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Department for Work and Pensions

Research Report No 174

A comparison of Child Benefit packages in 22 countries

Jonathan Bradshaw and Naomi Finch

A report of research carried out by the University of York on behalf of the Department for Work and Pensions

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First Published 2002.

ISBN 1 84123 506 7

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Printed by The Charlesworth Group (Huddersfield, UK).

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Acknowledgements

The project on which this report is based was funded by HM Treasury as part of the first round of the *Evidence Based Policy Fund*. The Department for Work and Pensions (DWP) provided matching funding. Staff in DWP were responsible for managing the project and we are grateful to Elaine Squires, Jane Sweeting and especially Anja Nickenig who was our liaison officer. Our thanks are also due to the Inter-departmental Advisory Committee which included representatives from the Inland Revenue (IR), Social Exclusion Unit (SEU), Department for Education and Skills (DfES), HM Treasury and Cabinet Office as well as from DWP.

In the Social Policy Research Unit Julie Williams provided technical support for the analysis of the matrix data. Emese Mayhew and Lucy Bradshaw undertook vital work extracting data from the country matrices and checking and re-checking tables. Sally Pulleyn put the final touches to the manuscript.

However, the most important contribution was made by the national informants who completed a policy questionnaire, a model families matrix and then endured endless supplementary enquiries. The national informants were given an opportunity to check and comment on our interpretation of what they told us, but in the end any mistakes or misinterpretation are our responsibility. We are very grateful for the vital contribution they made to this project.

National Informants

The national informants were chosen because of their expertise in this field of social policy. They are mostly academics working in research centres or universities and come from a range of disciplines. Many of them have collaborated with us before on comparative studies of social protection.

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Summary

Every industrial country has a 'package' of tax allowances, cash benefits, exemptions from charges, subsidies and services in kind, which assist parents with the costs of raising children. This study is an investigation of variations in the structure and level of this package in 22 countries as at July 2001.

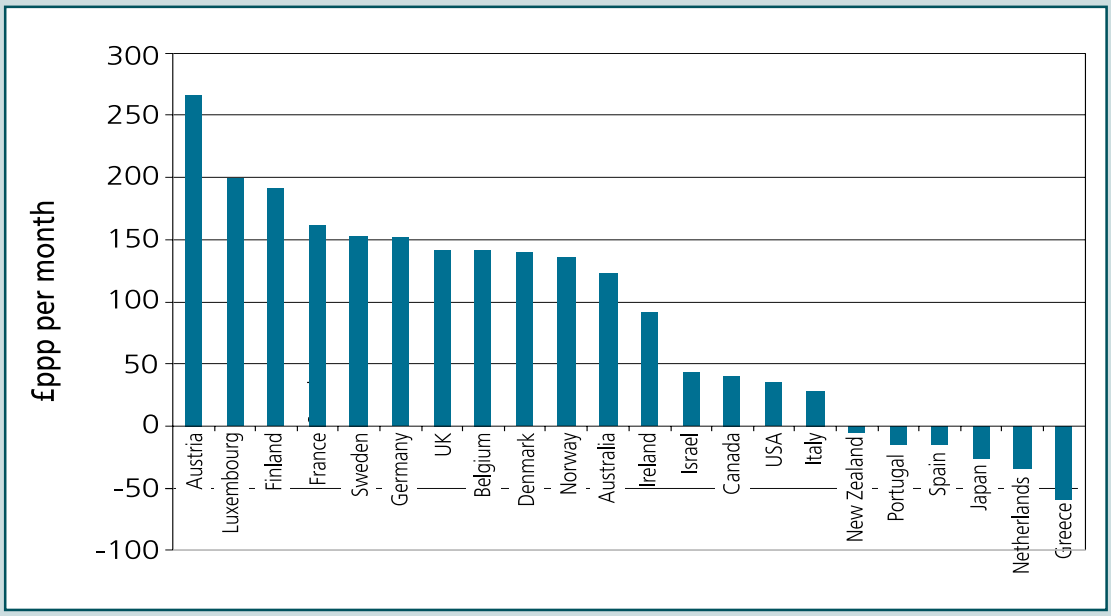
Headline

Figure 1 presents the overall ranking of the average child benefit package paid to a 'representative' sample of families. Austria has a package which is considerably more generous than any other country. The UK comes seventh, equal to Belgium, in the league table. For the UK this is a substantial improvement over the ranking obtained in a similar study in 1992. It is a reflection of the efforts that the government has been making since 1997 to improve family benefits and services in pursuit of their objective to abolish child poverty. The negative child benefit package for some countries is because housing costs and charges for services cancel out the values of tax and cash benefits for children.

Methods

The data was obtained by national informants who provided data on family demography and labour supply and details of their tax benefits, cash benefits and services in their countries. They also completed a matrix, which simulated how families of varying types at varying earnings levels would be treated by the child benefit package in their country.

Figure 1 Cash benefit package after housing and service



Context

Policies that help parents with the costs of child rearing operate in the context of varying national family patterns, varying labour market conditions and variations in the level of earnings from employment. Chapter 2 of the report provides a contextual review including:

- An up to date picture of family demography including the age structure, and the rates of fertility, marriage, divorce, teenage births and births outside marriage and the prevalence of lone parents.
- A comparison of employment patterns including the number of workers per household, the labour supply of married women and lone parents, and the level of unemployment.
- A comparison of average earnings, their dispersion, minimum wages and the ratio of male to female earnings.

Generally, the Anglophone and Nordic countries have higher divorce rates and high proportions of lone parents and births outside marriage. They also have a high proportion of mothers in employment and the dual worker couple household is the norm. This suggests that in these countries, the male breadwinner family has weakened and women are able to form separate households and be economically independent from men. However, the shift towards greater female economic independence is only partial; the gender wage gap is significant among the Anglophone countries and the minimum wage is relatively low in the USA, UK and Canada.

In contrast, the Southern European countries, the Netherlands, Japan and Ireland have low divorce rates and low proportions of lone parents and out of marriage births. They also have low proportions of mothers in employment and the one-earner couple family prevails; women are still relatively economically dependent upon men. Nevertheless, in Italy and Greece, the gender wage gap is small and in Portugal, Italy and the Netherlands, the minimum wage is comparatively high relative to mean and median earnings.

Tax benefit and cash benefits for children

Chapter 3 examines what, in most countries, are the most important parts of the child benefit package - tax benefits and cash benefits, income-related and non-income-related. Countries use different mixes of these mechanisms for delivering help to families and the value of that help varies by family type and size, the age of the child and by earnings level. Figure 2 summarises the value of tax benefits and cash benefits for a couple plus two children for one earner on half average male earnings. Figure 3 is for the same family type but for two earners on average male and half average female earnings.

Figure 2 Cash benefits and tax benefits for children: Couple plus two aged 7 and 14. July 2001

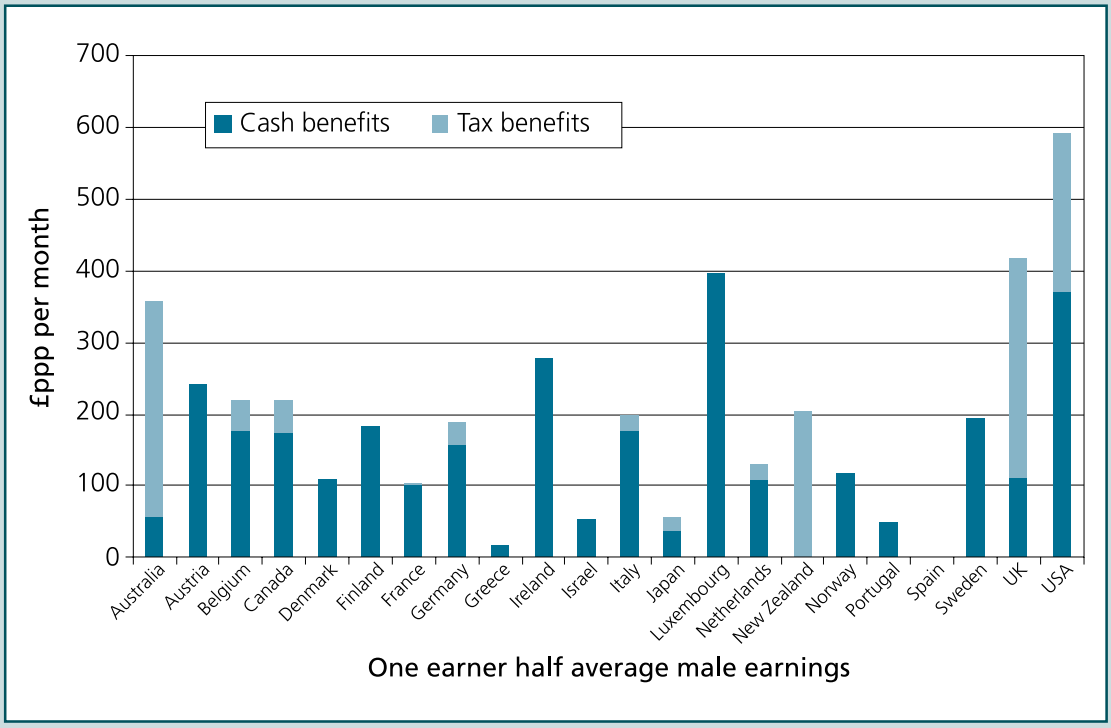
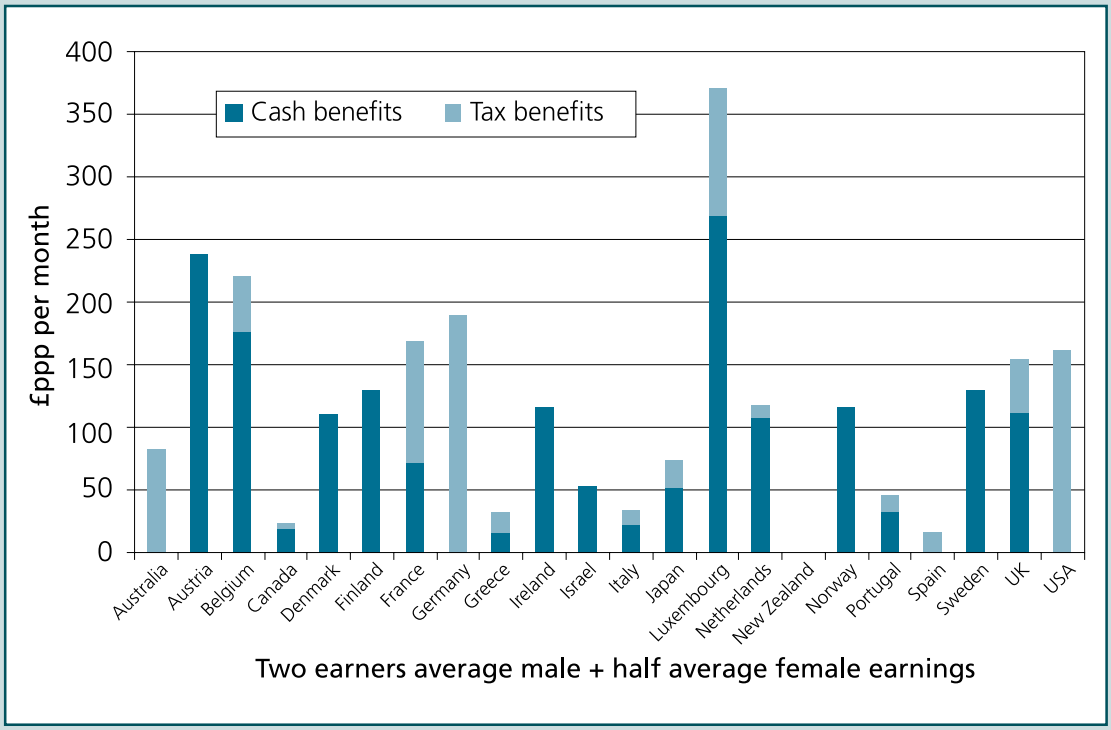


Figure 3 Cash benefits and tax benefits for children: Couple plus two aged 7 and 14. July 2001

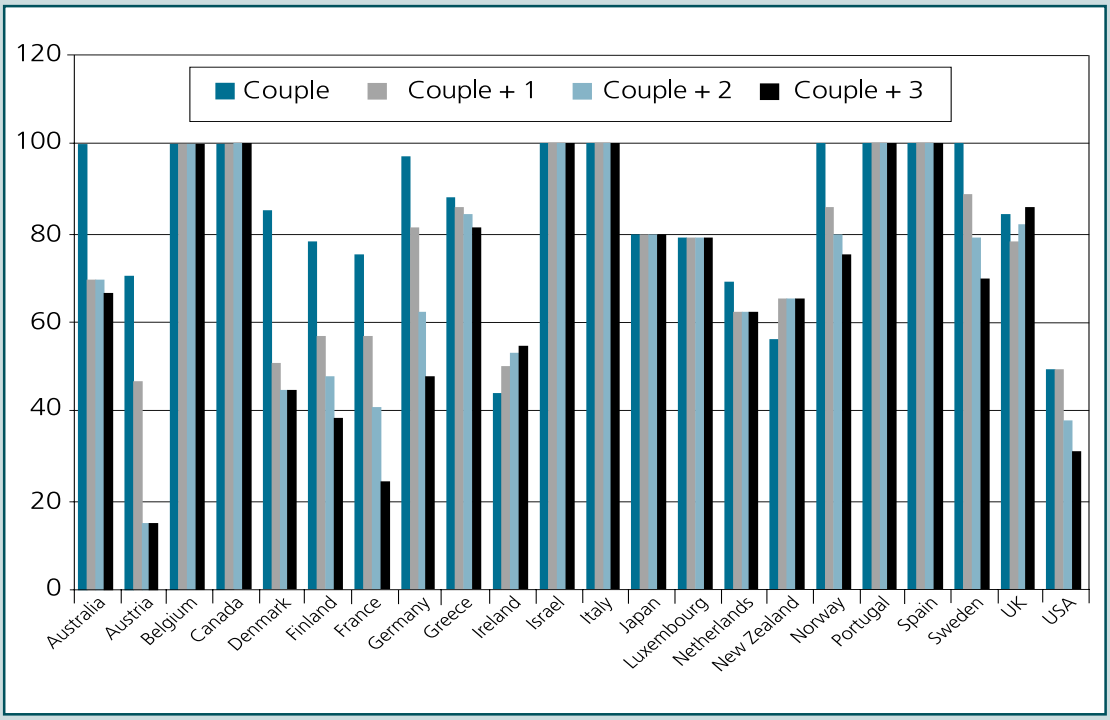


The figures show which countries employ cash benefits and/or tax benefits and the combined value of these. The UK comes second only to the USA at the low -earnings level. At the higher earnings level the UK comes sixth, below Luxembourg, Austria, Belgium, Germany, France and the USA.

Housing costs

The majority of countries (all but six) have a demand side subsidy or housing benefit scheme that reduces the gross rent paid by low-income households and in the majority of these housing benefit schemes the amount of rent reduction is greater when there are children in the household. So housing benefits are an important component of the child benefit package and the impact of housing costs and local taxes and the extent to which they are mitigated by benefits are explored in Chapter 4 - despite the difficulties inevitable in making assumptions about housing costs. It can be seen in Figure 4 that housing benefit systems made a substantial contribution to reducing housing costs for a low-income couple with two children in Australia, Austria, Denmark, Finland, France, Germany, Norway and Sweden and they make a smaller contribution in Greece, the Netherlands and the USA. Local taxes were not an important element of the package. Housing benefit did not help families in the UK because even at this low level of earnings the family were above the housing benefit threshold.

