



Simulation of an introduction of a basic security for children in Austria

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Current situation: Child poverty in Austria

- 16% of children (<18) are at-risk-of-poverty in 2022 in Austria (EM baseline)
- Current system of family support tends to provide higher benefits for families with higher incomes, especially tax credit family bonus
- Current measures do neither specifically counteract “inheritance of poverty” nor increase participation opportunities of children experiencing poverty

Policy reform:





Arguments for a basic security for children

- Reduces complexity, thus higher transparency for families and stronger perception of positive effects of welfare state
- Easier access to benefits by reducing bureaucratic hurdles in application process (e.g., take children out of social assistance)
- Higher (ideally full) take-up of benefits by parents/ guardians of eligible children
- Presumably, lower administrative costs

- In Austria proposed by NGO Volkshilfe, support by some political parties
- Introduction in Germany 2025 (lower amounts)

Total benefit amount

- In total up to € 872 per child and month
 - Universal component of € 285
 - Income-tested component of up to € 587
- Amount derived from reference budgets debt counselling

| Material Supply | Social participation | Health | Cultural Dimension |
|---|---|---|---|
|  |  |  |  |
| 567 € | 127 € | 44 € | 134 € |
| Maximum amount in total 872 € | | | |

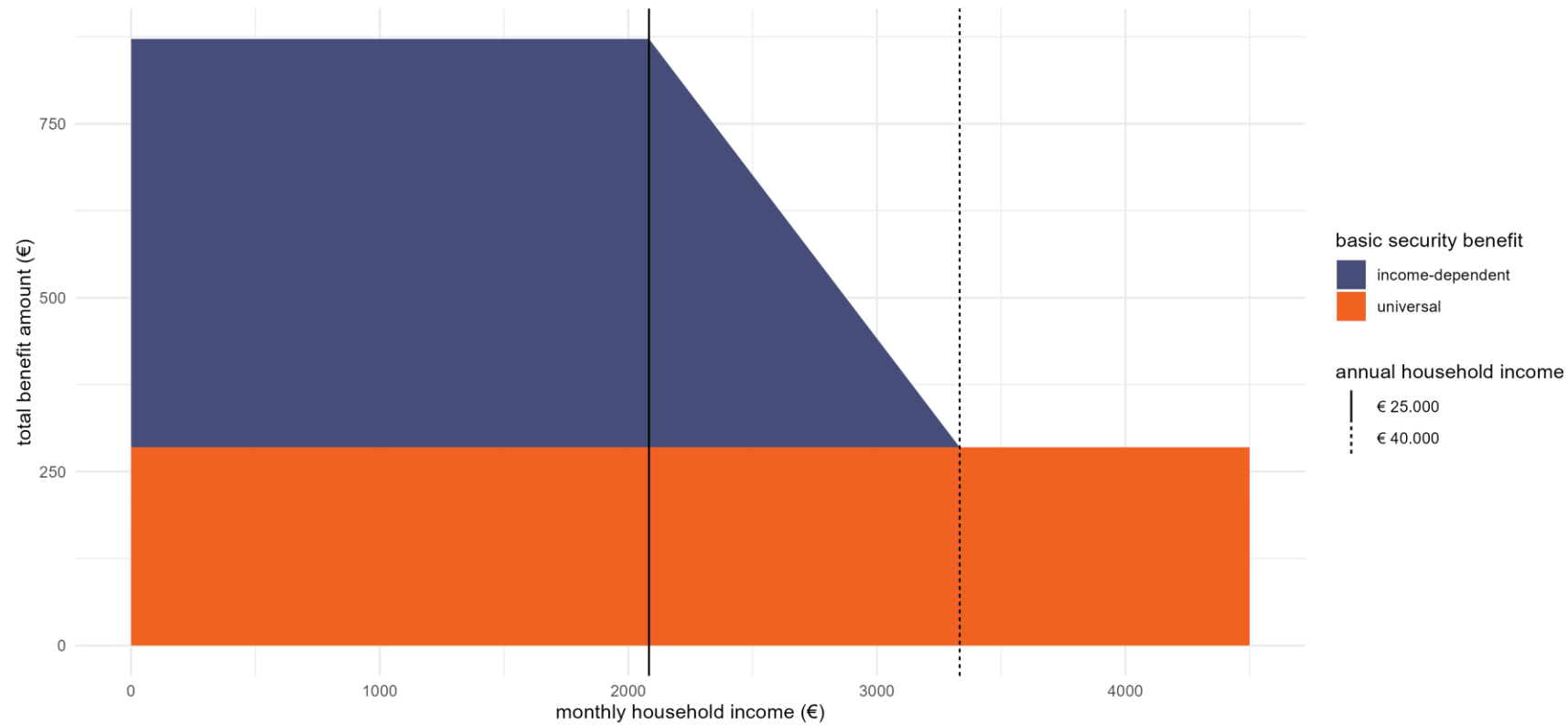
Universal component

- Derived from basic monthly family allowance for a child 10+ plus (universal) child tax credit, revalued in line with CPI 2000 from 2000
 - Replaces family allowance (incl. age and sibling-supplements, school start allowance) and child tax credit
 - Supplement for disabled children as well as benefits for children 18+ remain as in status quo

Income-tested component

- (Lower) limit for full amount (€ 587): yearly taxable family income of € 25,000
- Considerations:
