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Long-term Trends of Level and Structure of Family Benefits in Austria

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Family benefits in Austria, as a percentage of GDP, slightly exceed the OECD average. Monetary benefits largely dominate benefits in kind, although their share has decreased markedly since 2000. At the same time, several reforms within the monetary benefit system have encouraged fathers' involvement and improved the reconciliation of work and family for both parents. Austrian family benefits, in a narrower definition, have increased from 6.6 billion € in 2000 to nearly 10.3 billion € in 2016. At a ratio of 2.9 percent of GDP in 2016, family benefits have edged down from 3.1 percent in 2000 and have virtually stagnated since 2006. Since the population up to age 19 is in secular decline, per-capita family benefits follow a long-term upward trend, rising from 3,540 € per child in 2000 to almost 6,000 € nominal in 2016.

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1. Introduction

Family benefits in Austria, as a percentage of GDP, are slightly above the OECD average. While cash benefits clearly dominate benefits in kind, their share has declined since 2000. At the same time, a number of reforms to the array of monetary support have provided incentives for fathers' involvement as well as for better reconciliation of work and family for both parents.

Family-related support in the tax and transfer system may be granted as real transfers (mainly through child care facilities) or monetary transfers (direct cash benefits or indirect transfers via tax breaks). The various instruments differ by their respective distributional effects and their incentives with regard to paid work[1].

Direct cash transfers, means-tested or not, are paid to the families entitled. They include benefits designed to compensate child-related expenses which are granted up to a certain age limit, as well as compensation of parents' earnings foregone during early childhood parental leave. Indirect monetary transfers (tax benefits) mainly apply to income tax[2]. In practice, such benefits largely include child tax allowances or tax credits accounting for a child's basic needs and for the cost of external child care or by a third person. However, the joint tax assessment of couples – which in the

[1] For more detail on family-related instruments of the tax and transfer system and their effects see *Festl – Lutz – Schratzenstaller* (2010), *OECD* (2011). The distributional effects of individual cash and in-kind benefits for families in 2010 were examined by *Rocha-Akis et al.* (2016).

[2] Family- or child-related tax exemptions may in principle be applied also to other taxes and can indeed be found in practice (e.g. exemptions for close relatives in many inheritance tax systems); they are nevertheless not being further examined here.

case of partners' different income levels reduces the combined tax liability compared with individual taxation (e.g. the tax splitting for married couples applied in Germany) –, or the joint assessment of all family members – which reduces the tax burden provided that taxable income is earned at all and the family includes children (e.g., family splitting in France) – is nowadays practiced as the standard model only in a small minority of industrialised countries[3]. Tax break and exemptions also extend to social security contributions, such as the contribution-free co-insurance of non-active spouses and children in the health insurance scheme, or the crediting of contribution periods for child or nursing care in retirement insurance (*Schratzenstaller – Dellinger,* 2018B). In line with international convention, such exemptions are not taken as family benefits in the stricter sense (for further detail see section 2.4 below).

2. The family-specific tax and transfer system in Austria

2.1 Instruments of monetary support for families

Universal, i.e. income-independent monetary family benefits in the narrower sense include at the Federal level[4] three instruments to compensate for the cost of raising children (horizontal burden sharing): the child tax credit, the child cash benefit and the child tax allowance. The income-dependent supplement to the child tax credit for two and more children is also a tool of vertical burden sharing. According to international convention, the rather indirect family-related subsidies are not included, like exemptions from social security contributions and public expenditure due to subsidiary social benefit entitlements.

In Austria, the direct cash benefits and a number of minor family benefits, like the mother-child pass, school textbooks and family helpdesks (though not child care facilities), are financed through the Family Benefit Fund ("Familienlastenausgleichsfonds"; see box), whereas tax benefits reduce the receipts from assessed income tax or wage tax[5].

The Family Benefit Fund

The Family Benefit Fund ("Familienlastenausgleichsfonds" FLAF) was established in 1955 as a special fund for the financing of direct family- and child-related monetary benefits – notably the child cash benefit and the child care allowance – and of some minor family benefits (e.g. mother-child-pass, family counselling centres, school textbooks). The FLAF receives earmarked contributions from employers and shares in assessed income tax and corporate tax revenues. The employers' contribution rate has been fixed at 3.9 percent of payroll since 1 January 2018, down from 4.1 percent in 2017 and 4.5 percent up to end-2016. Any surpluses of the FLAF are to be transferred to the Reserve Fund, from which potential annual deficits are covered. In the absence of reserves, the federal government grants advance payments that are to be reimbursed by future surpluses of the Reserve Fund.

Source: *Mayrbäurl* (2010).

Total revenue and expenditure of the Family Benefit Fund have increased over the long term from 0.5 billion € respectively in 1968 to around 7 billion € in 2016, an average annual increase of 5.7 percent (Figure 1). The Reserve Fund accumulated considerable surpluses, notably in the 1970s, which gave rise to increases in benefits; from 2003, the balance turned around to steadily rising deficits that have narrowed only

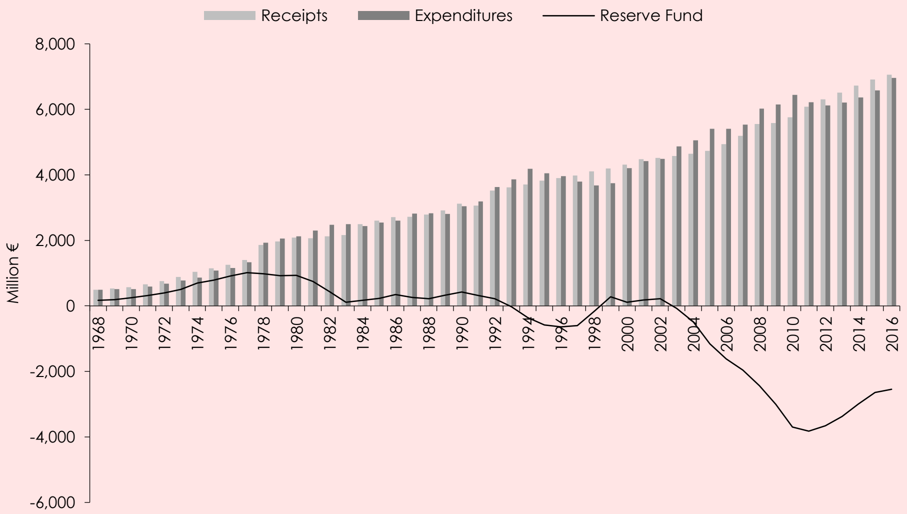
[3] Apart from Germany and France, this is the case also in Ireland, Luxembourg and Portugal. A number of other countries offer joint tax assessment as an option (*Schratzenstaller – Dellinger,* 2018A, 2018B).