Figure 4 Per cent gross rent paid by family type: one earner gross rent



Childcare

The study also took account of the impact of services including the costs of pre-school childcare in Chapter 5. In most of the countries in this study pre-school childcare policy currently focuses upon access for children over the age of three - a childcare guarantee for the under-threes is still the exception. This is the case to a lesser extent for low-income lone parents, as can be seen in Figure 5[1] which shows the net costs of pre-school childcare for a lone parent with one pre-school child at low and average earnings and for a couple who are both earning average earnings. For two-earner couples, the cost of childcare falls heavily upon the parents and more than wipes out the value of the child benefit package for some families in some countries. Countries use a variety of different methods for helping parents with the costs of pre-school childcare. Only Ireland, Israel and Spain have no subsidy of any kind towards these costs. The level of help depends on income in many countries. For the better off couple the highest levels of net childcare costs are found in the UK, Ireland, New Zealand, the Netherlands and the USA.

Out of school provision for children with working parents has not been a policy priority for most of the countries in this study. However, demand is high and countries are beginning to acknowledge this, especially for the younger age groups. In many countries fees are being reduced in much the same way as for pre-school childcare.

The costs of schooling (and the benefits) where they exist do not have a major impact on the child benefit package. However for some countries it is worth taking them into account.

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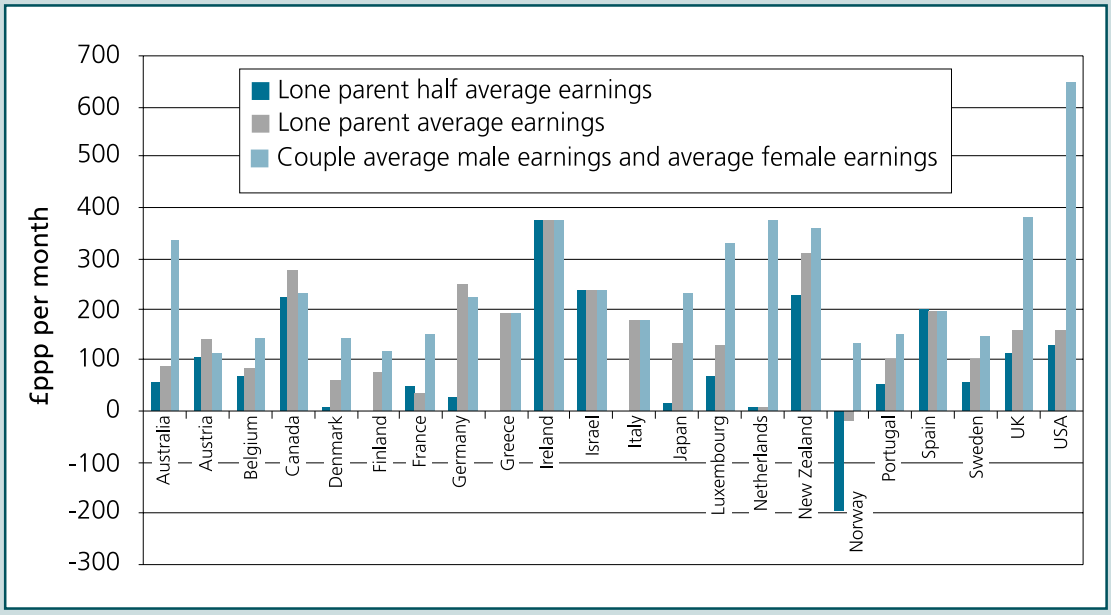
[1] Net childcare costs here are represented as positive amounts. Norway shows a negative childcare costs because of benefits paid for a pre-school child.

Figure 5 Net costs of full-time children



Health care

In Chapter 6 we explore the costs of a standard package of health care. Most countries have either free health care for children or they mitigate charges at low earnings levels. There are only two countries in which health charges represent a substantial drain on the child benefit package - the USA and the Netherlands. In Australia, Canada and Ireland they represent a lesser, yet significant, drain on the child benefit package.

Maternity leave, paternity leave, parental leave and leave to care for sick children

Chapter 7 compares the arrangements for maternity leave, paternity leave, parental leave and leave to care for sick children. Whilst this has not been included in the matrix, it is an important part of the child benefit package and is closely linked to childcare policy for the under threes. It is important to look at the whole package of leave policy in order to understand its impact upon families. Leave policies can be designed either 1) to facilitate gender equity by supporting women's work outside the home and the reconciliation of paid work and childcare by protecting the well-being of the child(ren) whilst the parents are in the workforce or 2) to support family work and childrearing and create an incentive for women to leave the labour force when children are very young (Kamerman, 2000). Germany and Japan both have long paid parental leave that can be taken after the child has entered school but no paternity leave. Whilst parental leave is designed for both parents, in the majority of countries fathers do not generally take advantage of this – in Germany, 1.6 per cent of parents on parental leave were fathers (Mikrozensus, 1999) and in Japan only 0.4 per cent of fathers actually took parental leave (Ministry of Health and Welfare, 1999). Israel has no separate paternity leave; it is partially shared with the mother's maternity leave and only mothers are entitled to parental leave. In these countries, leave is in effect designed not to involve the father in family responsibility and instead to enable women to break completely with the labour force during child rearing. On the other hand, in countries such as Sweden and Denmark leave is relatively short and there exists a 'daddy quota'. In these countries, leave is designed to support the reconciliation of paid work and childcare by

protecting the wellbeing of the child. In countries such as the UK and the US, the state does not take a large role in balancing family and paid work. Although leave policy is improving in the UK and statutory parental leave now exists, parental leave is unpaid and, as yet, no paternity leave exists. The wellbeing of the child whilst the parents are in the workforce is, in these countries, still largely left to negotiation between employer and worker.

Social assistance

Chapter 8 compares the level of social assistance paid in our 22 countries and also explores the implied equivalence scales. We have found that there is considerable variation between countries in what they consider to be the appropriate level of their social assistance benefits and also in how they evaluate the relative needs of families of different sizes and types. It can be seen from Figure 6 that after housing costs and services the overall level of the social assistance package is highest for lone parents with one child in Ireland, Denmark, Norway, Austria and the UK and lowest in Portugal and Spain. For couples with three children it is highest in Luxembourg, Austria and Sweden and lowest in Spain and Italy.

Figure 6 Social assistance

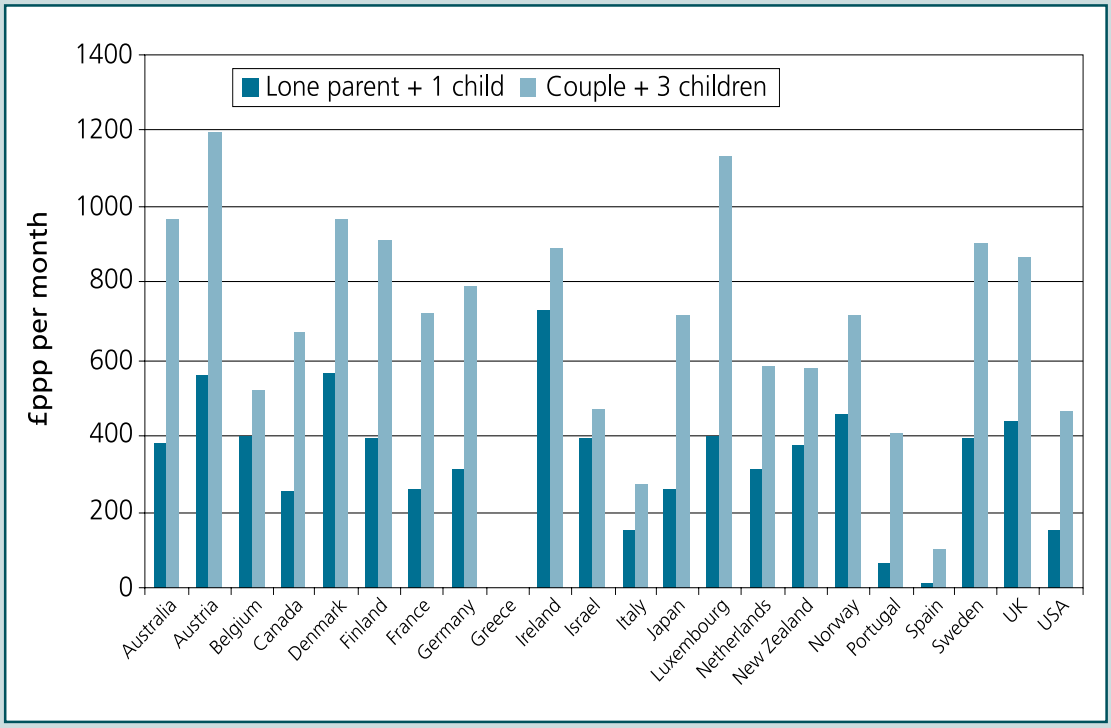
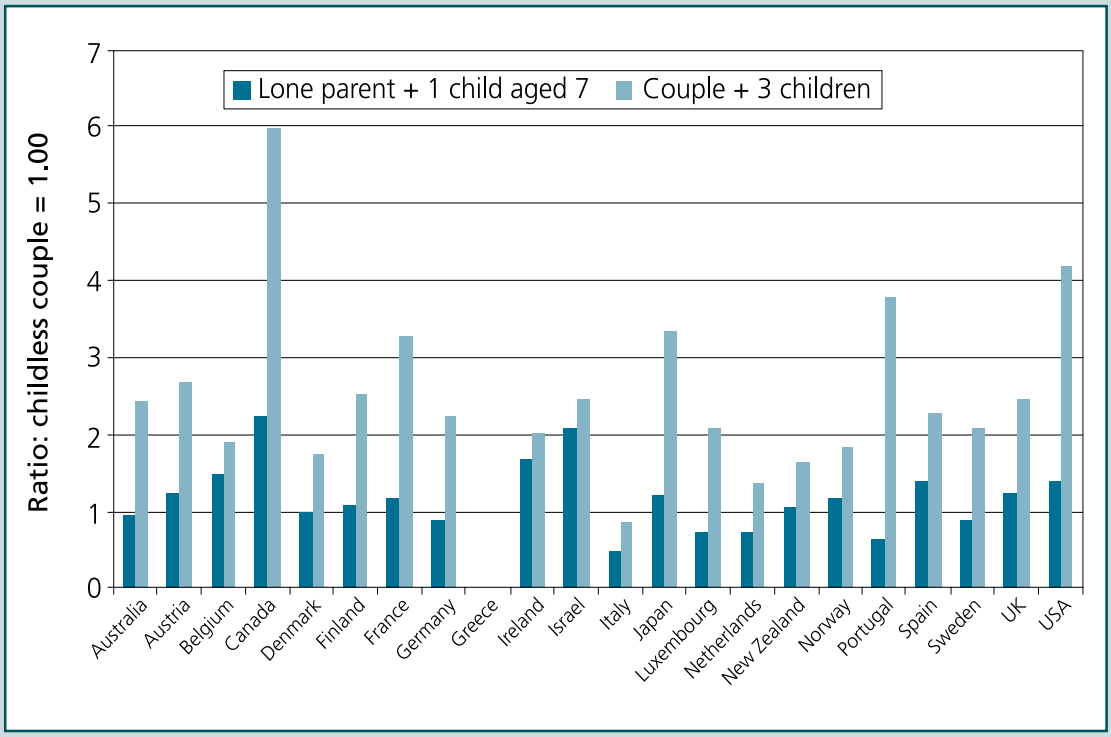


Figure 7 compares the implied equivalence scales[2] for these two family types and shows that for the lone parent with one child it is highest in Canada, Israel and Ireland and lowest in Italy and Portugal and for the couple with three children it is highest in Canada, Portugal and the USA and lowest in the Netherlands and Italy. For both family types the UK comes towards the middle of the distribution.

[2] Scale used to adjust income to household size taking into account economies of scale.

Figure 7 Social assistance implied equivalence



The structure and level of the child benefit package

In Chapter 9 we compare the structure and level of the child benefit package overall. In our previous study based on the situation in 1992, the main vehicle for delivering the child benefit package was non-income-related child benefits. At that time the contribution of income-related child benefits had grown in importance, but child tax benefits had diminished in importance, and were being employed by fewer countries – perhaps because they tended to be of most benefit to better off families in the countries that had them.

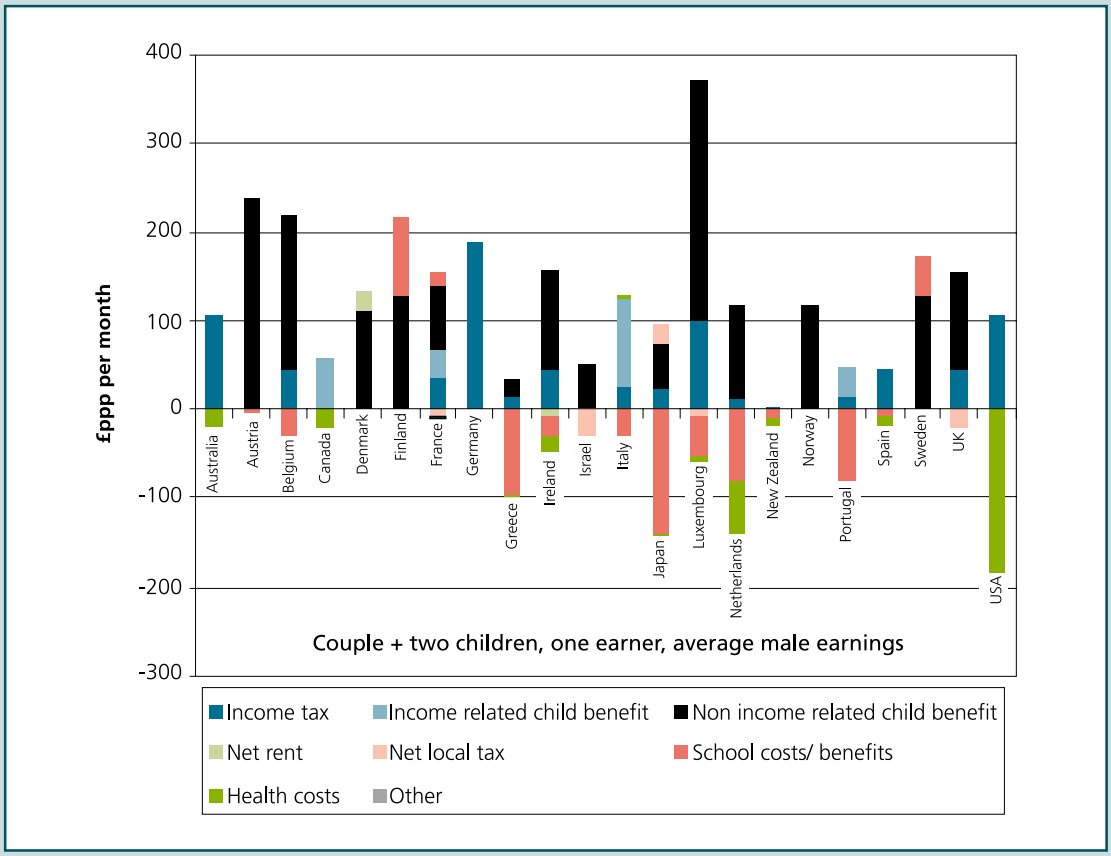
In this study (which includes more countries) non-income-related child benefit is still the most popular vehicle for delivering the child benefit package. Only seven countries do not have any non-income-related child benefits – Canada and Germany have abandoned theirs, and the Australian scheme which was effectively universal is no longer so except for lone parents. In addition to these New Zealand, Portugal, Spain and the USA lack a non-income-related child benefit.