 - Individual tax exemption limit in 2022 was € 11,000 per year ($2 * 11,000 = 22,000$)
 - Poverty threshold for 2 adults (EU-SILC 2021): € 24,678
- Upper Limit: yearly taxable family income of € 40,000
 - Ability to finance
 - Corresponds approx. to 1.5 times median of gross incomes of employees
 - Between € 25,000 and € 40,000 transfer is steadily reduced to 0
- Administrative setting (taxable family income) corresponds to more-children supplement within family allowance
- Replaces supplements for children in social assistance

Theoretical benefit distribution



For better presentation, the monthly household income was limited to € 4,500

EUROMOD modelling

Input data:

- AT_2021_b1.txt (EU SILC 2021 – incomes 2020 updated to 2022)

EUROMOD:

- Version 3.5.8
- Policy year 2022

EUROMOD modelling

Reform changes to at_2022

New policies:

- Universal and income-dependent basic security components

Replaced policies:

- Universal: Family allowance (incl. age and sibling supplements, school start bonus) and child tax credit for children <18
- Income-tested: Child supplements in social assistance

Controls:

- Keep existing family allowance and child tax credit for children 18+, inflation bonus
- Simulate social assistance only for receiving households in SILC (control for non-take up), in reform scenario drop supplements for children
- Use non-simulated SILC values for unemployment benefit / assistance

Results

Fiscal costs

Total: 1.0% of GDP:

- Universal component: 0.3%
- Income-dependent component: 0.8%

Indirect profitability

- Combating child poverty yields:
 - Consumption return
 - Savings in children's health costs
 - In adult life higher taxes and contributions, less social transfers
- (Fiscal costs of tax credit family bonus, which hardly reduces child poverty: 0.5% of GDP)

Results

Benefitting children <18

Number of benefitting children:

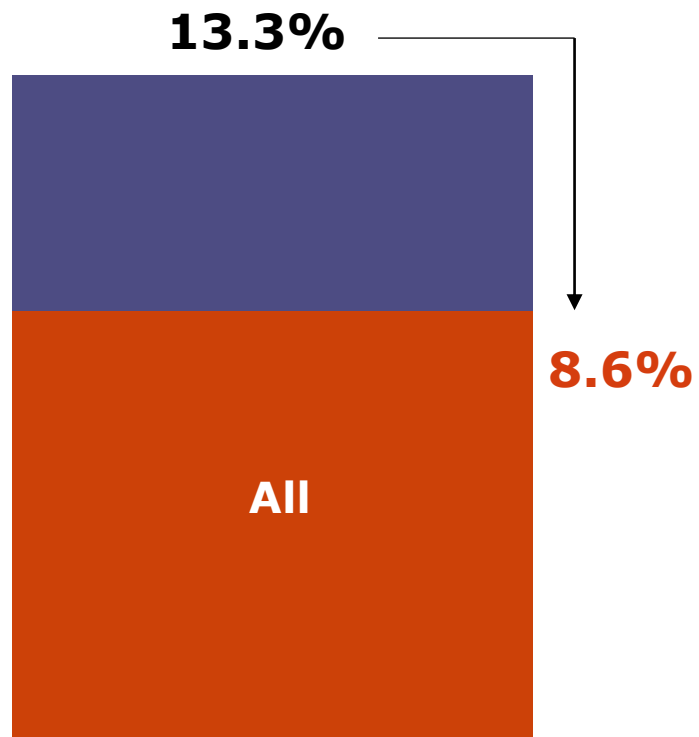
- Universal: 1,591,000 (100% of all children <18)
- Income-tested: 666,000 (42% of all children <18)
- Maximum income-tested component: 364,000 (23% of all children <18)