[4] In addition, there are family-related direct transfers at the regional (Länder) level, such as "baby benefits", mother-child subsidies, recreation activities for children and youth, family holidays (*Court of Audit,* 2011).

[5] The child tax credit is charged to 25 percent against the assessed income tax and to 75 percent against the wage tax revenue; the child tax allowance and the child care tax allowance reduce the revenue from assessed income tax.

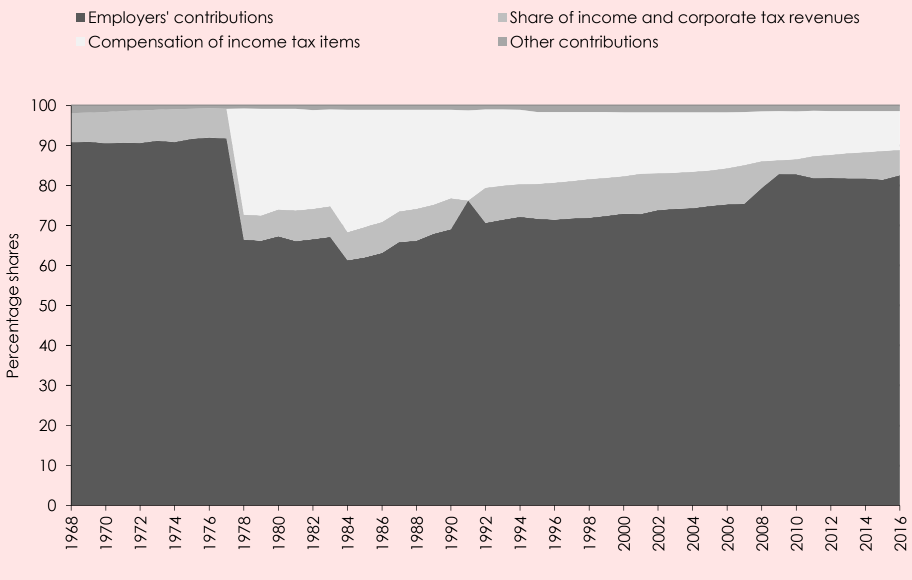
since 2012. According to the Federal Statement of Account ("Bundesrechnungsabschluss") for 2016, the Reserve Fund showed a deficit of 2.5 billion € at the end of that year (*Court of Audit*, 2017).

Figure 1: The Family Benefit Fund in the long run



Source: Federal Ministry of Finance, Court of Audit, WIFO compilation.

Figure 2: Composition of Family Benefit Fund revenues



Source: Federal Ministry of Finance, Court of Audit, Federal Ministry of Labour, Social Affairs, Health and Consumer Protection, WIFO compilation.

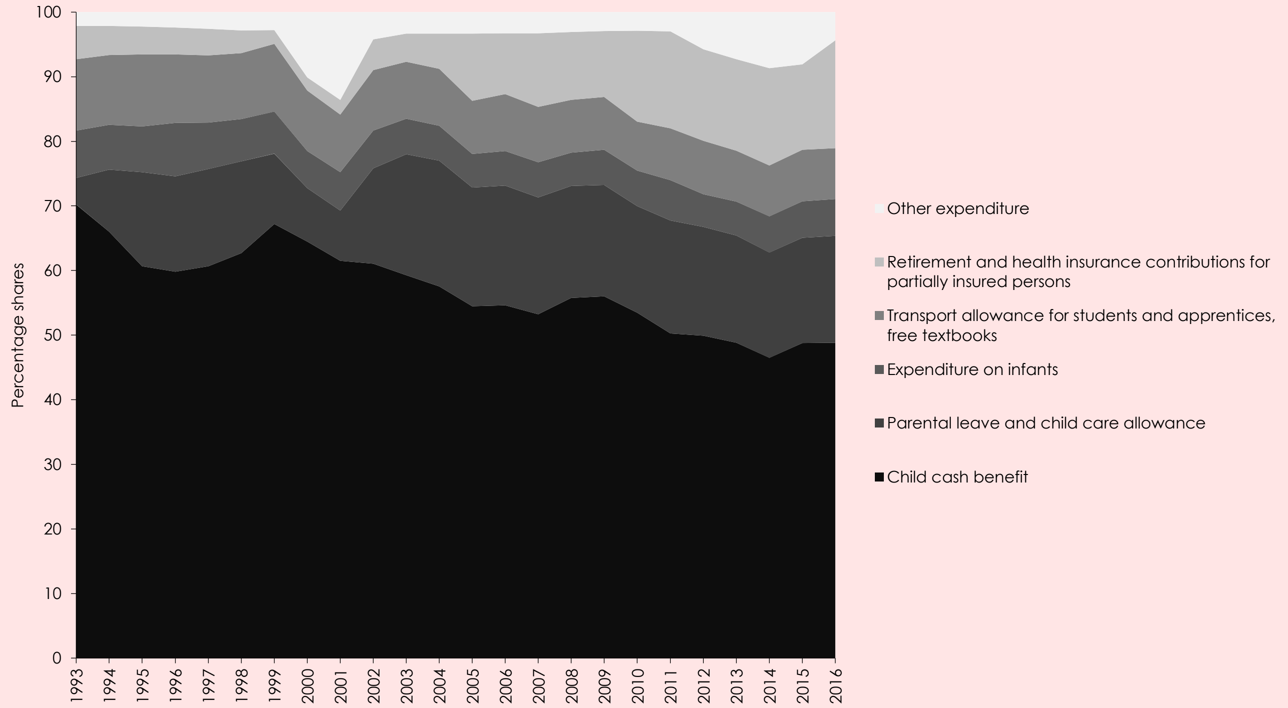
Until the end of the 1970s, over 90 percent of FLAF revenues stemmed from employers' contributions (Figure 2). The share from tax revenues pursuant to the Fiscal Equalisation Act[6] amounted to about 7 percent of the Fund's revenues, the remainder being contributions from the Länder, retentions and refunds. With the introduction of further tax-based revenue sources[7] in 1978, the revenue share of FLAF contributions declined to

[6] Shares of income and corporate net tax revenues pursuant § 10 (2) Financial Equalisation Act (Finanzausgleichsgesetz, FAG).