One country, the UK, has abandoned its income-related child benefit and now 13 countries have income-related child benefits or social assistance for employed families.

The main shift has been towards using the income tax system to distribute resources to families with children. The Anglophone countries have all introduced or developed tax credits for children. For low-income families they are now an important element of the package. Out of all the countries, only Austria, Denmark, Finland, Ireland, Israel, Norway, Portugal and Sweden have no recognition of the needs of children in their income tax arrangements.

Housing benefits are an important component of the package at low-income levels in some countries. Education costs and health costs in most countries reduce the value of the package but only by modest amounts. As long as childcare costs are not involved, the child benefit package is a positive contribution to family incomes in most countries. Figure 1.8 presents a summary of the structure of the package for a couple with two school age children with one earner on average male earnings.

Figure 8 Structure of the child benefit package



However this is for just one family and the most important conclusion of the comparisons of the levels of the child benefit package is that they vary within and between countries by family size and type, by earnings and by whether the comparison is made of the tax and cash benefit system only or after housing and service costs and benefits. This is illustrated for selective cases in Figures 9 to 11. Figure 9 shows how the package varies by family size. France for example comes well down the league table in its child benefit for small families but is much more generous to families with three or more children. The UK in contrast is unusual in having a package that benefits one-child families relatively more generously.

Figure 9 Child benefit package by number of children. Chidless couple=100

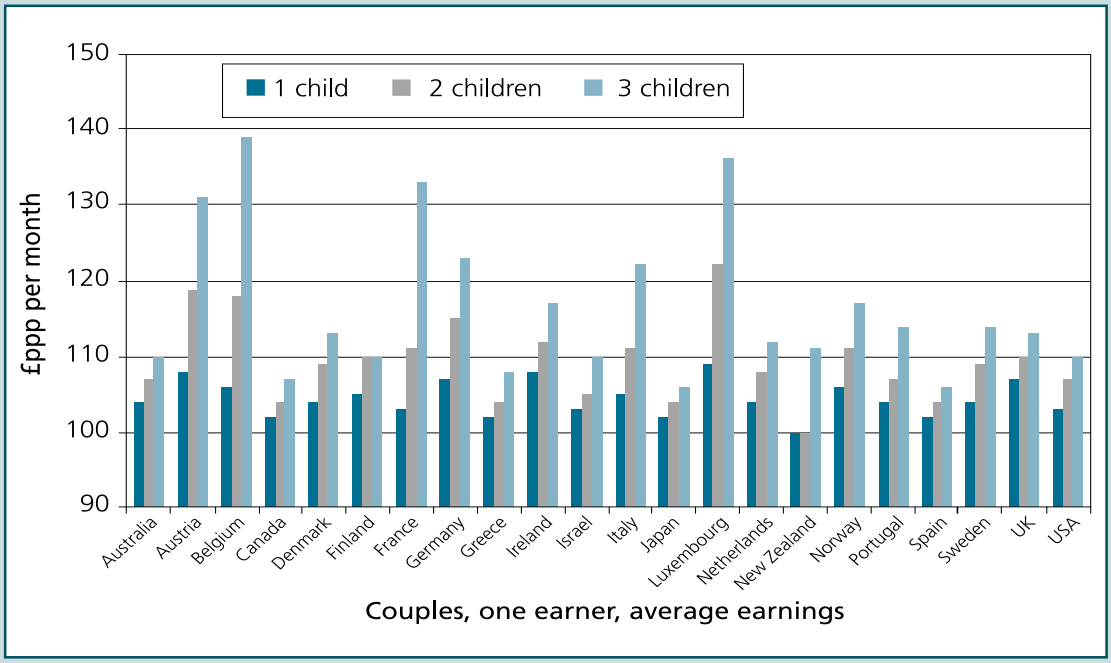


Figure 10 takes a standard family and shows how the child benefit package varies by earnings. The Anglophone countries have considerably larger packages for low-earning families, a number of countries have a standard amount regardless of earnings and France, Greece and Japan have packages that increase with earnings.

Figure 10 Child benefit package by earnings

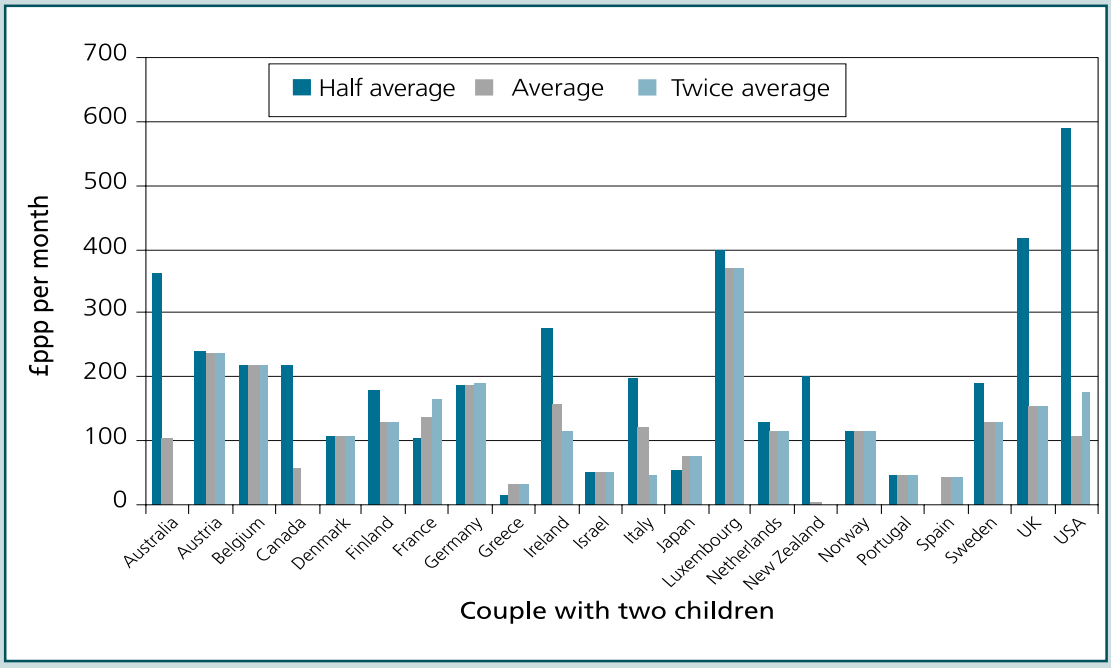
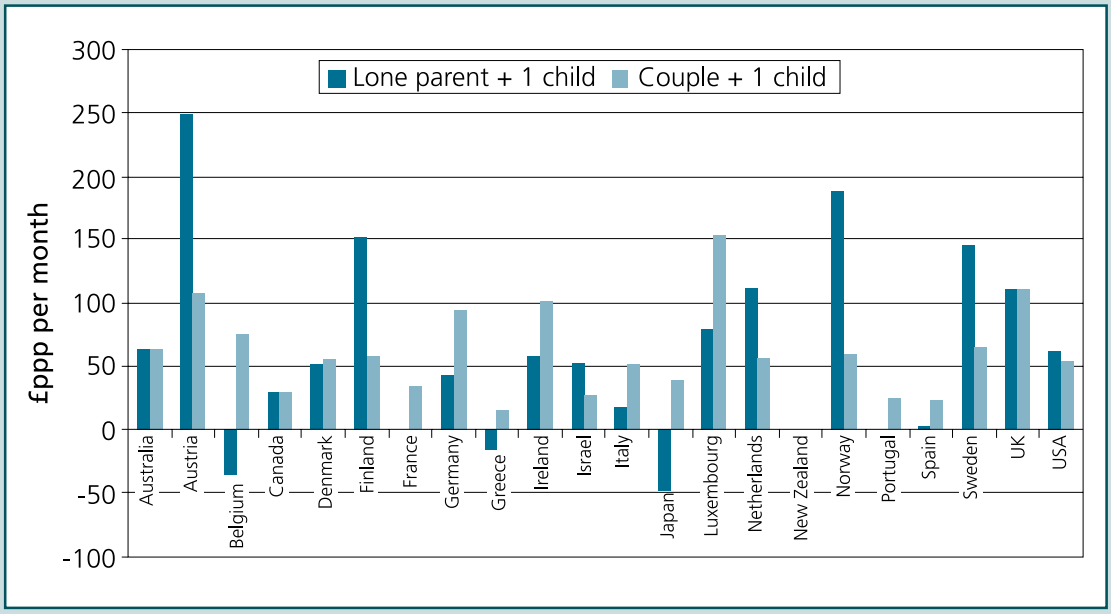


Figure 11 shows how the package varies by family type. Luxembourg for example has the most generous child benefit package for couples with children at all family sizes and regardless of earnings but it does not have the most generous package for lone parents. Some countries are neutral to lone parents, including the UK, others favour lone parents over couples - Austria is most generous to lone parents and most of the Nordic countries are also. Others favour couples over lone parents including the continental EU countries, with the exception of the Netherlands.

Figure 11 Child benefit package by family type at average earnings



Overall, compared with other countries, the UK does comparatively well for small, low-earning families, lone parents not requiring childcare and families on social assistance. With regards to families on average earnings and dual earner families, the UK is ranked somewhere in the middle. The implications of these variations is that it is unsafe to take one or a few standard families to represent a country's child benefit package.

Replacement rates[3] and marginal tax rates[4]

The data on the tax benefit package for families in work and on social assistance is used in Chapter 10 to estimate replacement rates and marginal tax rates. Some countries have very high replacement rates and they do not tend to be the countries that are most anxious about incentives to work. It can be seen in Figure 12 that Australia, the UK, the USA and Canada have comparatively low replacement rates for couples. They are higher for lone parents who need childcare in Canada, Ireland New Zealand. However there are countries like Austria, Denmark, the Netherlands and Japan who are managing with very high replacement rates.

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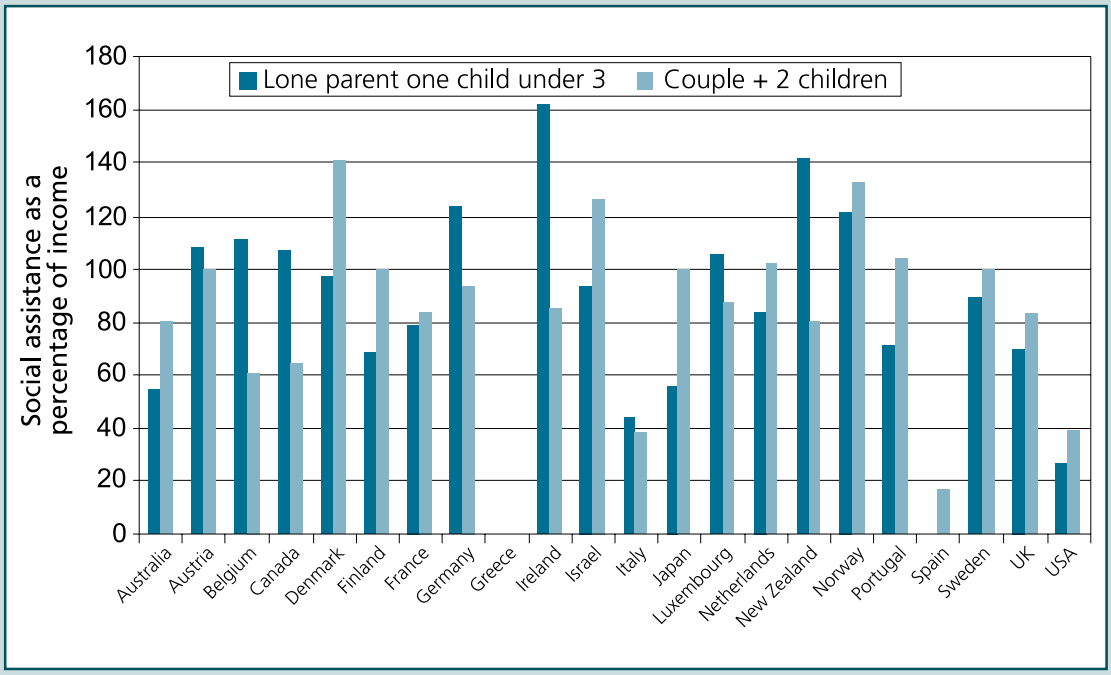
[3] Here the proportion of net in-work income that would be "replaced" by social assistance.

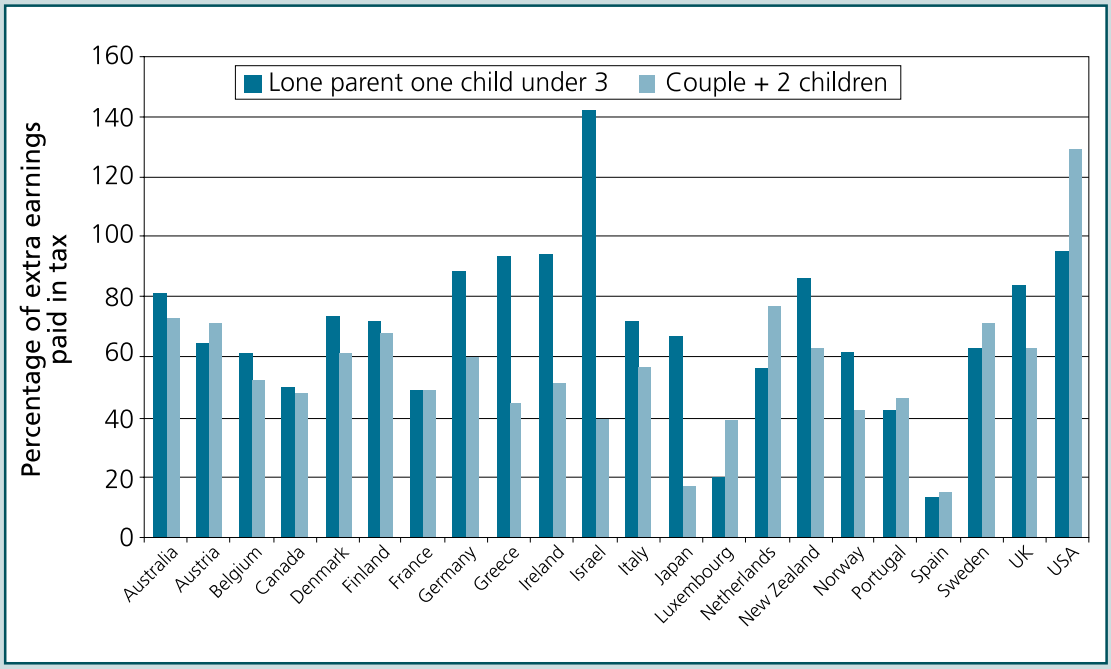
[4] The proportion of extra earnings that would be foregone in extra direct taxes, loss of income-related benefits and extra charges.

Figure 12 Replacement rates at half average earnings



The countries which are most anxious about the impact of work incentives on labour supply do have comparatively high marginal tax rates at the lower end of the earnings distribution. This is because they rely more than other countries on income-related benefits and tax credits which are withdrawn as earnings increase. The loss of childcare benefits is a particular cause of high marginal tax rates for lone parents as can be seen in Figure 13.

Figure 13 Marginal tax rates on moving from half average earnings to average earnings



Conclusion

Given the finding that there is considerable variation in the child benefit package by family type, number of children, level of earnings and whether the comparison is made before or after housing costs, and the costs and benefits of services, it was not easy to produce an overall comparison of the level of the child benefit package. In Chapter 11 a number of comparisons are presented using different permutations of families and the preferred ranking has been presented in Figure 1.