Benefit amounts:

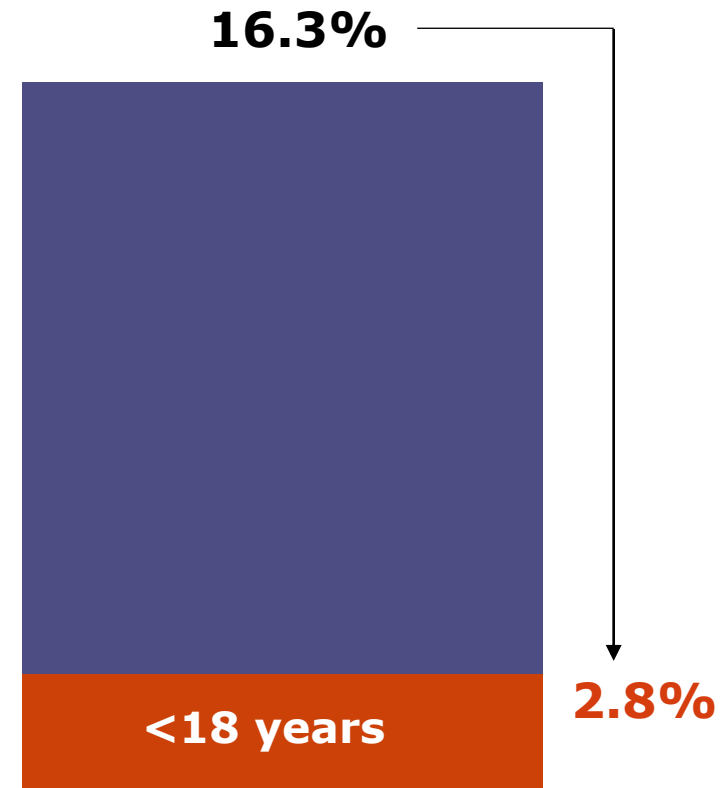
- Universal component per child and month: € 285
- Average income-tested component per child and month, related to:
 - All 1,591,000 children <18: € 187
 - 666,000 children with income-tested component: € 447

Results: Income poverty

Total population
- 4.7pp



<18 years
- 13.5pp



Results:

Income distribution

| Annual equivalised disposable income by deciles | | | |
|---|-------------------|------------------|--------------|
| Deciles | Before Reform (€) | After Reform (€) | Change in % |
| 1 | 12,279 | 15,236 | +24.1 |
| 2 | 18,963 | 21,613 | +14.0 |
| 3 | 22,929 | 24,393 | +6.4 |
| 4 | 25,902 | 26,907 | +3.9 |
| 5 | 28,856 | 29,454 | +2.1 |
| 6 | 31,936 | 32,460 | +1.6 |
| 7 | 35,114 | 35,452 | +1.0 |
| 8 | 38,972 | 39,218 | +0.6 |
| 9 | 44,861 | 45,112 | +0.6 |
| 10 | 65,889 | 66,091 | +0.3 |
| TOTAL | 32,564 | 33,588 | +3.1 |

Conclusion

- Pooling of benefits, higher take-up, less administrative burden
- Employment incentives?: loop-in regulation, but relatively high amounts
- Drastic reduction of income poverty (vicious circle of child poverty)
 - All: - 4.7pp
 - <18: - 13.5pp
- Very progressive: especially persons in lowest 3 income deciles profit
- Additional fiscal costs
 - 1.0% of GDP
 - (Costs hardly poverty-reducing tax credit family bonus: 0.5% of GDP)



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