches, too, by setting specific behaviour incentives. However, families should not be told how they have to decide and what they should use received benefits for. Solutions with vouchers prevent children from experiencing their parents as competent decision-makers and they support the distorted picture that parents are in general unable to adequately care for their children. One of the discussion proposals aimed at balancing out the existing differences in the various European systems with a uniform European child benefit. This could also solve problems coming up with benefits and families' inner-European mobility. The amount of a European child benefit could be set at the level of the poorest country. Currently, this is Romania with a child benefit of about 30 euro. Every country could individually increase this low amount according to their calculated children's needs. It was objected that such an approach does not comply with current EU legal possibilities. For

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<sup>7</sup> Information on the development of reference budgets by the European Network for Reference Budgets: <http://tinyurl.com/EU-reference-budgets>. Compare also with the information on reference budgets within the EU area at [www.referencebudgets.eu](http://www.referencebudgets.eu), information on reference data for household budgets in Germany: [www.dghev.de](http://www.dghev.de), "Fachausschüsse und Beiräte", keyword: "Fachausschuss Beratung für Haushalt und Verbrauch".



example, no benefits are provided directly from the EU level to citizens. This argument was affirmed, yet contracts can be modified and especially after the Brexit-decision the social welfare side of the EU could be redesigned with such a uniform child benefit.

In almost all the speeches, the prevention of poverty and particularly child poverty emerged as another goal of family support, next to the equalisation of burdens. However, there was no agreement on how to best achieve this goal. A solution primarily through the tax system was criticised by many because of its repeatedly mentioned effects like the growing tax-reducing effect with an increasing income, which means low-income earners profit less. Especially because of this the German debate mostly aims at increasing the child benefit to the amount of the maximum tax relief through child tax allowance. In this way, it can be made sure that every child is actually worth the same. The consensus however was, that children need more than just monetary benefits. Thus, it also has to be guaranteed that every child has best chances for individual support and personal development in its living area.



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