From this ranking we devised the following groupings of countries:

Leaders: Austria, Luxembourg, Finland.

Second rank: France, Sweden, Germany, UK, Belgium, Denmark Norway, Australia.

Third rank: Ireland, Israel, Canada, USA and Italy.

Laggards: New Zealand, Portugal, Spain, Japan, the Netherlands, and Greece.

The countries with the most generous overall child benefit package are not those countries which employ a substantial element of targeting, either through tax credits, or income-related benefits. They are the countries that deliver most, if not all of their value as a non-income-related child benefit.

The rankings that have been obtained bear little relationship to the rankings that would be inferred using Esping-Anderson's (1991) regime types. The social democratic (Nordic) welfare states tend to come in the top half of the table but they are not the leaders and Denmark and Norway are well down the rankings. The liberal (Anglophone) welfare states are distributed throughout the rankings with the UK and Australia in the second rank. New Zealand is consistently towards the bottom of the rankings. The conservative (corporatist) countries tend to be found in the upper half of the table but the Netherlands is a big exception. Austria is something of an outlier with a considerably more generous child benefit package than any other country after housing costs and services. The southern EU countries are in the bottom half of the table but spread, with Italy somewhat above the others. Japan, our only representative of the Pacific Rim/Confucian model, is found towards the bottom.

We then undertook analysis which sought to explain the variation in the rankings. There is scope for further work on the association between the child benefit package and the characteristics of countries – both their inputs and their outcomes. There may also be potential for some multivariate analysis, though the number of countries is a constraint on this. It appears that it is not the level of the wealth of a nation, nor the character of its labour market, nor the level of earnings but rather its social expenditure and especially the share of its social expenditure going to families, as against the elderly, that determines the child benefit package. The level of the child benefit package achieved is also associated with success in reducing market-generated levels of child poverty and it is possibly also associated with higher fertility rates. Those countries that make most effort to transfer resources horizontally have the most generous child benefit packages. Nations make choices. The policies that they choose have an impact on the financial burdens born by parents raising children.

1 Introduction and methods

1.1 Background

Every industrial country has a package of tax benefits, cash benefits, exemptions from charges, subsidies and services in kind which assist parents with the costs of raising children. We know from previous work (see below) that the structure and level of the package varies between countries according to the income, type of family, number and ages of children, labour market status and by whether the comparison is made before or after childcare costs and housing costs. In the Social Policy Research Unit at the University of York we have undertaken a number of comparative studies of the structure and value of this package. The first was carried out by Bradshaw and Piachaud (1980) comparing the UK with the then nine countries of the European Community. This study was replicated and extended to 15 countries for the Department of Social Security in 1992 and published by them (Bradshaw et al., 1993). The most recent data is for 1996 and was collected for the European Union as part of the work of the European Observatory on National Family Policies (Ditch et al., 1995, 1996, 1998). Thus there has been no comparison of these policies since the election of the Labour Government in Britain in 1997.[5] Since then the ending of child poverty has become a major government priority in the UK and a host of changes have been made to the level and structure of the package - including the introduction of Working Families' Tax Credit, Childcare Tax Credit, real improvements in Child Benefit and Income Support for families with children and the Child Tax Credit (not yet in place). So how does the UK compare now? There are no existing sources of data on child benefit packages that provide what is needed to answer that question. This study is an attempt to answer that question as at July 2001.

This is a study of the child benefit package in 22 countries. The rationale for the choice of countries was that we wanted to include all our EU partners, then we added industrialised countries known to have a child benefit package and where we knew there were good national informants - Norway, USA, Canada, Japan, Australia and New Zealand. Israel was added because the national informant heard about the study and volunteered to provide the data. It would have been interesting to have included candidate EU countries and former Eastern bloc countries but resource constraints did not make that possible. We did not consider welfare state 'regimes' in determining which countries to include but the countries included cover the whole range of regimes types commonly described.

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[5] The Norwegian Research Council funded a comparison on policies for lone parents covering six countries in 1999 (Norway, Sweden, Denmark, Australia, New Zealand and the UK) (Bradshaw, Terum and Skevik, 2000). DSS funded two comparative studies of housing benefits (Kemp, 1997; Ditch et al., 2001)

1.2 Objectives

The objectives of this research are:

1 To collect details of the components of the child benefit package in the EU countries, Norway, the USA, Canada, Japan, Australia, New Zealand and Israel.

2 To compare the structure of the package - including the contribution of tax benefits, income-related and non-income-related child benefits, housing benefits, childcare subsidies, health and education charges, social assistance and child support.

3 To compare the level of the package in terms of purchasing power parity and how the level varies with the number of children, the ages of children, family type, the employment status of parent(s), earnings, and housing costs.

4 To explore how the UK is doing now compared to other countries - in relation to structure, level, replacement ratios and marginal tax rates.

5 To seek to explain what factors influence variations in the child benefit package and what the outcomes of those variations are.

6 To learn lessons from abroad.

1.3 Policy interest

This study was funded as one of the first round of grants made by the HM Treasury (HMT) Evidence Based Policy Fund. One of the criteria for this funding was that the project was sponsored by another government department and matching funding was provided by the Department for Work and Pensions (DWP) on the grounds that child poverty is also their policy responsibility.[6] Inland Revenue, now responsible for all the family tax credits and Child Benefit, also have an interest in this policy area as do the Department of Health (especially on Health Costs) and the Department for Education and Science (especially on Education Costs).

Why might they and others be interested in comparisons of child benefit packages? There are a variety of motives that come to mind.

- For national governments there is often the motive that they want to either:
  - learn lessons from abroad and/or
  - compare how they are doing.
- For international bodies there is the question of whether and to what extent policies are converging or diverging to meet, for example, EU social inclusion objectives.
- For the academic community the motives range from the testing of hypotheses about the nature of welfare states, the drivers of welfare state effort, convergence theory, the impact of globalisation, the nature of policy borrowing, and other common preoccupations in the comparative literature.

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[6] DWP and HMT both have a Public Service Agreement target to reduce the number of children living in low-income households by at least a quarter by 2004.

Then there is the general concern of commentators (see for example Esping-Anderson et al., 2001) that over the last 30 years or so industrial welfare states have restructured their efforts in favour of older people to the relative neglect of families with children. Associated with this, and perhaps most importantly of all, there is the hypothesis that the decline in fertility experienced by all industrial countries in the last three decades is somehow associated with the failure of the welfare states to share sufficiently with parents in the costs of child rearing. Certainly this is an issue of special concern in Japan, Italy and Spain. The generosity of the child benefit package is certainly not the only factor to influence fertility, nor perhaps the most important. But, as we argue in Chapter 11, on theoretical grounds it may be one factor.

1.4 Methods

There are broadly five ways in which to compare tax/benefit packages for families with children:

- International data bases.
- Micro-simulation models.
- Outcome studies.
- Analysis of National Accounts.
- Model family methods.

Each of the first four methods is discussed in Appendix 1.1 but in this study we will be using model family methods.

1.5 Model family method

The model family method is an attempt to make comparisons of the tax/benefit package controlling for some of the variation that exists. It has, as a premium, the aspiration to compare like with like. A number of studies using this method have been carried out at the University of York (Bradshaw et al., 1993; Eardley et al., 1996; Bradshaw et al., 1996; Kilkey, 2001; Ditch et al., 1995, 1996, 1998; Kemp, 1997) but we do not claim to have pioneered this method in comparative research. The OECD has been using the method for many years in its series now called Taxing Wages (OECD 2001a). The latest edition covers the situation in 1999. This collects information on the treatment of standard families[7] by the tax/benefit system. Data is also collected by OECD on short-term unemployment benefits and on social assistance and used to derive replacement rates (see OECD, 1998). Although this report uses similar methods to OECD, it is more up-to-date and covers a wider range of family types, income levels and elements of the child benefit package.

In an effort to make comparisons between countries' benefit systems and to ensure that as far as possible like is being compared with like, national informants complete a set of matrices (see Appendix A.1 for an example of a matrix).

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[7] Their analysis covers a childless single person on two-thirds, average and one-and-two-thirds average earnings; a lone parent at two-thirds average earnings; a childless couple at average and a third average and couples plus two children on average, average and a third average and average and two-thirds average earnings.

1.5.1 Income cases

There are eight sheets for each country representing different INCOME CASES as follows:

- Case1: One earner working 16 hours per week (64 hours per month) for the minimum wage in each country[8].
- Case 2: One earner, half national average male earnings or the minimum wage (for a 35 hour week) if higher.
- Case 3: One earner, half national average female earnings or the minimum wage (for a 35 hour week) if higher.
- Case 4: One earner, average male earnings.
- Case 5: One earner, average female earnings.
- Case 6: Two earners, average male earnings and half average female earnings (or the minimum wage for a 35 hour week if higher).
- Case 7: Two earners, one on average male earnings and one on average female earnings.
- Case 8: No earners - receiving social assistance.

These choices are designed to cover a range of earning types and levels in each country. The cases cover average (and proportions of average) male and female earnings. It was decided not to take a 'rich' case in this study because the child benefit package is arguably of less importance at such a level of earnings. Case 7 represents the top end of the earnings distribution in this study.

1.5.2 Family types

On each sheet there are columns for different FAMILY TYPES as follows:

- Single (all adults assumed 35 years old).
- Couple (assume married).
- Lone parent (assume divorced) plus one child (aged 2 years and 11 months) receiving full-time, formal, not in school childcare of the most common form in the country. No childcare in the social assistance case.
- Lone parent plus one child (aged 7) at school, no childcare.
- Lone parent plus two children (aged 7 and 14) at school.
- Couple plus one child (aged 2 years and 11 months) receiving full-time, formal, not in school childcare of the most common form in the country. No childcare if there is a non-working spouse or in the social assistance case.
- Couple plus one child (aged 7) at school, no childcare.
- Couple plus two children (aged 7 and 14) at school.
- Couple plus three children (aged 7, 14 and 17) all at school.

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[8] In the UK tax/benefit system those working 16 hours or more are deemed to be in employment and covered by in-work tax/benefits. Those working less than 16 hours are entitled to out-of-work benefits. Therefore 16 hours was chosen for Case 1. Also, some countries do not have a minimum wage and therefore 14 per cent of the national wage was assumed.

The data is collected on childless singles and couples so that we can calculate how much more (and in some countries less) lone parents and couples with children receive as a result of the tax benefit package. Data is collected on school age and pre-school age children to assess the costs of pre-school childcare. The 17 year old represents a child staying on at school after school leaving age. The number of children ranges from one child to three children. This represents the most common family types in most countries.

1.5.3 Child benefit package

There are 14 rows to each matrix with a row to record:

- gross earnings;
- income tax payable;
- employee social security contributions;
- income-related child benefit;
- non-means-tested child benefit;
- gross housing costs;
- net housing costs;
- gross local taxes;
- net local taxes;
- net childcare costs;
- health charges/benefits;
- education charges/benefits;
- guaranteed child support, and
- other.

The national informants completed the matrix according to a set of instructions, which included specification of the earnings levels, the size and type of dwellings, location in each country, type of childcare, standard packages of health and education and other instructions.

Housing costs

Housing costs vary with tenure, the age, size and location of the dwelling and with what supply side ('bricks and mortar') subsidies are available. In our early matrix method studies we asked national informants to provide a typical rent for the most prevalent form of rented accommodation in a given place for a dwelling of a given size. This produced widely varying housing costs - from a rent controlled private flat in Barcelona, Spain to an apartment in New York. The rents varied with household size but not income. In this study we decided to adopt the OECD method of taking rent as 20 per cent of average earnings. Thus gross rent does not vary with the size of the dwelling or income but is a consistent proportion of earnings in each country. Basically the problem of housing costs is not resolvable - any solution is arguably the least bad. The problem is that housing subsidies are an important part of the child benefit package. A number of countries move up or down the league table on the basis of whether their package is assessed before or after housing costs. Housing is discussed further in Chapter 4.

Net childcare costs

This is the charge that typically has to be paid for full-time formal childcare of the most common form in each country. Informants are asked to deduct any direct subsidy or allowance that a family would receive towards these costs. More detail is given in Chapter 5.

School costs

It is assumed that the seven year-old child is attending a public primary school and the 14 and 17 year-olds are attending a state secondary school. We assume that the children can walk to school so there are no transport costs. Occasional small voluntary contributions to school funds or charges for outings (such as going to a museum) are ignored. Only fees or costs that parents must pay for books or equipment are included. We assume that the parents have to pay for a midday meal at school or provide a packed lunch. The cash equivalent value of any free school meals is treated as a benefit. For the 17 year old any benefit payable to keep children on at school after statutory school leaving age is included. More details are given in Chapter 5.

Health costs

The baseline assumption is that health care is free at the point of demand and funded by tax and/or social security contributions. Included in the matrix are only health insurance premiums that are required to match this assumption and any costs that families have to pay for a standard package of health care. As far as charges are concerned we asked the informants to assume:

- no inpatient episodes;
- each member of the family visits the dentist for a check-up twice per year and has a cavity filled on one of these visits;
- each member of the family visits the general practitioner once per year and receives a prescription for a standard antibiotic.

The estimate of health costs is the charges payable after any rebates or deductions or refunds. More detail is given in Chapter 6.

Child support

This is only included (for the lone parent) if it is guaranteed i.e. underwritten by the state and paid regardless of whether the non-resident parent pays.

Other

Other is for items that are not included above. If social assistance is paid to low earners in employment it is inserted here.

1.5.4 Problems with the model family method

There is room to argue about these choices. They are designed to ensure that like is being compared with like but they inevitably mean that the model families are illustrative rather than representative. In each country the child benefit package has unique features but a decision has to be made for all countries and the type of decision made is inevitably driven by the interest of the funding country - in this case the UK. The health costs assumptions are perhaps particularly informed by the existence of the National Health Service in the UK, free at the point of demand. For other countries the

assumptions do present problems. Take for example Japan which is the most problematic of all for fitting into these assumptions (Tokoro, 2000):

- No other country spends as much as Japanese families do on after school schooling for their children. This private expenditure is very prevalent and reduces the living standards of Japanese families by an average of about £100 per child per month.
- In addition, Japan has a seniority wage system. Wages rise with experience and how long a person works for the company. Under the job for life arrangements and because of the tendency for people to work for the same employers, employee earnings in Japan effectively increase with age - perhaps more than in any other country. In other countries earnings rise with seniority or experience but not with age. A line worker in a Toyota plant in Japan will see his earnings rise with his length of service but this is not the case in the same factory in the UK.
- Earnings are also adjusted by employers after marriage and also often for the burdens of children. Thus there is a parallel child benefit package provided by the private sector, which certainly does not exist to the same extent in any other country.
- However companies also make contributions to other costs in Japan - many employers pay the whole of their employees' commuting costs as well as a contribution to their housing costs. These hidden earnings subsidies are substantial.
- Further, in estimating earnings, we certainly need to (and do) take account of the very common system of bonuses paid commonly twice/three times a year and typically representing the equivalent of four months' additional salary.
- Then in Japan there are big differences between the average earnings of men and women. These occur because of the highly segregated labour market for men and women not because of unequal pay for equal work.
- Finally, there are questions to be asked about the social assistance case in Japan. As in some other countries, social assistance is administered by welfare services, and although there are national scales of benefit, it is a highly stigmatised system and probably not taken up by many of those entitled to it, who prefer to rely on family help.