[7] Compensation of income tax items according to § 39 (2) lit.b FLAG 1967; at a proportion of one-fourth financed from assessed income tax and three-fourth from wage tax revenues, since 1987 fixed at an absolute amount of 690.392,000 €.

some 66 percent, but rose again steadily to nearly 83 percent by 2016, as the tax-based revenues have remained constant in nominal terms since 1987 at an annual 690.4 million €. The share of tax revenues thus fell from nearly 33 percent in 1978 to around 16 percent in 2016. The relative shares are likely to change as from 2017 with the recent cuts in the FLAF contribution rate.

Figure 3: Composition of Family Benefit Fund expenditure as from 1993



Source: Federal Ministry of Finance, Court of Audit, Federal Ministry of Labour, Social Affairs, Health and Consumer Protection, WIFO compilation. Other expenditure: family hardship compensation, family counselling, advance subsistence payments, research. Expenditure on infants: maternity allowance, social assistance, childbirth allowance, mother-child-pass, infant allowance.

While the FLAF originally focussed on the child cash benefit, the range of subsidies was substantially extended in the last few decades. With a total of nearly 3.5 billion € in 2016, child cash benefits are still the major item, but their share has steadily declined since the FLAF had been established, down to 49 percent in 2016. Other items of rising importance are the child care allowance (almost 1.2 billion € or 17 percent of total expenditure) and "other" miscellaneous subsidies, notably compensation payments to the retirement insurance scheme for contribution-free insurance periods granted for child care (about 1.1 billion € or 15 percent of total spending).

2.2 Major monetary family benefits in detail

The basically income-independent benefits of child tax credit[8] and child cash benefit amount for the first child from 2,068.80 € (for children up to 2 years) to 2,682.00 € (children of age 19 and above) per year. Starting with the second child, supplements are granted to the child cash benefit, rising with the number of children ("siblings echelon" – Geschwisterstaffelung). From the third child, the child tax credit is augmented by an income-dependent supplement. The child tax allowance, which benefits only parents with an annual taxable income above 11,000 € and confers a rising absolute advantage with rising income (degressive effect), amounts to 440 € if claimed by one parent and offers a tax break of 220 € per year at most (for incomes liable to the top

[8] Formally speaking, the child tax credit reduces the amount of tax due and thus offers an income-independent tax break in absolute terms and a declining relief in relative terms with rising income. In Austria, it is nevertheless paid like a direct transfer together with the child cash benefit.

marginal tax rate of 50 percent)[9]. If claimed by both parents, it amounts to 300 € respectively and grants a tax break up to 300 € (at the top marginal tax rate of 50 percent)[10] for each parent (*Fink – Rocha-Akis,* 2018).

Table 1: Trends in the Family Benefit Fund since 1993

	1993	2000	2010	2011	2012	2013	2014	2015	2016
					Million €				
Revenue	*3,617*	*4,312*	*5,757*	*6,085*	*6,303*	*6,511*	*6,723*	*6,908*	*7,060*
Employers' contributions[1]	2,584	3,146	4,768	4,983	5,163	5,325	5,500	5,629	5,828
Share of income and corporate tax revenue	307	405	216	333	364	408	441	492	447
Compensation of income tax items	690	690	690	690	690	690	690	690	690
Other contributions	36	71	81	78	86	87	93	96	95
Expenditure	*3,864*	*4,206*	*6,446*	*6,213*	*6,290*	*6,484*	*6,740*	*6,932*	*7,060*
Child cash benefit	2,712	2,711	3,447	3,124	3,138	3,166	3,132	3,382	3,448
Parental leave and child care allowance[2]	160	350	1,062	1,084	1,062	1,074	1,099	1,129	1,169
Maternity allowance, social assistance	150	208	320	354	281	305	338	352	356
Childbirth allowance, mother-child-pass[3]	133	33	36	36	36	37	39	39	46
Transport allowance for students and apprentices	344	301	389	393	413	407	426	447	445
Free textbooks	83	92	102	106	107	106	106	104	110
Family hardship compensation, family counselling	8	10	13	13	14	14	13	12	13
Advance subsistence payments	51	81	112	118	122	126	133	135	133
Retirement contributions for partially insured persons	199	85	836	860	820	844	941	839	1,096
Health contributions for partially insured persons	0	0	70	72	72	74	76	78	81
Miscellaneous[4]	24	334	60	53	226	332	438	414	163
Balance	– 247	106	– 690	– 128	183	27	0	0	0
Adjustments	7	– 277	0	0	– 17	254	380	352	101
Reserve Fund, stock per 31 December	– 24	109	–3,696	–3,824	–3,657	–3,376	–2,996	–2,643	–2,542
	1993	2000	2010	2011	2012	2013	2014	2015	2016
					Percentage shares				
Revenue	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Employers' contributions	71.4	73.0	82.8	81.9	81.9	81.8	81.8	81.5	82.5
Share of income and corporate tax revenue	8.5	9.4	3.8	5.5	5.8	6.3	6.6	7.1	6.3
Compensation of income tax items	19.1	16.0	12.0	11.3	11.0	10.6	10.3	10.0	9.8
Other contributions	1.0	1.6	1.4	1.3	1.4	1.3	1.4	1.4	1.4
Expenditure	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Child cash benefit	70.2	64.5	53.5	50.3	49.9	48.8	46.5	48.8	48.8
Parental leave and child care allowance[2]	4.2	8.3	16.5	17.4	16.9	16.6	16.3	16.3	16.6
Maternity allowance, social assistance	3.9	4.9	5.0	5.7	4.5	4.7	5.0	5.1	5.0
Childbirth allowance, mother-child-pass[3]	3.4	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.7
Transport allowance for students and apprentices	8.9	7.1	6.0	6.3	6.6	6.3	6.3	6.4	6.3
Free textbooks	2.1	2.2	1.6	1.7	1.7	1.6	1.6	1.5	1.6
Family hardship compensation, family counselling	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Advance subsistence payments	1.3	1.9	1.7	1.9	1.9	2.0	2.0	1.9	1.9
Retirement contributions for partially insured persons	5.2	2.0	13.0	13.8	13.0	13.0	14.0	12.1	15.5
Health contributions for partially insured persons	0.0	0.0	1.1	1.2	1.2	1.1	1.1	1.1	1.1
Miscellaneous[4]	0.6	8.0	0.9	0.9	3.6	5.1	6.5	6.0	2.3

Source: Federal Ministry of Finance, Court of Audit, WIFO compilation. From 2012: expenditure including surpluses transferred to Reserve Fund (2015: 352 million €, 2016: 101 million €). – [1] Including contributions from agriculture and forestry enterprises. – [2] Including supplement to child care allowance. – [3] Including mother-child-pass bonus and infant allowance. – [4] In-vitro-fertilisation, student accident insurance, administration cost and other; 2000-2012: disbursement to retirement insurance equalisation fund, from 2012 disbursement to Reserve Fund.