These are some of the criticisms that can be made of the model family matrix method (for others see Eardley, 1996). In the end it is a technique for making comparisons of social policies easier - for comparing like with like. The cases chosen are not representative - they are illustrative. However in Chapter 11 we produce a selected and weighted version of the model families in an effort to better represent the actual population mix that might be found in practice. The model family method seeks to show how the tax benefit system should work given the national arrangements that exist, rather than necessarily how it does work.

1.6 Converting national currencies

National informants provided data on their child benefit packages in national currencies. In order to make comparisons between countries it is necessary to convert national currencies to a common amount. There are two approaches to this: first to convert money amounts to a common currency; or second to express amounts as a proportion of gross average earnings in each country.

The first approach provides an absolute comparison and the second approach a relative comparison. Most of the analysis in this report will be based on a comparison using £ sterling purchasing power

parities but in Chapter 11 comparisons will be made between rankings using both methods. Further discussion of the conversions undertaken can be found in Appendix A.2.

1.7 Organisation of the report

National social policies operate in the context of varying demographic and labour market contexts and the national informants in this study provided us with data on these contexts, which are summarised in Chapter 2. Then in Chapters 3 – 9 we present the results of the study in relation to the different elements of the child benefit package. Chapter 3 examines the impact of taxes and cash benefits. Chapter 4 covers housing costs and how they are mitigated by subsidies and benefits. Chapter 5 explores the costs of pre-school childcare and the costs and benefits entailed in going to school. Chapter 6 summarises the charges that parents are expected to pay for a standard package of health care for their children. Chapter 7 is slightly different as it presents the results derived from the details of maternity benefits and maternity leave which were not included in the matrix calculations. Chapter 8 describes the level and structure of the social assistance regime for families with children who are not in the labour market. Chapter 9 brings together all the detail in Chapters 3 – 6 and compares the structure and level of the child benefit package. Chapter 10 uses the earlier data to compare marginal tax rates and replacement rates. Chapter 11 produces an overall ranking of countries and tests a variety of hypothesis for the variations in the child benefit package that have been observed. The annexes contain additional material and an appendix contains a summary of the package for each country.

Besides this report and its appendices we have created a website:

http://www.york.ac.uk/inst/spru/research/summs/childben22.htm

which contains:

- the policy questionnaire that we received for each country, including information on sources;
- the model family matrix for each country.

2 The demographic and labour market context

2.1 Introduction

The child benefit package and other family policies operate at a national level in a particular demographic and labour market context. Policies may influence as well as be influenced by that situation. In this chapter we produce a comparative analysis of this context.

The analysis is based on information supplied by national informants. In providing the data, they had to rely largely on published sources in their own country. In a few cases, however, either the informants or a government agency undertook secondary analysis of population surveys to provide statistics that met our specifications. Not all countries could provide all the data asked for. Where there were gaps we tried to fill them using international sources but inevitably there remain some gaps in the tables. The list of sources used in each country are given in the questionnaire, which can be found on the website (http://www.york.ac.uk/inst/spru/research/summs/childben22.htm).

2.2 Demographic context

This section compares some of the relevant demographic characteristics of countries.

2.2.1 Population size and structure

Table 2.1 shows that the overall population size of the countries in this study varies from just under half a million in Luxembourg to over 276 million in the US. The proportion of children in the population and their age structure is influenced by recent variations in fertility. The table demonstrates that the proportion of children under 16 varies from only 16 per cent in Greece, Italy, Japan and Spain to nearly a third (31 per cent) in Israel.

Table 2.1 Population size and structure

	Total population	Children <16 as % of the total population	Child aged 0-4 as % of children aged under 16	Child aged 5-15 as % of children aged under 16
Australia (2000)	19,277,100	20	32	68
Austria (2001)	8,123,000	18	28	72
Belgium(2000)	10,239,085	19	30	70
Canada (2001)	31,050,711	20	27	73
Denmark (2001)	5,349,212	22[1]	29[2]	71[3]
Finland (1999)	5,171,000	20	30	70
France (1999)	58,518,000	19	27	73
Germany (1999)	82,163,500	17	29	71
Greece (2001)	10,939,771	16[4]	31	69
Ireland (2000)	3,786,900	23	30	70
Israel	6,200,300*	31*	21**	79**
Italy (2000)	57,679,895	16	30	70
Japan (2000)	126,920,000	16	29	71
Luxembourg (2001)	441,300	20	34	66
Netherlands (2000)	15,863,950	19	33	67
New Zealand (2001)	3,792,654	23[4]	32	68
Norway (2000)	4,490,967	21	32	68
Portugal (1998)	9,968,400	17[4]	33	67
Spain (1999)	40,202,160	16	29	71
Sweden (2000)	8,882,792	20	26	74
UK (2000)	59,765,000	20	30	70
USA (2000)	276,059,000	21[4]	32	68

[1] under 18

[2] as a % of under 18

[3] 5-18 as % of under 18

[4] under 15

* 1999

** 1998

2.2.2 Family demography

Table B.1, which can be found in Appendix B, presents a selection of key statistics on family demography. The fertility rate is the number of children that would be born to a woman if the current pattern of fertility persisted throughout her child-bearing life. The replacement fertility rate is 2.1. Only Israel has an above replacement rate fertility and the USA is achieving the replacement fertility rate. The lowest fertility rates are in Italy and Spain (both 1.2), Austria and Greece (both 1.3). The fertility rate for the UK is 1.6. The live birth rate is the number of births per thousand population of all ages. It is related to fertility but is also influenced by the size of the group of women who are of childbearing age. Excluding Israel (for which there is only information of the number of births per thousand women), the birth rate varies from 9.2 in Germany to 14.7 in New Zealand, whereas the birth rate for the UK is 11.2.

The crude marriage rate (the number of marriages per 1,000 population of all ages) and the crude divorce rate (the number of divorces per 1,000 population of all ages) are presented in Table B.1.

Whilst these definitions have obvious limitations (for example, they include people of unmarriageable age, including children), we have used them to make the data more comparable. Whilst marriage is still relatively popular in the USA (8.3), the marriage rate has been declining in many countries and is lowest in Sweden (3.8), whereas the UK is positioned in the middle with 5.1. The declining marriage rate is associated with the increase in cohabitation (for which there is no comparable data) but also with the proportion of live births outside marriage, which varies considerably between countries. Sweden (55 per cent) Norway (49 per cent), Denmark (45 per cent), New Zealand (42 per cent) and UK (40 per cent) have the highest proportion of live births outside marriage. In contrast, Israel and Japan have only two per cent of all births occurring outside marriage.

Marriages may be relatively popular in the USA but it is also the country with the highest divorce rate (4.2) in our study. Figures are not yet available for Ireland because divorce has only been lawful since 1997. The Southern European countries have comparatively low divorce rates: Italy (0.6), Greece (0.9) and Spain (0.9).

The proportion of live births to mothers aged 15-19 also varies between countries. The Anglophone countries USA (12.3 per cent), New Zealand (8.4 per cent), UK (7.6 per cent), Ireland (5.8 per cent), Canada (5.7 per cent) and Australia (4.7 per cent) have the highest rates. The Netherlands (0.5 per cent), Portugal (0.6 per cent), Sweden (1.4 per cent) and Denmark (1.5 per cent) have the lowest rates.

2.2.3 Lone parents and lone mothers - prevalence and type

Lone parents face particular challenges - they carry the dual responsibility of being the main breadwinner and the main carer in a labour market where caring responsibilities may not be recognised (OECD, 1999). The definition of a lone parent is not entirely consistent between countries - Netherlands and Norway include mothers who are cohabiting with men who are not the father of their child. In the southern EU countries many lone parents live in multi-unit households and are hard to identify. The UK's definition includes a mother or a father living without a spouse (and not cohabiting) with his or her never-married dependent child or children. Table 2.2 gives the prevalence of lone parent and lone mother families as a proportion of all families with children and the proportion of lone parents who are female (lone mothers). The prevalence of lone parents varies from 29 per cent in the USA and New Zealand and 22 per cent in the UK and Denmark to three per cent in Greece and eight per cent in Israel and Japan. New Zealand (24 per cent), the USA (23 per cent) and the UK (20 per cent) have the highest proportion of lone mothers and Japan and Israel (seven per cent) the lowest. Over 80 per cent of lone parents are females (as opposed to males) in nearly all the countries in our study, varying from 83 per cent in Canada and the USA, to 99 per cent in Portugal.

Table 2.2 Lone parents and lone mothers as a percentage of all families with children: most recent data

Percentage of all working age of lone parents parents with dependent children	Lone parents %	Lone mothers %	Lone mothers as % of lone parents
Australia (2000)	21	18	86
Austria (1999)	15	14	90
Belgium (1997)	12	11	89
Canada	(1998) 17	(1996) 14	(1996) 83
Denmark (2001)	22	18	87
Finland (1999)	19	17	88
France[1] (0-24) (1999)	12	10	85
Germany (2000)	21[1]	18[2]	85
Greece (1999)	3	..	82
Ireland (1999)	14	14	95
Israel	(1999) 8	(1999) 7	(2001) 96
Italy	*(1995) 10*	..	(1998) 84
Japan (1999)[2]	8	7	85
Luxembourg (2000)	11	10	93
Netherlands (2001)	13	12	89
New Zealand (2001)	29	24	84
Norway[3]	(1998) 19	(2000) 16	(2000) 89
Portugal (1996)	13	13	99
Spain	*(1995) 9*	..	(1999) 88
Sweden (1990)	18	16	85
UK (2001)	22	20	91
USA (2000)	29	23	83

Italics = data obtained from Eurostat (2000)

.. = data not available

[1] Dependent child = 0-24 and no reference to working age parents

[2] Excludes lone parents living in three generation families. Dependent children = age under 18

[3] Dependent children = age under 18. For column 2, the data is for children only (ie. of all children in Norway under 17, 16 per cent were living with a lone mother).

Table 2.3 gives the marital status of lone mothers. 'Single' refers to lone mothers who are never married or who have never cohabited with a partner. It is more difficult to attach a single definition to 'separated' since each country has a different definition- in the UK it includes both those separated from cohabitating and also those separated from marriage (but not divorced). In Italy lone mothers are more likely to be widows. In Ireland, New Zealand, the UK and the USA they most likely to be single (including ex-cohabitants). In the other countries they are most likely to be divorced.

Table 2.3 Marital status of lone mothers

	Lone mothers			
	Single	Separated	Divorced	Widowed
Australia	..	..	..	..
Austria (1999) %	26	8	34	32
Belgium (1997) %	16	29	39	14
Canada	..	..	..	..
Denmark	..	..	..	..
Finland (1999) %	34	13	48	5
France	..	..	..	..
Germany (1999) %	27	13	39	22
Greece	..	..	..	..
Ireland (1999) %	63	29	2	6
Israel (1999) %	10	12	58	18
Italy (1998) %	7	..	31	63
Japan (1998) %	7	4	68	19
Luxembourg (2000) %	22	23	34	22
Netherlands (2001) %	33	11	51	6
New Zealand (1996) %	46	29	20	5
Norway	..	..	..	..
Portugal (1996) %	13	19	31	30
Spain (1999) %	12	4	57	27
Sweden	..	..	..	..
UK (2001) %	46	20	29	4
USA (2000) %	43	18	35	4

.. = data not available

2.3 Employment context and earnings

Tax and benefit policies also operate in the context of, and help to shape, employment patterns and earnings. These two issues therefore have an important part to play in influencing the financial burden of bringing up children. The next section of this chapter explores the difference between couples with children and lone parent families in relation to employment. In the next section we consider mean and median earnings, and the relationship between male and female earnings. Finally we explore the characteristics of the minimum wage and its relationship to mean and median earnings. On interpreting the data, it must be taken into account that it is impossible to know whether the employment rates for mothers include (or exclude) women on maternity or parental leave. On the one hand, including them may overestimate the employment rates if the mother is not intending to return to work after the leave period is finished. On the other, excluding them may underestimate the proportion of women in employment, especially if they are expecting to return to work after the leave period. We do not examine flexible forms of employment such as temporary, short-term and casual employment. Whilst these can expand employment opportunities, especially for women, job and income security and conditions of employment are usually inferior. Nor do we explore shift work or weekend work. Parents are often forced to accept jobs with working hours that may make it very difficult to combine paid work with caring for children. In Finland for example, about nine per cent of all children in early childhood education and care had parents who worked shifts or irregular hours (OECD, 2001e). These work patterns have obvious implications for childcare arrangements.

2.3.1 Workless households

In Europe, a child who lives in a household with no working adult is more than four times as likely to be growing up in poverty than a child with at least one working adult (UNICEF, 2000). Table 2.4 gives the number of workers in two-parent households compared to lone-parent households. The proportion of couples with children in workless households varies from only two per cent in Austria, Japan and Luxembourg to 30 per cent in France. In the UK, seven per cent of couples with children live in workless households. The proportion of workless lone parent households varies from 12 and 13 per cent in Portugal and the USA to 58 per cent in the Netherlands. In the UK, 47 per cent of lone parents live in workless households. The extent to which lone parents are more likely to live in workless households is presented in the final column which gives the ratio of workless lone-parent households to workless two-parent households. In all countries for which data is available, lone-parents are more likely to live in workless households than couples with children, with the exception of the USA. Lone parents are 21 times more likely to live in workless households in Austria and over ten times more likely in the Netherlands (and Greece). In the UK, lone parents are about seven times more likely as couples to live in workless households. However, in France (in the case of children under two) and Portugal, they are only twice as likely. Some couple households have more than two workers and in some lone-parent households there is more than one worker. The additional worker refers only to children aged 16-18 years in employment. Two or more children aged 16-18 years can be in employment and therefore more than three workers can be present in a lone-parent household.

Table 2.4 Percentages of workless lone-parent and couple households with dependent children

	Couples with children				Lone Parents				Ratio of workless lone-parent households to workless two-parent households
	No workers	One worker	Two workers	Three workers or above[1]	No workers	One worker	Two workers[1]	Three workers or above[1]	
Australia (2000)%	5	26	69	..	44	44	13	..	8.8
Austria %	(1999) 2	(1999) 35	(1999) 63	..	(1998) 42	(1998) 58	..	..	21.0
Belgium (1997) %	6	29	63	2	36	61	3	0	6.0
Canada (1996) %	11	29	59	..	47	53	..	..	4.3
Denmark%	..	..	..	..	..	..	..	..	
Finland (1996) %	8	32	57	4	35	61	4	1	4.4
France[2] (1999) %	30	26	44	..	44	56	..	..	1.5
Germany (1999) %	22	45	33		..	..	..	..	
Greece[4] (1999) %	3	47[3]	46	..	41	59	..	..	13.7
Ireland[5] (1999) %	9	37	44	11	43	46	9	2	4.7
Israel%	..	..	..	..	..	..	..	..	
Italy%	..	..	..	..	..	..	..	..	
Japan (1999) %	2	47	38	14	..	84	..	..	
Luxembourg (2000) %	2	58	36	4	17	79	3	1	8.5
Netherlands[6] (1997) %	5	52	42	..	58	42	..	..	11.6
New Zealand (2000) %	..	..	..	..	55	..	..	..	
Norway%	..	..	..	..		..	..	..	
Portugal (1996) %	6	30	54	10	12	80	8	0	2.0
Spain%	..	..	..	..	..	..	..	..	
Sweden%	..	..	..	..	..	..	..	..	
UK (2001) %	7	21	59	13	47	42	8	3	6.7
USA (1999) %	13	22	51	14	13	56	31	..	1.0

.. = data not available

[1] These figures refer only to children aged 16-18years in employment

[2] children under age 24.

[3] children under age 6.

[4] Man ft, woman not working (figure is not comparable with other countries in this study)

[5] It is not possible to discriminate between full-time and part-time earnings in Ireland. These figures are all employees. This means that the gap between men and women shown in Table 5.8 is wider than it would be for full-timers only.

[6] No work includes those working less than 12 hours a week. Figures for Lone parent is for lone mothers only

2.3.2 Employment status

In this section we explore employment and unemployment rates and the number of hours mothers are working. An important issue is how those on maternity and parental leave are treated within employment data, i.e. whether they are treated as employed. This is a difficult question to answer and will inevitably be different for each country but it is a problem that should be taken into account when interpreting the employment data.

Table 2.5 gives the individual employment status of married/cohabiting mothers compared to lone mothers. Many countries were unable to supply the required data and therefore the rates are difficult to compare. The employment rate for mothers in couples is highest in Norway (81 per cent) and lowest in Ireland (42 per cent). In the UK, it is 68 per cent. For lone mothers, the employment rate is highest in Portugal (88 per cent) and Japan (83 per cent)[9] and lowest in the Netherlands (42 per cent). In the UK, the employment rate for lone mothers is 50 per cent. Lone mothers are more likely to be employed than mothers in couples in Austria, Ireland, Germany, Ireland, Japan, Luxembourg, and Portugal but are less likely to be employed in Belgium, Netherlands, Norway and the UK. They are just as likely to be employed in Finland[10] and France and the USA.

[9] In both these cases high proportions of lone mothers live in three generation families and this might explain their high participation rates.

[10] Data for married/cohabiting mothers in Finland is for a different year than that for lone mothers.

Table 2.5 Employment status of married/cohabiting mothers and lone mothers of dependent children (%)

Child under 19 years	Married/cohabiting mothers				Lone mothers			
	Employed	Employed< 16 hours	Employed 16-29 hours	Employed 30+ hours	Employed	Employed< 16 hours	Employed 16-29 hours	Employed 30+ hours
Australia[1] (2000)	58		39.9*	60**	46		35*	23**
Austria (1999)	58		54*	..	80		40*	..
Belgium (1997)	65	2	19	31	59	1	14	36
Canada (1996)	..	..	..	..	51	..	..	..
Denmark	..	..	..	..	*73 (1995)*	..	..	..
Finland[2]	67 (1996)		18* (1996)	82** (1996)	65 (1998)		17 * (1998)	83** (1998)
France[3] (2001)	67	12	20	67	66	12	15	73
Germany[4] (2000)	63		43*** (1997)	57**** (1997)	67 (2000)		34*** (1997)	66**** (1997)
Greece (1996)	..	..	..	..	75	..	..	..
Ireland (1999)	42	2	29	69	53	3	52	45
Israel (1999)	46		37	61	..	..	..	..
Italy	..	..	..	..	65 (1998)	..	..	..
Japan[3] (1999)	45	..	..	..	83	..	..	..
Luxembourg (2000)	48	12	46	42	82	2	17	81
Netherlands[5] (1997)	45	..	..	..	42	..	..	..
New Zealand (2001)	64		28	36	45		20	24
Norway (1999)	81	22+	37++	41+++	68	17+	33++	51+++
Portugal (1996)	59	2	10	88	88	0	9	91
Spain (1991)	..	..	..	..	*68*	..	..	..
Sweden (1998)	..	..	..	..	68	..	..	..
UK (2001)	68	21	37	42	50	12	41	47
USA[6] (2000)	68		72*	28**	68		82*	18**

* <35 hours, ** >35 hours, < 36 hours ***, > 36 hours ****, +under 19, ++20-34, +++35+

Italics =obtained from source other than national informant

1 Mothers with children under 15

2 Lone parents

3 Children under 18

4 All married mothers and all lone mothers

5 Employed = those working 12 hours or more a week

6 Married women only

Employment status also varies with the age of the youngest dependent child, as well as other factors such as number of children, but we were unable to collect sufficiently consistent data to work the comparisons.

It is important to put mothers' unemployment rates in the context of that of the general population in order to understand the effect that having children has upon women's capacity and willingness to look for and to find suitable work. Table B.2 shows the unemployment rate for the general population over 16, for the female population over 16, for mothers in couples and for lone mothers. The ILO definition of unemployed[11] has been used unless otherwise stated. Care must be taken when analysing the data since dates are not always consistent. Also, the unemployment figures relate to those registered as unemployed and will therefore be influenced by the eligibility conditions of the benefit system in each country.

The ILO female unemployment rate is significantly higher than that of the general population in the Southern European countries; Greece, Italy and Spain. Married/cohabiting mothers in the Netherlands and the UK are significantly more likely to be unemployed than females in the general population. This indicates that in these countries mothers find it difficult to find a suitable job that will allow them to combine paid work with looking after children. Also, in the case of the UK, those registered as unemployed are able to work below 16 hours. For mothers, this could provide a solution to the problem of reconciling work and family life.

The proportion of unemployed lone mothers ranges from two per cent in Ireland and three per cent in the UK to 19 per cent in France and 20 per cent in Germany. Italy and Spain are the only two countries in our study (and for which data is available) with a lone mother employment rate that is significantly lower than the female unemployment rate. This suggests that in these countries rather than looking for paid work, relatively high proportions of mothers are staying at home to look after children. In contrast, the fact that the Netherlands and the UK are the only two countries in which lone mothers are less likely to be unemployed than mothers in couples highlights the economic necessity of finding paid work for lone mothers in these countries compared to mothers in couples.

2.4 Earnings

Even parents that are working may not be earning enough to support their families. This section explores mean and median earnings and the level of the minimum wage in those countries that have one. All data is for July 2001, unless otherwise specified.

Portugal has the lowest mean monthly earnings (£757 purchasing power parities [see Chapter 1 and Appendix B, Table B.3]) whilst USA has the highest (£2142 ppps). The USA has both the highest male and female average earnings. The UK has the fourth highest overall earnings, the third highest male but the fifth highest female earnings. More information can be found in Appendix B.

Median average earnings are presented in Appendix B, Table B.4. Of the countries for which median earnings are available, Greece has the lowest overall median (£465 ppps) monthly earnings and Canada the highest (£1772 ppps). Canada also has both the highest male and female median earnings. The UK has the fourth highest overall median earnings (£1595 ppps) and female median earnings (£1338 ppps) but the third highest male earnings (£1761 ppps).

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[11] The unemployed are those aged 16 or over without a paid job who are available to work in the next two weeks, and who either had looked for work in the last 4 weeks, or were waiting to start a job they had already obtained.

The 'gender wage gap' is presented in Table 2.6, measured firstly as female mean earnings expressed as a proportion of male mean earnings and second as female median earnings expressed as a proportion of male median earnings. The gender wage gap within and across countries is related to three main factors: 1) gender differences in employment with respect to sector, occupation, firm size, skills, job tenure and overall work experience, hours worked; 2) the returns to each of these factors in terms of relative wages and 3) discrimination of women, often related to the child rearing process (OECD, 2001d).

In terms of mean earnings, the gender wage gap varies from relative equality between the sexes in Norway (90 per cent), Italy (85 per cent) and Luxembourg (83 per cent) to relative inequality in Israel (female mean earnings are only 60 per cent of male mean earnings), Austria (61 per cent) and Japan (62 per cent) (see Table 2.6). For all countries with available data, the gender wage gap by median earnings is greatest in Israel (female median earnings are only 67 per cent of male median earnings), but the English speaking countries - Canada (74 per cent), the UK (76 per cent) and the USA (76 per cent) also have significant wage gaps. In terms of median earnings, gender equality is highest in Greece (95 per cent), France (92 per cent) and Italy (92 per cent). Low inequality in Southern European countries may simply indicate that few women are actually undertaking paid work and that certain types of work that attract low pay and have been feminised in other countries are being undertaken by men.

Table 2.6 Gender wage gap: Female full-time earnings as a proportion of male full-time earnings

Country	Mean (%)	Median (%)
Australia	81	
Austria	61	80
Belgium	82	87
Canada	72	74
Denmark	82	
Finland	79	81
France	81	92
(West) Germany	75	
Greece	80	95
Ireland	66	
Israel	60	67
Italy	85	92
Japan	62	
Luxembourg	83	87
Netherlands	65	81
New Zealand	76	
Norway	90	
Portugal	73	
Spain	75	
Sweden	78	83
UK	74	76
USA	73	76

2.4.1 Minimum wage

The existence of a minimum wage provides a floor to earnings which the child benefit package can build on. Only five countries in this study (Austria, Finland, Germany, Norway and Sweden) do not have a legal requirement for a minimum wage and none of these have plans to introduce one. Denmark also does not have a minimum wage in a legal sense (wages are left to agreement between the social partners) but since most employees are members of a trade union, they have, in practice an equivalent of a minimum wage.[12] Of those who do have a minimum wage, Ireland, Israel and the UK have only introduced a minimum wage in the last four years. Australia also recently introduced a national minimum wage (in 1997), but before this there was a series of industry-based minimum wages as part of the award system. Please see Appendix B, Table B.5 for more detail.

The minimum wage varies by age in Belgium, Canada (but only if the employed person is a student), Greece, Ireland, Israel (but only if the employed person is a student or under 18), Luxembourg, Netherlands, New Zealand and the UK. Spain's minimum wage has not varied by age since 1998. The amount received varies by type of work in Australia, Belgium, Canada, Denmark, Greece, Italy, Japan and Portugal and by the number of hours worked in Canada (but only if the employee is a student), France, Netherlands and Portugal. In New Zealand the minimum wage applies only to hours worked above eight hours a day. No country has variations by how the person is paid. Other ways in which the minimum wage varies in the countries in our study is by work experience in Belgium; length of service and marital status in Greece; career level in Italy; geographical area in Japan and Canada; and by whether the person is qualified in Luxembourg.

Only five countries (France, Israel, Luxembourg, the Netherlands and Spain) uprate the minimum wage in line with average wages and others increase it according to inflation rates or consumer prices. Since 1996, Ireland, Israel, Luxembourg, New Zealand, UK[13] and USA have all increased the value of their minimum wage. The minimum wage has also been increased in Canada but not in Ontario (the reference Province for this study). Only two countries had concrete plans to increase the minimum wage. These are the UK, in October 2001, and Ireland, in October 2002.

Table 2.7 gives the level of minimum wage in £ppps per month and the ratio of the adult minimum wage to mean and median full-time wages. In cash terms and as a proportion of average earnings Denmark has the highest level of minimum wage. Portugal has the lowest in cash terms and Japan and the USA the lowest as a proportion of average earnings. The UK has a minimum wage that falls somewhere in the middle. Belgium, Denmark, France and Italy all have a minimum wage that is higher than 50 per cent of the mean earnings. In contrast, Canada, Japan, Spain and the USA's minimum wage is set at only around a quarter of the mean earnings whereas, the UK's minimum wage is set at 30 per cent of the mean earnings.

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[12] The minimum pay agreed by the trade union organising the lowest paid workers (supermarket checkout personnel etc.) has been used in the matrix.

[13] The UK's minimum wage increased to £4.10 in October 2001 and will increase to £4.20 in October 2002.

Table 2.7 Minimum wages in £ ppps per month and ratio of adult minimum wages to mean and median full-time wages

Country	Minimum wage (monthly) £PPPs	% of mean	% of median
Australia	869	48	..
Austria	no legal requirement to have a minimum wage		
Belgium	828	52	59
Canada	559	28	32
Denmark	1035	57	..
Finland	no legal requirement to have a minimum wage		
France	765	51	62
Germany	no legal requirement to have a minimum wage		
Greece	441	42	95
Ireland	615	46	..
Israel	447	40	56
Italy	728	51	61
Japan	432	24	..
Luxembourg	851	44	51
Netherlands	798	44	57
N. Zealand	512	38	..
Norway	no legal requirement to have a minimum wage		
Portugal	329	44	..
Spain	366	28	..
Sweden	no legal requirement to have a minimum wage		
UK	561	30	35
USA	507	24	30

.. = median earnings data not available

2.5 Conclusion

Generally, the Anglophone and Nordic countries have higher divorce rates and high proportions of lone parents and births outside marriage. They also have a high proportion of mothers in employment and the dual worker couple household is the norm. This suggests that in these countries, the male breadwinner family has weakened and women are able to form separate households and be economically independent from men. However, the shift towards greater female economic independence is only partial; the gender wage gap is significant among the Anglophone countries and the minimum wage is relatively low in the USA, UK and Canada.

In contrast, the Southern European countries; the Netherlands; Japan and Ireland have low divorce rates and low proportions of lone parents and out of marriage births. They also have low proportions of mothers in employment and the one-earner couple family prevails; women are still relatively economically dependent upon men. Nevertheless, in Italy and Greece, the gender wage gap is small and in Portugal, Italy and the Netherlands, the minimum wage is comparatively high relative to mean and median earnings.

This mixed demographic and labour market context suggests that other factors not included in this study, such as levels of education and work type, are having an impact upon employment rates and earnings. It also suggests, however, that a varied family policy picture exists between countries that is being influenced by, but also influencing, the demographic and labour market trends. We shall turn to an important aspect of this policy; the child benefit package.

3 Income tax, social security contributions and cash benefits for families in employment

3.1 Introduction

This chapter begins the comparison of the child benefit package by introducing the most important elements for those in employment. (The arrangements for those out of employment are considered in Chapter 8.) This chapter explores how the earnings of parents in employment are treated by income tax and social security contributions and specifically how tax allowances and credits assist families with children. Then it examines what income-related and non-income-related cash benefits families with children are entitled to. These elements of the package are dealt with in the same chapter on the grounds that the income tax system and cash benefits are alternative ways of delivering financial help to families with children - indeed, as we shall see, many countries use both methods.

3.2 Income tax

Income tax systems can redistribute income from childless families to families with dependent children through tax benefits - either tax allowances or tax credits specifically aimed at families with children. Tax allowances are the amounts subtracted from the tax base to arrive at the taxable income. Tax credits are subtracted after gross tax has been assessed. There are two ways that these can have an effect on children:

- To maintain horizontal equity throughout the income distribution - tax allowances are usually chosen because their value increases with income.
- To aim tax benefits at the poorest children by introducing a larger tax benefit for the lowest incomes - this could be achieved by introducing a tax credit that is tapered as income rises but which can be refunded in cash by non-tax payers (O'Donoghue and Sutherland, 1999).

In this chapter we will investigate the type of allowances and credits that exist and the redistributive effects of these. Childcare tax credits (for example in Norway) or credits related to education (for example in France and Germany) are not discussed in this chapter, although these have been included in the income tax line in the matrix. Instead, they are discussed in Chapter 5. Other tax benefits not specifically for families with children have also not been included in the discussion.

Most countries in this study have progressive income tax regimes - that is the tax rate increases with income, although it does so to varying degrees. The tables in Appendix C show how the percentage of earnings taken in income tax, social security contributions and local taxes varies as earnings increase.

The tax system can be either individual or joint. France, Portugal and Luxembourg are mandatory joint taxation systems. Germany, Ireland, Norway, Spain and the USA allow couples to use joint taxation optionally. In Norway, couples are taxed in the most favourable way, which in most cases - when both spouses have an income - is individual taxation. France uses the family quotient system where the household income is divided by the number of family members, the relevant tax rate is applied and the resultant sum is then multiplied by the number of family members. Luxembourg and Spain use the aggregation method of taxation where the incomes of the individuals are added and the total is taxed as if the unit were a single individual (O'Donoghue and Sutherland, 1999). Portugal has a spouse-based splitting system for which the basic tax unit is the married couple. In this case a standard rate of tax is applied to each half of the income and the amount of tax is doubled to give the couple's total tax liability. The 'splitting effect' occurs when there are differences in income between the partners. In the case of one having little or no income, the income of the main earner is subject to a significantly lower rate of tax than the same earnings of a single person. Germany and Ireland also use the income splitting system.