The subsistence tax credit provides relief for parents living separated from their children and paying alimony, thereby also contributing towards horizontal burden sharing.

The latest reform, in force since 1 March 2017, replaces the four alternative lump-sum payments of child care benefit by a flexible benefit account with lump-sum payments. The income-dependent child care benefit, introduced in 2009, still exists. Hence there are now two alternatives for claiming child care benefit:

[9] 242 € p.a. for taxpayers liable to the temporary top marginal tax rate of 55 percent.

[10] 330 € p.a. for taxpayers liable to the temporary top marginal tax rate of 55 percent.

- a flexible child care benefit account (lump-sum system), providing for an entitlement period between 365 and 851 days for one parent or between 456 and 1,063 days if claimed by both parents[11], with monthly payments between 1,050 € and 450 €, declining over the benefit period,
- the income-dependent child care benefit (for a maximum of 14 months with non-transferable months for the partner, or for up to 12 months without such partner months), either with a fixed amount of 1,000 € per month or income-dependent (80 percent of the maternity benefit or a notional maternity benefit, up to a ceiling of 2,000 € per month).

Table 2: Federal monetary family benefits in Austria

		Monthly In €		Annually In €		Cost 2016 Million €
Direct cash transfers						
Family allowance[1,2,3]	2016 and 2018	Up to age 2	114.00	1,368.00 to 1,981.20		3,448[4]
		Age 3 to 9	121.90			
		Age 10 to 18	141.50			
		As from age 19[3]	165.10			
Sibling echelon[1]	2016 and 2018 +1.9 percent each	2 children	7.10 per child	2 children	170.40	
		3 children	17.40 per child	3 children	626.40	
School start allowance	Since 2011; once per year (September), replaces the 13th instalment of child cash benefit, for children 6 to 15 years				100.00	
Multi-child supplement[1]			58.40		700.80	1,336[4]
Child care benefit[1]	As from 3rd child if gross family income is below 55,000 € p.a.		20.00		240.00	
Child care allowance						1,171
Lump-sum system	Dedicated benefit account, independent of previous employment; income ceiling: 60 percent of last income, at least 16,200 € p.a.[5] Benefit period 365 to 851 days; if claimed by both parents prolonged to 456 to 1,063 days[7]	1,050.00 to 450[6]				
Income-dependent child care allowance	Earnings ceiling 6,800 € p.a. Benefit period up to 365 days, prolonged to 456 days if claimed by both parents	80 percent of previous net earnings, maximum 2,000.00		Maximum	28,000.00	
Partnership bonus	If child care benefit is claimed by both parents split 50 : 50 to 60 : 40		1,000.00[8]			.
Family time bonus	For working fathers, if claimed right after child birth	Maximum	700.00[9]			
Indirect cash transfers (tax break)						
Single-earner and lone parent tax credit[10]			41.17		494.00[10]	258[4]
Child supplement		2nd child	14.58	1st child	175.00	
		Each further child	18.33	Each further child	220.00	
Child maintenance tax allowance		1st child	29.20	1st child	350.40	75[11]
		2nd child	43.80	2nd child	525.60	
		Each further child	58.40	Each further child	700.80	
Child tax allowance[12]	Claimed by one parent: 440 €	Maximum	18.33	Maximum	220.00[13]	200[11]
	Claimed by both parents: 300 € each	Maximum	25.00	Maximum	300.00[13]	
Child care tax deductibility[12]	For children up to age 10, deductible maximum 2,300 €	Maximum	95.80	Maximum	1,150.00[13]	110[11]

Source: Federal Ministry of Finance, WIFO compilation. – [1] Child cash benefit paid together with child tax credit and sibling echelon where applicable, independent of income tax due, hence classified as direct monetary transfer. For sibling echelon as from 4th child: http://www.bmfj.gv.at/familie/finanzielle-unterstuetzungen/familienbeihilfe0/familienbeihilfenbetraege.html. – [2] Supplement for seriously handicapped child: 155,90 € per month. – [3] Entitlement in principle limited up to age 18, for children in higher education up to age 24. – [4] *Statistics Austria* (2017), child cash benefit including multi-child supplement. – [5] In all lump-sum versions of child care allowance an individual earnings ceiling of 60 percent of preceding income applies, if that amount is below 16,200 €, the earnings ceiling is 16,200 € per year. – [6] Monthly amount higher, the shorter the benefit period. – [7] I.e. 20 percent non-transferable, reserved for second parent. – [8] One-off payment 500 € per parent. – [9] One-off payment. – [10] Including child supplement of 130 €. Taken into account annually by employer or via income tax assessment; paid as negative income tax upon request. If single-earner tax credit is clamed: partner income must not exceed 6,000 € p.a. – [11] Estimation by *Federal Ministry of Finance* (2017). – [12] For children eligible to child tax credit or subsistence tax credit; claimed annually within individual income tax assessment; abolition planned for 2019. – [13] Assumption: top marginal tax rate 50 percent.

[11] 20 percent are thus reserved for the second parent (non-transferable).

In order to enable parents who receive child care benefit to work part-time, the benefit account stipulates an individual earnings ceiling of 60 percent of previous earnings, with a minimum of 16,200 € per year. For the income-dependent version, additional earnings are limited at 6,800 € per year.

An annual 2,300 € at most may be claimed as tax allowance for child care reasons of children up to 10 years of age[12]; the maximum tax break (for taxpayers subject to the 50 percent top marginal tax rate) amounts to 1,150 € per year[13]. The exoneration applies only to parents whose individual taxable income exceeds 11,000 € per year.