Belgium, The Netherlands, Denmark and Japan are partially individualised and have some elements of joint taxation although they employ largely individual tax systems. Systems that are mainly individual still grant tax relief to single breadwinners. This generally takes the form of a personal tax allowance or a tax free minimum living wage that still can be transferred from the economically active spouse to the other, economically inactive partner (Dingeldey, 2001).

Australia, Austria, Canada, Finland, Greece, Israel, Italy, New Zealand, Sweden and the UK are fully individualised taxation systems in which the individual is the basis for the assessment of tax liability. The same rate is applied irrespective of marital situation, employment status or income of a partner.[14]

3.3 Significant changes in the tax benefit system since 1996

There have been some important changes in many of the countries in this study in regards to the tax system and the tax benefits for families with children since 1996. We have only reported the changes that directly affect families with children but other important changes, for example, in regards to higher earners in Australia, Canada, Netherlands and New Zealand, have also taken place that would have indirectly affected certain families with children.

In regards to tax benefits for children, there has been a general trend towards delivering support to families through the tax system. Significantly, Australia has replaced its system of cash benefits with children's tax allowances and credits, although the tax benefit in Australia can be received through either system at the request of the primary carer. In Germany, 1996 saw the introduction of the option

[14] In Canada there are some interspousal credits which to some extent offset the individual nature of the tax system. In Australia the system is less individualised for couples with children since the introduction of the Family Tax Benefit..

model: children's tax allowances ('Kinderfrei-betrag') and children's tax credits ('Kindergeld')[15] replaced the former model which included non-income-related cash benefits ('Kindergeld') for the first and second child, income-related cash benefits for the third and further children, an additional cash benefit for low incomes ('Zusatzkindergeld'), and tax allowances for all parents. Austria, Italy, Spain and the USA have introduced new credits or allowances. France and the UK have both introduced a new working tax credit - the credit in France includes supplements for children and that in the UK is targeted at families with children only. The UK's credit has replaced the former income-related cash benefit Family Credit and the Married Couple's Tax Allowance. The Netherlands has introduced a combination reduction and a lone parent reduction.

However, there has been some movement away from tax benefits and towards direct child benefits, especially in Finland, Luxembourg and Norway. In Finland tax benefits were abolished in the early 1990s and there was a substantial increase in child benefits. Luxembourg has decreased its child tax credit and compensated for it with increases in universal child benefits and Norway has incorporated the former carer's tax deduction into the child benefit. France has also reduced its existing maximum benefit per child due to the quotient familial system but this will only affect the richest families.

[15] For low incomes with no or low tax liability the Kindergeld is paid as a child benefit

3.4 Current tax benefits for families with children

Table 3.1 shows whether tax benefits exist for families with children.

Table 3.1 Characteristics of tax credits and allowances

		Varies by								
Country	**Name**	**inc**	**Emp**	**Hrs**	**No of children**	**Age of children**	**Type**	**Oth**	**How paid**	**Who paid to**
Australia	Family tax benefit A	yes	no	no	yes	yes	no	no	Fortnightly/ annually/	Main carer / main tax payer
	Family tax benefit B	yes	yes	no	no	yes	no	no	with wages	
Austria	Tax credit (with or without children)	no	yes	no	no	no	yes	no	Through employer/	Usually mother or lone parent.
	Tax credit for couples (with children)	yes	yes	no	no	no	yes	no	yearly declaration	Tax credits for one-earner
	Tax credit for children[1]	no	no	no	yes	no	no	no		couples are pad to the earner,
	Tax credit for lone parents	no	no	no	no	no	yes	no		usually the father.
Belgium	Tax credit	no	no	no	yes	yes	yes	dis	Granted to tax unit	Tax unit
Canada	Childcare Supplement for Working Families[2] (U7)	yes	yes	no	yes	yes	no	no		
	The Canada Child Tax Benefit for children	yes	no	no	yes	yes	no	no		
	The Spousal Equivalent Tax Credit for lone parent	yes	no	no	no	no	yes	no	Tax payment reduced	Lone parent
France	Working tax credit	yes	yes	yes	yes	no	yes	no	In income tax	Married: household Unmarried: one parent
Germany	Kinderfreibetrag (Children's tax allowance)	yes	no	no	no	no	yes	no	Granted to taxed person.	Lone parents or married
	Haushaltsfreibetrag (lone parent allowance)	no	no	no	no	no	yes	no	No /low tax liability = paid	couples: together.
	Kindergeld (children's tax credit)	yes	no	no	yes	no	no	no	the kindergeld as a child benefit.	
Greece[3]	Family tax credit	no	yes	no	yes	no	no	no	Various family-related tax allowances - family-related expenses deductible from taxable income	Highest earner
Ireland	One parent family additional tax allowance	no	no	no	no	no	yes	no	In income tax	Lone parent
Israel	Tax credit for families with children	no	no	no	yes	no	yes	no	Credit via tax system	Both working parents
Italy	Credits for children	no	yes	no	yes	no	yes	yes	Tax rebate	two workers: both
	Tax credit (under 3)	no	no	no	no	yes	no	no	Tax rebate	Two worker, share tax credit
Japan	Allowance for dependants	no	yes	no	yes	yes	no	no	Tax payment reduced	Can choose whose tax should
	Allowance for lone parent and widow	yes	no	no	no	no	yes	no		be reduced, usually highest eaner.

Continued

Table 3.1 Continued

Country	Name	Varies by inc	Emp	Hrs	No of children	Age of children	Type	Oth	How paid	Who paid to
Luxembourg	Tax credit for dependent children	yes	no	no	yes	no	no	no	Deducted from income tax	Family income
	Tax deduction for lone parents	no	no	no	no	no	yes	yes	Deducted annually	Lone parent
Netherlands	Children's tax credit	yes	no	no	no	no	no	yes		
	Additional children's tax credit (low income)	yes	no	no	no	no	no	yes		
	Lone parent tax credit (U27)	no	no	no	no	no	yes	yes	Annually	Highest earnings claimant
	Additional lone parent's tax credit (U12)	no	yes	no	no	yes	yes	yes		
	Combination tax credit (couples) (U12)	yes	yes	no	no	yes	yes	yes		
New Zealand	Family support tax credit	yes	no	no	yes	yes	no	no	Weekly via wage packet /	
	Child tax credit	yes	yes	no	yes	no	no	yes	annually via Inland Revenue.	Principal care giver
	Family tax credit	yes	yes	yes	no	no	no	no		
Spain	Taxpayers with dependent children. (U25)	yes	no	no	yes	yes	no	dis	Deducted from tax	Lone parent Working couples divide on pro rata basis.
UK	Working Families' Tax Credit	yes	yes	yes	yes	yes	no	yes	Via employer/direct	
	Children's tax credit	yes	no	no	no	no	no	no	Offset tax liability	Parent or guardian claiming
USA	Child tax credit	yes	no	no	yes	no	yes	no	Part of tax refund cheque	
	Earned income Tax credit	yes	yes	no	yes	no	yes	yes	Annual refund cheque.	Employee
	Tax allowances for dependants	yes	no	no	yes	no	yes	no		

Inc=varies by income, Emp=varies by employment status, hrs=varies by hours worked, type=varies by family type, other=varies for another reason, dis = varies by disability

[1] In the matrix, this has been treated as part of the familienbeihilfe (family allowance) because these are generally paid together.

[2] Eligibility does not depend on families having childcare expenses.

[3] There are a series of tax allowances in Greece that are specifically related to childcare or other households expenses regarding children. There are also tax tax credits that depend on the number of children. However, due to the complexities of the tax formula, it is impossible to distangle these and present them separately.

Denmark, Finland, Norway, Portugal and Sweden do not have any tax concessions (other than those for childcare) for children and therefore have not been included in the table. In Portugal, whilst there are no allowances or tax credits for lone parents or couples with children, there are different tax rates according to the number of dependent children.

Germany, Japan and Spain have tax allowances for children and Austria, Canada, Germany, Israel, Italy, Netherlands, New Zealand, UK and USA have at least one tax credit that is directed at children. Allowances or credits (whether aimed at children or to parents) can also be designed to target large or small families by accounting for the number of children in the household, that is the more children the more valuable the allowance or credit. In this study, three countries have allowances and 13 have credits that take into account the number of children. Also, one country in our study, Ireland, does not provide general tax allowances for children but the income threshold at which tax begins to be paid varies with the number of children, so some families with children will be exempt from tax on incomes which would leave a family without children paying some tax.

3.4.1 Variation in tax benefits by age of child

Countries can also target families with older or younger children. Australia, Belgium, Canada, Italy, Netherlands and Spain target younger children – under threes in Belgium, Italy and Spain, under fives in Australia, under sevens in Canada, and under 12s in the Netherlands. Canada, Italy and Netherlands do this through separate credits aimed specifically at families with young children under the specified age (although Canada incorporates an addition in the Canada child tax Benefit for families who did not claim the 'childcare' deduction[16]). Japan, New Zealand and the UK target older children. Japan has higher allowances for children aged 16-22 (children over 23 receive the same amount as under 16s); New Zealand increases the amount credited with age and the UK has marginally higher amounts for 16-19 year olds compared to under 16s.

3.4.2 Variation in tax benefits by family type

Countries can redistribute income not only from families without children to those with children but between different types of families with children. To whom the adjustment is targeted can vary – on the one hand some countries base their arrangements on the argument that couples with children should pay less tax compared to lone parents because there are two adults to support. Others base theirs on the argument that lone parents with children do not have financial support from a partner and therefore should be treated more generously than couples. Austria, Canada, Germany, Ireland, Japan, Luxembourg and the Netherlands have a system of tax allowances or credits aimed specifically at lone parents. In the Netherlands, lone parents can only receive the additional credit if they are in paid work; in Japan, the allowance varies between lone mothers and lone fathers and in Luxembourg the lone parent can only receive the allowance if the child receives no maintenance payments. Austria, Belgium, France, Germany (to be abolished in 2005), Israel, Italy and the USA also have a tax allowance or credit that varies depending on whether or not the household is a lone-parent household.

3.4.3 Variation by number of earners

Closely related to the above is the number of earners within a household. It can be argued that a couple (with children) with one earner should be treated equally to a lone parent on an equivalent income. However, the effect of treating all one-earner families equally, regardless of family type, can create a disincentive for both parents in a couple to undertake paid work. Therefore, it can be argued

[16] Eligibility for this is not dependent on families having childcare expenses.

that a couple with only one earner should be treated more generously vis-a-vis lone parents since there are two adults to support rather than one. France and Italy have tried to strike a balance between the two standpoints by varying the amount credited by number of workers, thus providing some help for two-earner couples but treating one-earner families equally, regardless of family type. Countries that aim certain credits to families with only one earner or allow only families with one earner to receive the tax credit are Australia, Austria, Canada, Greece and Japan.

The remaining countries do not stipulate whether both parents in a couple can work. Indeed, the Netherlands and USA favour couples through certain credits or allowances. The Netherlands has a separate tax credit for couples which allows both parents to work, although it also has a lone parent and additional lone parent tax credit. The USA, whilst it does not provide any help for lone parents, since 2001 it has increased the Earned income tax credit (EITC) benefit for married parents who have incomes above the income level at which EITC begins to phase out. Austria also has a separate tax credit for couples but this is targeted specifically at one-earner households.

3.4.4 Variation by hours worked

Only three countries in this study (France, New Zealand and the UK) take into account the number of hours worked. In New Zealand, only low-income families who work more than 20 hours for a lone parent and 30 hours for a couple are eligible for the family tax credit. In the UK, to receive the Working Families' Tax Credit (WFTC) one parent must be working for 16 hours or more and those working for 30 hours or more receive a bonus (they must also be on a low income).

3.4.5 Who receives tax benefits?

The impact of tax allowances and credits depends on the form of administration and who in the family actually receives the concession. Some credits are directly refundable. Indeed, all the Anglophone countries allow certain recipients to receive their credits directly. Australia, Canada and New Zealand give recipients the option of how it is paid. The USA allows those with low-income workers to receive their credit directly. In addition, low-income recipients of any tax credit in Austria and the children tax credit in Germany can receive their credit directly.

In addition, who the credit/allowance is paid to can have a large impact upon child poverty, since it is often the mother's resources that benefit the child (O'Donogue and Sutherland, 1999). Canada pays the credits to the mother by default whilst Australia and New Zealand pay it to the main carer. In the UK WFTC can be paid directly, rather than in the wage packet. Also it can be paid to the non-working member, or carer, in a couple where the other partner is working In Austria, tax credits are usually paid to the mother or lone parent; only tax credits for the one-earner couples are paid to the earner, usually the father. On the other hand, the credit/ allowance is paid to the highest earner (usually the father) in Japan, Greece and the Netherlands. In France, Germany, Italy and Spain both earners in a couple receive the credit/allowance or the credit/allowance is shared.

3.5 Value of child tax benefits

We now turn to explore the impact of the income tax components of the child benefit package using the model family matrix data. Table 3.2 gives the tax benefit (as a positive sum) and the tax payable (as a negative sum) for a couple with two children at a variety of earnings levels. This the actual tax payable by this family.

Table 3.2 Level of income tax payable in £ ppp per month on different earnings levels: Couple + 2 children of school age (A negative amount is tax paid, a positive amount is a tax benefit)

Country	Case 1 £ppps	Case 2 £ppps	Case 4 £ppps	Case 6 £ppps
Australia	301	207	-282	-469
Austria	0	-28	-262	-283
Belgium	0	-29	-294	-617
Canada	71	-42	-432	-568
Denmark	0	-183	-523	-898
Finland	0	-15	-163	-163
France	13	18	-6	-45
Germany	0	0	-90	-304
Greece	0	0	-14	-14
Ireland	0	0	-79	-195
Israel	0	-28	-233	-259
Italy	0	0	-218	-328
Japan	0	0	-66	-108
Luxembourg	0	0	-13	-108
Netherlands	101	-67	-466	-777
New Zealand	550	66	-304	-408
Norway	0	-74	-262	-397
Portugal	0	0	-55	-122
Spain	0	0	-53	-157
Sweden	0	0	-43	-43
UK	481	177	-299	-368
USA	107	167	-147	-251

Case 1 = One earner on minimum wage, 16 hrs per week
Case 2 = One earner half average male earnings
Case 4 = One earner average male earnings
Case 6 = Two earners average male and half average female

With one earner on the very lowest earnings (Case 1) in none of the countries is tax payable and in the Anglophone countries, France and the Netherlands there is a tax benefit. With one earner at half average earnings (Case 2) income tax begins to be payable in more countries but in the Anglophone countries and France there is still a tax benefit. With one earner on average earnings (Case 4) this family is paying tax in all countries but the amounts payable vary considerably. This is also the case of two earners on average male and female earnings (Case 6). This gives a picture of the tax benefit received or the tax paid by this one family type at different earnings levels. However it does not give a picture of the value of the tax benefit in respect of children. In order to assess this we turn to Table 3.3.

In order to assess the value of the tax benefits payable in respect of children, all the tax benefits were deducted from the income tax payable. Then to obtain the level of any tax benefit in respect of children, the net tax payable by couples without children was deducted from that payable by couples with children. The result is the value of the tax benefit expressed in purchasing power parities per month. So for example in Table 3.3 an Australian couple with one earner on half average earnings with two children pay £300 ppp per month less tax than a childless couple.