Since it had been reformed in 2011, the single-earner tax credit of 364 € per year is only granted for couples with children. The income of the parent with no or but marginal earnings may not exceed 6,000 € per year. Single parents are entitled to a lone parents tax credit of 364 € per year. Both tax credits are combined with child supplements that rise with the number of children (first child 130 €, second child 175 €, any further child 220 €), and are a means of horizontal burden sharing.

2.3 Key aspects of family benefit reforms since 2000

Since the beginning of the 2000s, a number of reforms of Austria's family policy have been enacted that set a clear focus on the strengthening of fathers' involvement on the one hand, and on better reconciliation of family and work on the other hand. Already in 1996, Austria had introduced non-transferable "partner months" for the entitlement to child care allowance, but claims were few due to the low benefit level (*Dörfler – Blum – Kaindl,* 2014). The amendment in 2009 of the original four alternatives of the child care allowance by an income-dependent version of short duration can be regarded as a measure to encourage fathers' involvement. In 2011, a "daddy month" was introduced in the public sector[14], followed by a "family time bonus" from 1 March 2017 for working fathers who in agreement with their employer take child care leave up to one month after childbirth. Also since 1 March 2017, a "partnership bonus" is granted for all versions of the child care allowance: if the overall time claimed for child care purposes is shared 50 : 50 or up to 60 : 40 between the partners, each of them receives an additional lump-sum of 500 €.

Better reconciliation of work and family shall also be achieved by the implementation of the flexible child care allowance account as from 1 March 2017, replacing the earlier four versions. Since 2004, parents have a legal claim to work part-time up to the 7th birthday of a child. The extension of pre- and after-school child care facilities since 2008, for which the Länder receive until 2018 additional earmarked funds from the federal government, shall also make it easier for parents to reconcile work and family.

In addition, tax break for families has systematically been increased since 2010. The child tax allowance, introduced in 2010, was doubled in 2016; it amounts to 440 € per year, if claimed by one parent and 300 € each, if claimed by both parents. Likewise since 2010, expenditure on extramural childcare or by qualified personnel is tax deductible for children below 10, up to a ceiling of 2,300 € per year. In the same year, a subsidy by the employer of 500 € has been made exempt from tax and social contributions; the amount was raised to 1,000 € in 2013[15]. For 2019, the introduction of a "family bonus" is envisaged, i.e. a tax credit of 1,500 € per year for each child up to 18 and of 500 € per year for children over 18 for which child cash benefit is received (see *Fink – Rocha-Akis*, 2018). For single parents or single earners who do not benefit from this bonus due to their low income, the lone parent or single-earner tax credit is increased by 250 € per child. In return, the child tax allowance and the tax-deductibility of child care cost will be phased out. The overall tax break of the new regulation is estimated at 1.19 billion € (*Federal Ministry of Finance,* 2018).

[12] Single parents may under certain conditions claim a higher tax allowance.

[13] 1,265 € p.a. for taxpayers liable to the temporary 55 percent top marginal tax rate.

[14] Fathers may claim up to four weeks' unpaid leave during the first eight weeks after childbirth.

[15] This tax benefit is not represented in Table 2 since the implicit revenue shortfall is not known. At the time of its introduction, the Ministry of Finance estimated the tax revenue foregone at 10 million €.

Finally, the child cash benefit that had been kept constant since 2000 has been raised in three steps since 2014: by 4 percent from 1 July 2014 and by 1.9 percent respectively at the beginning of 2016 and 2018.

Table 3: Family benefits in Austria

	2000	2005	2010	2016
	Million €			
Total	*6,552*	*7,773*	*9,409*	*10,278*
Direct cash benefits	4,854	5,714	6,324	6,481
Family allowance (including multi-child supplement)	2,923	3,144	3,447	3,448
Child tax credit	1,150	1,163	1,319	1,336
Child care and parental allowance	414	995	1,062	1,171
Maternity and part-time benefit	318	347	449	503
Cash benefits by Länder and municipalities	49	65	47	23
Tax breaks for families	436	505	639	643
Single-earner and lone parent tax credit[1]	436	436	436	258
Child maintenance tax allowance	.	69	72	75
Child tax allowance	.	.	88	200
Child care tax deductibility	.	.	44	110
Child care facilities	683	842	1,553	2,110
Other family benefits	579	712	893	1,044
Benefits in kind by Länder and municipalities, excluding kindergartens	308	368	506	653
Other[2]	271	344	387	391
	As a percentage of total family benefits			
Total	*100.0*	*100.0*	*100.0*	*100.0*
Direct cash benefits	74.1	73.5	67.2	63.1
Tax breaks for families	6.6	6.5	6.8	6.3
Child care facilities	10.4	10.8	16.5	20.5
Other family benefits	8.8	9.2	9.5	10.2
	As a percentage of GDP			
Total	*3.1*	*3.1*	*3.2*	*2.9*
Direct cash benefits	2.3	2.2	2.1	1.8
Tax breaks for families	0.2	0.2	0.2	0.2
Child care facilities	0.3	0.3	0.5	0.6
Other family benefits	0.3	0.3	0.3	0.3
	In € per child[3]			
Total	*3,540*	*4,304*	*5,417*	*5,995*
Direct cash benefits	2,623	3,164	3,640	3,780
Tax breaks for families	235	279	368	375
Child care facilities[4]	1,337	1,755	3,278	4,183
Other family benefits	313	394	514	609

Source: Federal Ministry of Finance, Statistics Austria, WIFO calculation. Excluding school transport subsidies and free teaching material, according to ESSOSS, these benefits are classified under "education". Excluding monetary benefits of the Länder. – [1] Including child supplements. – [2] Business support, child birth allowance, small-child allowance, mother-child-health-pass bonus, family hardship allowance, family counselling offices, exemptions from public charges. – [3] Annual average population 0 to 19 years. – [4] Per child below age 6.

2.4 Overview of family benefits in the stricter sense

Austrian family benefits[16] in the stricter sense[17] grew from 6.6 billion € in 2000 to nearly 10.3 billion € in 2016 (Table 3). As a proportion of GDP, the ratio of 2.9 percent in 2016 was slightly below the 3.1 percent recorded in 2000 and has been broadly unchanged since 2006; in 2003 and 2010, family benefits rose to 3.2 percent of GDP. As the number of children and youth up to the age of 19 follows a secular downward trend, family benefits per capita remain upward bound in nominal terms: from 3,540 € per child in 2000 to nearly 6,000 € in 2016. Spending on child care facilities per child below age six posted the strongest increase, more than tripling between 2000 and

[16] Cash and in-kind benefits granted by the Länder are included only to the extent that they are covered by the ESSPROS-classification (European system of integrated social protection statistics).

[17] I.e. without indirect family-related benefits, notably the exemption from social security contributions and public expenditure on account of subsidiary claims to social security benefits.

2016 (4,183 €). Total family benefits per child rose by 69 percent, direct cash benefits per head by 44 percent and tax benefits by 59 percent per child.

Since 2000, the composition of family benefits has changed considerably. While monetary transfers (direct cash and tax benefits) still dominate with 69.4 percent of the total (2016), their share has declined from 80.7 percent in 2000. Direct cash benefits prevail with a share of 63.1 percent of total benefits, but have gone down steadily from 74.1 percent in 2000. The share of tax benefits remains low (2000: 6.6 percent; 2016: 6.3 percent). Over the same period, the share of spending on child care facilities has doubled from 10.4 to 20.5 percent.

With the planned introduction of the family bonus in 2019, which in the steady state may lead to an annual tax revenue shortfall of 1.5 billion € (*Federal Ministry of Finance*, 2018), tax benefits will play a significantly greater role in the future, even if the child tax allowance and the tax-deductibility of child care cost will be phased out in return (estimated revenue gains of 310 million €). The net tax exoneration of 1.19 billion € will be far higher than the increase in allocations for pre-school childcare facilities and after-school supervision committed until 2018. Together with the further increase in the child cash benefit in 2018, the introduction of the family bonus is bound to arrest from 2019 onwards the long-term downward trend of the share of monetary in total family benefits.

2.5 Family benefits in an international comparison

With a ratio of 2.6 percent of GDP in 2013, Austria's family benefits (in a stricter sense) were slightly above the OECD average of 2.4 percent of GDP (Figure 4). Since 2005, the share has gone down in Austria from 2.8 percent, whereas the OECD average has increased from 2.2 percent. In selected reference countries that represent different models of family and welfare policy[18], developments have been uneven: Denmark and Sweden (representing the socio-democratic egalitarian model), but also Germany (standing for the conservative continental-European model) have increased family benefits in relation to GDP; in France (following a family-centred model), the ratio has remained stable, while in the Netherlands (likewise a conservative continental-European welfare state) it declined – albeit from rather different starting levels. Thus, Denmark and France offered the most generous family benefits in 2013, with 3.7 percent of GDP respectively, followed by Sweden with 3.6 percent. The ratio was markedly lower in Germany, at 3.0 percent of GDP, and in the Netherlands, at 1.8 percent, it remained well below the international average.

The composition of family benefits in Austria is significantly different from the OECD average (Table 4). Expenditure on real transfers[19] (in the OECD definition) accounted for about one-quarter of total family benefits, as compared with over 40 percent on average in the OECD. Public child care facilities (including day nannies) claimed a share of 18.8 percent[20] of total benefits in Austria in 2013, one of the lowest ratios internationally. The corresponding OECD average of 27.4 percent is some 9 percentage points higher. Spending on real transfers has gained importance in almost all countries since 2005 (Figure 4).

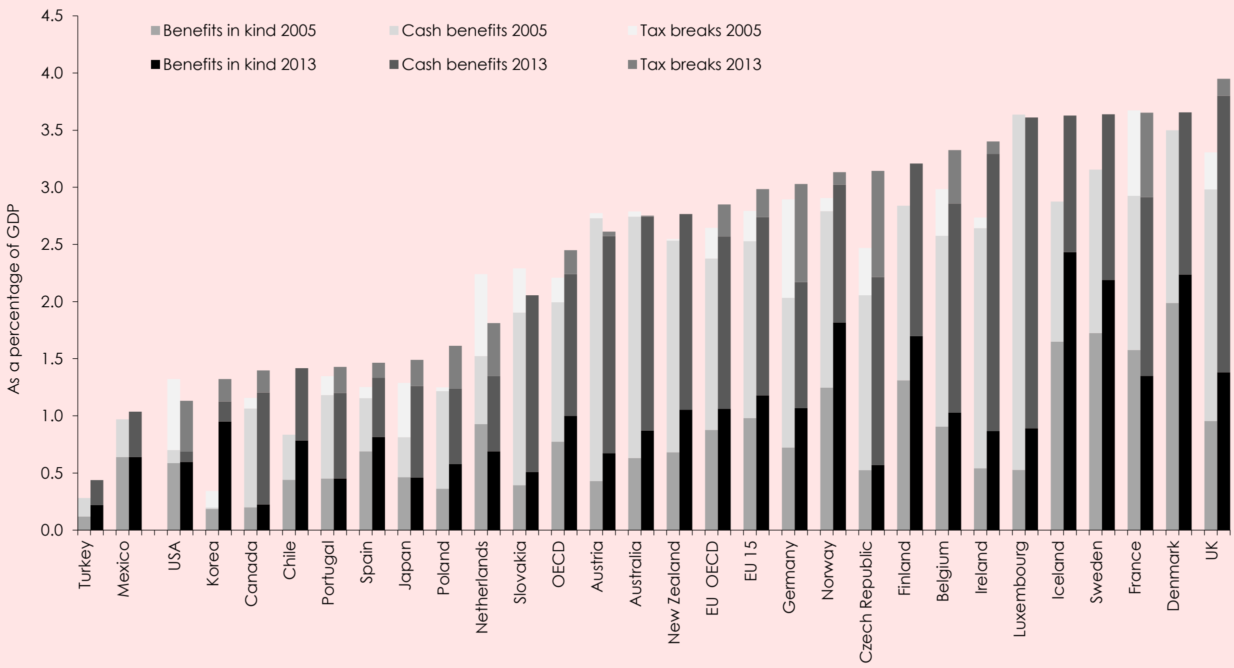
With shares of 45 percent and 38 percent respectively of total family benefits, Sweden and the Netherlands spend the most (and far above the international average) on child care facilities (Table 4), followed by Denmark and France. In Germany, however, the share of 19 percent is significantly lower than in the OECD overall (27.4 percent), on a par with the 18.8 percent for Austria. In relation to GDP, all countries in the sample have stepped up their spending on child care facilities (some of them substantially so), and almost all have given it greater emphasis within the overall government family benefit budget.

[18] A detailed comparison between the five EU countries selected is offered by *Schratzenstaller* (2014, 2015).

[19] Real transfers mainly include expenditure on child care facilities, but also some further family-related benefits in kind.

[20] Deviations from the shares represented in Table 3 are due to different data sources, with different definitions, cost structures and reference years.

Figure 4: Composition of family benefits in OECD countries in 2005 and 2013



Source: OECD.

Table 4: Family benefits by kind of instrument

	2005 Total	2005 Benefits in kind Total	2005 Benefits in kind Child care facilities	2005 Cash benefits	2005 Tax breaks	2013 Total	2013 Benefits in kind Total	2013 Benefits in kind Child care facilities	2013 Cash benefits	2013 Tax breaks
					As a percentage of GDP					
OECD	2.2	0.8	0.5	1.2	0.2	2.4	1.0	0.7	1.2	0.2
France	3.7	1.6	1.2	1.3	0.7	3.7	1.3	1.3	1.6	0.7
Denmark	3.5	2.0	1.3	1.5	0.0	3.7	2.2	1.4	1.4	0.0
Sweden	3.2	1.7	1.2	1.4	0.0	3.6	2.2	1.6	1.4	0.0
Germany	2.9	0.7	0.4	1.3	0.9	3.0	1.1	0.6	1.1	0.9
Austria	2.8	0.4	0.3	2.3	0.0	2.6	0.7	0.5	1.9	0.0
Netherlands	2.2	0.9	0.4	0.6	0.7	1.8	0.7	0.7	0.7	0.5
					Percentage shares					
OECD	100.0	35.0	22.7	55.3	9.7	100.0	40.9	27.4	50.5	8.6
France	100.0	42.9	32.6	36.7	20.4	100.0	36.9	34.7	42.9	20.2
Denmark	100.0	56.8	37.7	43.2	0.0	100.0	61.2	37.1	38.8	0.0
Sweden	100.0	54.7	38.9	45.3	0.0	100.0	60.2	45.1	39.8	0.0
Germany	100.0	25.0	12.9	45.3	29.7	100.0	35.3	19.0	36.4	28.3
Austria	100.0	15.5	10.2	82.9	1.6	100.0	25.8	18.8	72.8	1.4
Netherlands	100.0	41.4	19.6	26.6	32.0	100.0	38.0	38.0	36.3	25.7

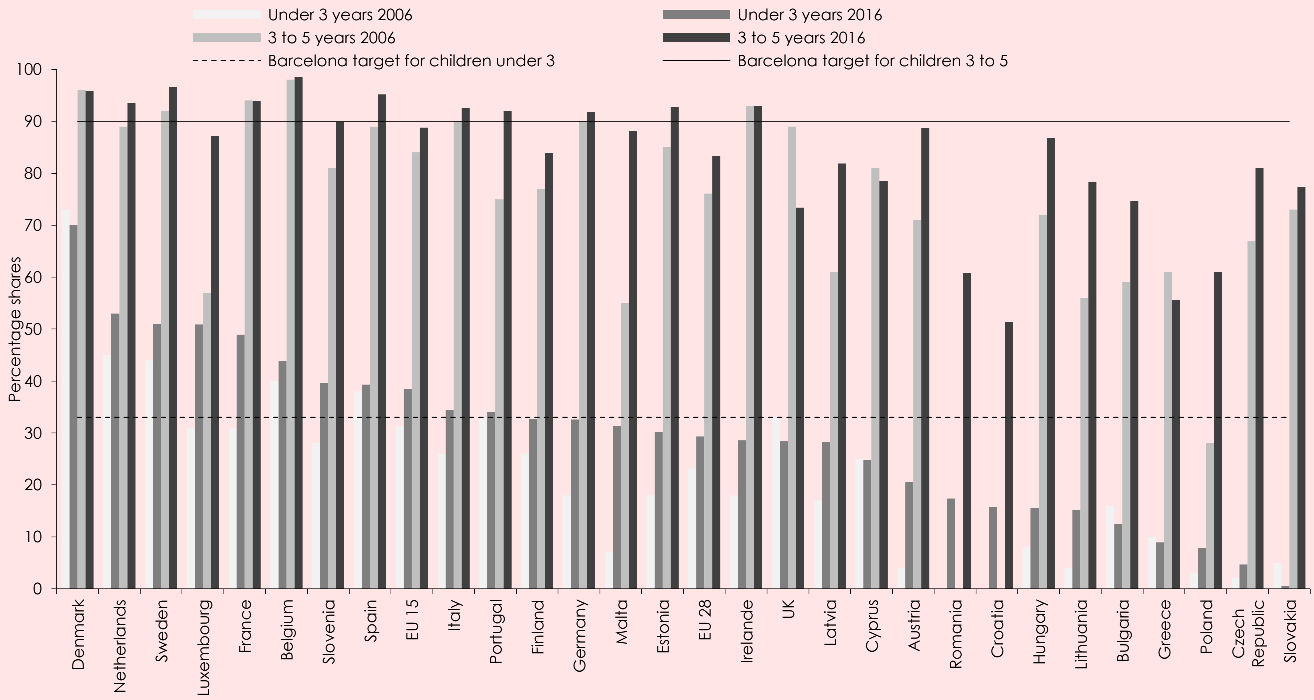
Source: OECD, WIFO calculations. Rounding differences.

As illustrated above, family-related tax benefits currently play a minor role in Austria (given also that the child tax credit is classified as direct cash transfer rather than as tax benefit). Conversely, the share of monetary transfers of almost 75 percent of total family benefits is the highest one of all countries compared and the only one above the cross-country average. Tax breaks for families are absent in Denmark and Sweden, whereas in Germany and the Netherlands they account for 28.3 percent and 25.7 percent respectively of all family benefits.

Since 2008, as mentioned, Austria has put greater emphasis on creating more child care facilities for pre-school children and notable the below-three-year-olds, by means of targeted federal subsidies to the Länder which on current plans are granted up to end-2018. Information on the share of children enrolled varies by source due to different data collection methods. The national survey (based on a complete count by Statistics Austria) showed for the latest available year 2016 an enrolment ratio of 25.4 percent of children under age three, as compared with a ratio of 20.6 percent for the same year from a sample survey conducted by Eurostat. To this add some 6,400 places offered by day-nannies (according to the child day care statistics per 15 October 2016). Hence the overall enrolment ratio amounted to 27.9 percent. This illustrates the remarkable progress made in recent years towards reaching the "Barcelona target" of an enrolment ratio of 33 percent for under-three-year-olds – back in 2006, the enrolment ratio (including day-nannies) had been 12.9 percent only. For the children of age three to five years[21], Statistics Austria shows an enrolment ratio of 93.1 percent for 2016, in compliance with the "Barcelona target" of 90 percent.

The Eurostat survey also confirms the marked increase in the enrolment ratio for the last years, even if the sample method yields systematically lower ratios. While in 2006, 71 percent of the Austrian three-to-five-year-olds and 4 percent of those under three had been in institutional care, the ratios had climbed to 88.7 percent and 20.6 percent respectively by 2016. As Figure 5 shows, according to the Eurostat method the "Barcelona targets" of child care enrolment ratios of 33 percent for children under three and of 90 percent for three-to-five-year-olds were not yet reached by 2016 either in Austria or 17 other OECD countries. For the EU 15 on average, with a ratio of 38.8 percent the target has by now been reached for children under three, but it is slightly below for the three-to-five-year-olds, at 88.8 percent.

Figure 5: Child care enrolment ratios by age in the EU



Source: Eurostat, WIFO calculations.

On average for the EU 28, 29.3 percent of the children under age three and 83.4 percent of the three-to-five-year-olds were enrolled in institutional care. The enrolment ratio particularly for the under-three-year-olds differs widely between countries: Germany exhibited the second-lowest ratio of 32.6 percent in 2016, which was nevertheless 12 percentage points higher than in Austria; the ratios of France and the Netherlands were 48.9 percent and 53 percent respectively. More than half (51 percent) of

[21] The national survey method includes the three-to-five-year-olds, the Eurostat survey children from three to the beginning of compulsory school age. Both methods include children from three to under six; for the sake of simplicity, we refer here to the "three-to-five-year-olds".

the under-three-year-olds were looked after in formal care in Sweden and even 70 percent in Denmark. While all countries in our sample provide for a legal claim of parents for institutional care for their children as from age four at the latest (in Denmark already from the age of six months), such claim is offered in Austria only for the last pre-school year, as five-year-old children are obliged to attend kindergarten[22].

In order to assess the influence of possible barriers of access for low-income families it would be useful to rely on data for user charges, possibly depending on parents' income, and for the degree of uptake by income brackets. Such data are however not available for Austria where the Länder are responsible for the determination of charges for the public child care facilities.

No systematic and comparable data are available for after-school day care that would allow any appraisal of enrolment ratios. International evidence suggests however that such facilities are comparatively limited in Austria (*Plantenga – Remery*, 2013). In this respect, greater efforts being undertaken in Austria since 2011 to develop after-school day care are highly welcome.

2.6 Further family benefits in the context of the social security system

Beyond the family benefits in the stricter sense there are further family-related subsidies of quantitative importance inherent in the social security system that can be regarded as family benefits in a wider sense (indirect benefits such as exemptions from contributions and public expenditure due to subsidiary entitlements to social security benefits).

Imputed contribution periods in retirement insurance for the parent mainly in charge of raising a child and secondary entitlements to social security benefits (contribution-exempt health insurance coverage of dependents, retirement benefits for surviving dependents) shall compensate for own insurance claims foregone or establish such claims. Secondary benefit entitlements and imputed contribution periods are a logical amendment to family policy instruments designed to offset income losses related to care obligations in early childhood and thereafter, for which periods parents are granted child care allowance. The contribution-free health insurance coverage of children is in a larger sense part of the burden-sharing for family responsibilities. In 2016, health insurance outlays for dependents totalled 2.0 billion €, of which 1.6 billion € went to co-insured children and 0.4 billion € largely to non-active women with care obligations (for children or other dependents).

Since 2005, persons born after 1 January 1955 are granted imputed contribution periods in retirement insurance of up to four years per child, if the insured has mainly been occupied with child care obligations. Thus, the distinction between contribution and substitute periods no longer applies. Child care periods are valued at a lump-sum contribution base that is adjusted annually: in 2016, the contribution base was fixed at 1,735.06 € (2017: 1,776.70 €, 2018: 1,828.22 €). The partial imputation of "child care periods" in social retirement insurance[23] gives rise to direct and indirect budgetary costs. The direct cost includes the global federal subsidy to the retirement system (2016: 319 million €) and the contributions of the Family Benefit Fund (2016: 956 million €), together nearly 1.3 billion € in 2016. The indirect cost of the partial imputation of "child care periods" arises from their recognition for the fulfilment of the legal minimum insurance period on the one hand, and for the number of accumulated insurance periods and the level of the contribution base, on the other. Estimates on the scope of these annual indirect costs are not available, mainly due to the inherent methodological difficulties.

Other family-related benefits offered by the retirement insurance system (excluding civil servants) are the benefits for survivors. In 2016, the respective outlays totalled 4.53 billion €, of which 95 percent for widows and widowers and 5 percent for orphans.

[22] More precisely, since the school year 2009-10 parents are entitled to a free kindergarten place for their five-year-old children, with the obligation to send them to kindergarten for at least 16 hours per week.

[23] Retirement insurance according to ASVG (private sector employees), BSVG (farmers), GSVG (small-scale business self-employed), FSVG (liberal professions); excluding civil service retirement insurance.

Overall, these family benefits in a wider sense amounted to 7.83 billion € in 2016.

3. Concluding remarks

In a long-term perspective, family benefits have been steadily raised in Austria. Remaining broadly stable in relation to GDP, the amount spent per child has increased. In comparison with other countries, monetary benefits dominate, a setting that leans towards a family model where mothers shoulder the larger part of child care and fathers the bulk of paid-work responsibilities (*Ziemann,* 2015). This goes hand-in-hand with other regulations granting extended benefit periods for child care allowance, with certain provisions in the tax and social contribution system (*Schratzenstaller – Dellinger,* 2018B), the sizeable gender pay gap and, not least, a distinctive scepticism in society vis-à-vis working mothers of small children (*European Commission,* 2013). Nevertheless, a clear shift of family policy away from monetary transfers and towards the development of child care facilities can be observed since 2000. Over the same period, a number of steps have been taken to encourage the involvement of fathers and to make it easier for mothers and fathers to reconcile work and family.

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