At this level there are no tax concessions for either lone parents or couples in Austria, Denmark, Finland, Greece, Luxembourg, Spain, Portugal, Ireland and Sweden, or for couples in Israel. In Germany and the Netherlands (for couples) the child tax benefit is the same regardless of the number of children. In Belgium, Denmark, Ireland, Norway and Portugal lone parents have to pay more tax than a childless couple.

Generally, the tax benefit paid is at an equal or higher level for parents of pre-school aged children vis-a-vis school aged children. Australia, Belgium, Canada, Italy, New Zealand and the UK (for lone parents) pay a higher tax benefit in respect of a pre-school child requiring childcare than for children of school age[17].

At this (low) level of earnings Australia, Canada, the UK, New Zealand and the USA have the most generous child benefits for couples and lone parents. Canada is the most generous in terms of the degree to which its tax credit distributes income towards parents of pre-school age children.

Table 3.3 Value of child tax benefits by family type and size: one earner half male earnings (Case 2), £ ppp per month

Country	Lone parent + 1 aged < 3	Lone parent + 1 aged 7	Lone parent +2	Couple + 1 aged < 3	Couple + 1 aged 7	Couple +2	Couple +3
Australia	159	125	318	169	135	300	300
Austria	0	0	0	0	0	0	0
Belgium	-3	-45	-9	47	17	45	74
Canada	102	3	38	118	7	45	70
Denmark	-84	-84	-84	0	0	0	0
Finland	0	0	0	0	0	0	0
France	-1	-1	1	2	2	3	5
Germany	32	32	33	33	33	33	33
Greece	0	0	0	0	0	0	0
Ireland	-9	-9	-20	0	0	0	0
Israel	26	26	28	0	0	0	0
Italy	8	0	14	20	14	20	20
Japan	0	0	12	12	12	18	18
Luxembourg	0	0	0	0	0	0	0
Netherlands	45	45	45	21	21	21	21
New Zealand	125	114	203	125	114	203	332
Norway	-45	0	0	12	0	0	0
Portugal	-6	-6	0	0	0	0	0
Spain	0	0	0	0	0	0	0
Sweden	0	0	0	0	0	0	0
UK	462	192	305	192	192	305	421
USA	168	168	252	137	137	221	221

[17] The couple families are one-earner families and therefore there are no childcare costs assumed and therefore they do not benefit from childcare tax credits.

Table 3.4 gives the value of the child tax benefit for one earner on average earnings by family type. At this level of earnings compared to the previous case, the child tax allowance increases in value in some countries including Belgium, France, Germany, Greece, Ireland, Spain, Luxembourg, the Netherlands and Norway. In the Netherlands it increases for lone parents and decreases for couples. It falls in value in those Anglophone countries with child tax credits (Canada, Australia, the UK and the USA). In Belgium, Italy, and Japan there is little difference in the tax benefit as earnings increase and in Austria and Israel there is no change. In some countries where there was no tax benefit for couples in the previous earnings groups (Portugal, Luxembourg and Ireland), a tax benefit in Luxembourg and Ireland and different tax rates according to the number of children in Portugal begin to benefit couples at this higher earnings level. In Spain and Greece, where there was previously no tax benefit, it is introduced at the higher earnings level. Overall, Australia has the highest child tax allowance for lone parents and Germany for couples with children.

Table 3.4 Value of child tax benefits by family type and size: one earner average male earnings (Case 4), £ ppp per month

Country	Lone parent + 1 aged < 3	Lone parent + aged 7	Lone parent +2	Couple + 1 aged < 3	Couple + 1 aged 7	Couple +2	Couple +3
Australia	98	64	106	98	64	106	147
Austria	0	0	0	0	0	0	0
Belgium	-27	-95	-59	78	17	45	121
Canada	98	0	0	98	0	0	0
Denmark	-123	-123	-123	0	0	0	0
Finland	0	0	0	0	0	0	0
France	32	0	24	20	20	38	44
Germany	-18	-18	73	95	95	189	279
Greece	20	20	20	9	9	17	30
Ireland	0	0	0	43	43	43	43
Israel	26	26	53	0	0	0	0
Italy	8	0	14	22	14	28	35
Japan	2	2	14	12	12	23	45
Luxembourg	47	-24	27	83	50	101	114
Netherlands	65	65	65	10	10	10	10
New Zealand	11	0	6	11	0	6	135
Norway	14	0	0	35	0	0	0
Portugal	-17	-17	-9	9	9	17	26
Spain	5	3	25	25	23	46	76
Sweden	0	0	0	0	0	0	0
UK	64	43	43	43	43	43	43
USA	62	62	115	54	54	107	159

Table 3.5 gives the value of the child tax benefits for a two-earner couple by family type. In France, Luxembourg, Belgium, Canada, Portugal and the USA the value of the child tax benefit rises compared to the previous case. A few countries still have a higher allowance for a pre-school child including Belgium, Canada, France, Italy, Luxembourg, New Zealand, and Norway[18]. The most generous relative tax credit for pre-school aged children is in Canada.

Table 3.5 Value of child tax benefits by family type and size: two earners average male, half average female earnings (Case 6), £ ppp per month

Country	Couple + 1 aged < 3	Couple + 1 aged 7	Couple +2	Couple +3
Australia	42	42	83	125
Austria	0	0	0	0
Belgium	84	17	45	122
Canada	82	2	5	7
Denmark	0	0	0	0
Finland	0	0	0	0
France	85	53	98	134
Germany	95	95	189	295
Greece	9	9	17	30
Ireland	0	0	0	0
Israel	0	0	0	0
Italy	6	-2	12	26
Japan	11	11	23	45
Luxembourg	97	50	101	151
Netherlands	10	10	10	10
New Zealand	11	0	0	0
Norway	35	0	0	0
Portugal	12	12	12	35
Spain	7	6	17	33
Sweden	0	0	0	0
UK	43	43	43	43
USA	103	103	162	209

3.6 Social security contributions

In most countries statutory social security contributions (including health insurance or social insurance contributions) are payable. However in Australia, there are no social security contributions but only a small Medicare Levy. We are treating this as a social security contribution although it is formally an earmarked tax payment. Low earners in the Netherlands pay national insurance contributions within the income tax and because of the complexity of the tax codes the Dutch informant was unable to

[18] This is a childcare tax credit and therefore has not been included in Table 3.1

separate income tax and social security contributions. In the matrix analysis, social security contributions have been discussed within income tax. In Norway the social security contributions are considered a part of the income tax system. They are called social security contributions mostly for cosmetic reasons.

Nine countries in our study have exemptions or rebates which vary the social security contributions. In addition, pilots are taking place in Germany. The majority of the rebates are income-related. However, Australia, Ireland and Japan have specific rebates for families with children. In Australia, the income threshold increases if the individual is entitled to spouse or tax rebate, in Ireland one parent family payment recipients are exempt from the health levy and in Japan exemptions exist in specific situations, for example in the case of leave to care for children.

Australia is the only country in this study that has social security contributions that vary with the number of children. National insurance contributions do not vary by age of child or family type in any country. In Table 3.6 we present how they vary for a couple with two children by earnings level. In some countries they are not payable below an earnings threshold including Australia, Austria, Ireland and the UK. For the better paid, social security contributions take the largest amounts in Austria, France and Germany.

Table 3.6 Level of social security contributions in £ ppp per month on different earnings levels for a couple with 2 children

	(Case 1)		(Case 2)		(Case 4)		(Case 6)	
Country	**£ppps**	**Rank**	**£ppps**	**Rank**	**£ppps**	**Rank**	**£ppps**	**Rank**
Australia	0	1	0	1	-29	3	-43	3
Austria	0	1	-164	20	-327	20	-427	20
Belgium	-24	16	-58	10	-233	17	-291	16
Canada	-10	10	-67	12	-97	7	-97	5
Denmark	-72	22	-143	19	-228	16	-370	19
Finland	-11	12	-49	8	-99	8	-138	9
France	-61	21	-166	21	-331	21	-491	21
Germany	-7	9	-200	22	-400	22	-550	22
Greece	-29	18	-72	15	-143	13	-215	15
Ireland	0	1	0	1	-78	4	-78	4
Israel	-10	11	-45	6	-111	9	-135	8
Italy	-27	17	-69	14	-138	12	-196	12
Japan	-56	20	-131	18	-244	19	-315	17
Luxembourg	-38	19	-119	17	-239	18	-338	18
Netherlands	0	1	0	1	0	1	0	1
New Zealand	-3	6	-10	4	-20	2	-27	2
Norway	-4	7	-56	9	-111	10	-161	10
Portugal	-14	13	-47	7	-94	6	-128	7
Spain	-7	8	-44	5	-89	5	-123	6
Sweden	-15	14	-59	11	-118	11	-164	11
UK	0	1	-67	13	-171	15	-211	13
USA	-18	15	-77	16	-154	14	-213	14

Case 1= One earner on minimum wage, 16 hrs per week

Case 2= One earner half average male earnings

Case 4= One earner average male earnings

Case 6= Two earners average male and half average female

3.7 Future plans

Belgium, Germany and the UK are the only countries that have planned changes to income tax or social security contributions that will directly affect children. In Belgium there are to be various reforms of personal income taxes, which will come into effect over the next four years. During 2002, Germany plans to introduce an education tax allowance for couples and lone parents which will replace the current education tax allowance for children below 18. The children's tax credit 'Kindergeld' will also be increased to DM300 per month for the first and second child. A tax allowance up to a maximum of DM 3000 per year will be introduced for childcare expense for working families with children below 14.

In 2004, the additional household tax allowance for lone parents will be abolished in the UK. The same will happen in Germany in 2005. Since April 2002 the Children's Tax Credit was paid at a higher rate for children aged 0-1. The Child Tax Credit will be introduced in 2003. It will create a single system of support for children, regardless of the working status of parent(s). This will replace the Children Tax Credit and will bring together the child component of Income Support and Jobseeker's Allowance with the child components of the Working Families' Tax Credit and the Child Tax Credit. It will be an addition to the existing Child Benefit.

3.8 Child cash benefits and child support

This section of Chapter 3 moves from a consideration of tax benefits for children to cash benefits for children. This topic is dealt with in three sections: non-income-related child benefits (paid for children irrespective of the parental income), income-related child benefits and child support, paid to lone parents by the non-residential[19] parent. We have not covered cash benefits for disabled children or how the child benefit might vary by disability.

3.8.1 Significant changes in cash benefits and child support since 1996

Cash benefits

Over the past few decades there has been a general move away from non-income-related child benefits towards income-related child benefits (Gauthier, 2000). Since 1996, however, this has not been the overriding trend.

Some countries have placed an emphasis on income-related child benefits: Australia, Austria (very modest), and Portugal have all introduced income-related benefits, Italy has increased its household cheque[20] and Japan and France have both extended the age limits for their income-related benefits.

Others, however, have favoured non-income-related benefits: Luxembourg has increased the amount of its non-income-related child benefit and decreased its child tax benefit and the UK has abolished its income-related family credit (replacing it with a more generous Working Families' Tax Credit) and increased its non-income-related child benefit at above the rate of inflation. France

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[19] Non-residential means the parent who is not living in the same household as their child

[20] The household cheque is not strictly support for children, but for members of a household. The money amount varies by household size. It is paid to subordinated workers, unemployed on benefit, retired former subordinated benefit.

introduced a means test for child benefits in 1998 but reintroduced universality in 1999 due to strong opposition. Other countries (Sweden, France and the UK) reduced the real level of non-income-related child benefits during the mid 1990s but subsequently increased them.

In Austria, the previous government made reforms to its family allowances and tax credits for children, partly reluctantly, as a result of pressure from the Constitutional Court. As we shall see, this has resulted in its child benefit package becoming one of the most generous of the countries in this study.

Therefore, it is difficult to identify a converging trend towards either non-income-related or income-related child benefits.

Child Support

Child support is an amount paid to lone parents by the non-residential[21] parent (normally the father). Certain Anglophone countries (Australia, Canada, UK and USA) have introduced measures to improve the child support system, but these, however, do not guarantee child support.

3.8.2 Current policy

Tables 3.7 and 3.8 show the characteristics of non-income-related and income-related child benefits for those countries which have them. Australia, Canada and New Zealand have neither non-income-related nor income-related child benefits, although they do have tax benefits that can be paid directly and in Australia and New Zealand social assistance is paid to low earners. Australia, Canada, Germany, Italy, New Zealand, Portugal, Spain and the USA do not have benefits paid for children irrespective of the means of their parents. Overall, 14 countries have a non-income-related child cash benefit and ten countries have an income-related cash benefit. Five countries (Austria, France, Greece, Ireland and Japan) have both a non-income-related and an income-related child cash benefit.

Non-income-related child cash benefits

Non-income-related child cash benefits are paid to families in respect of children regardless of the means of their parents. Table 3.7 gives the characteristics of the non-income-related child cash benefits. Denmark and France have an additional child benefit for lone parents. The French scheme, a benefit for lone parents not receiving child maintenance, is not guaranteed to all lone parents and therefore has not been included in the matrix. Norway pays lone parents for one more child than they actually have within its general scheme.

The Greek child benefit scheme varies significantly between the public and private employment sectors. The matrix assumptions did not allow for variation between sectors and therefore DLOEM[22], the standard private sector child benefit that a manual worker would be entitled to, has been assumed. In our discussion, however, we have included both public and private benefits since it is apparent that, by not allowing variation between sectors, the matrix conceals important inequalities in the Greek child benefit system. Indeed, whilst the private sector (DLOEM) scheme includes an addition for lone parent families, the public sector scheme does not. This will inevitably result in inequality between children in lone-parent families depending on whether their parent is a private or public sector employee.

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[21] Non residential means the parent who is not living in the same household as their child.

[22] In Greek: Διανεμητικός Λογαριασμός Οικογενειακών Επιδομάτων Μισθωτών (ΔΛΟΕΜ). This is the standard child benefit that, for instance, a manual worker will be entitled to. Entitled to DLOEM are employees in industry, commerce and related activities.

Age limits

The maximum age limit for the receipt of non-income-related child cash benefits is generally 16, 17 or 18. This is extended in nine countries if the child is in full time education. Indeed, Luxembourg extends the age limit until the child is 27. Finland, Greece, Ireland, Israel, Japan and the UK are the only countries that do not vary their benefit by the age of the child. Denmark and France do not vary their lone parent child benefit by age.

Who paid?

As highlighted earlier in this chapter, to whom the benefit is paid can have a large impact upon child poverty since it is often the mother's resources that benefit the child (O'Donoghue and Sutherland, 1999). The non-income-related child benefit is generally paid to the mother unless there is only one parent. The exceptions are Luxembourg, Japan and Greece. Luxembourg pays the benefit to the father, and the family have the option of it being paid directly to the child if he/she is over the age of 18. Japan's allowance is paid to the earner. The Greek public sector child benefit and its private sector child benefit are both paid to the parent who is employed in the appropriate sector. However, whilst the private sector child benefit can only be paid to one parent (even if both are employed in the private sector), a recent ruling of the Greek High Court established that if both parents work in the public sector, they are both entitled to the public sector child benefit. In this case, the benefit is not 'attached' to the child but to the claimant. This will create inequity between children in two-parent families whose parents work in the private sector vis-a-vis children in two-parent families whose parents work in the public sector. It will also inevitably result in disadvantage for children in lone-parent families who will only be able to claim a single benefit.

Financing of child benefit

Child benefit is contributory in Belgium and in Greece for the private (not public) sector child benefit. In this study, only Japan and Greece have taxable child benefits. The benefit is uprated regularly in six countries (Belgium, Denmark, France, Israel, Luxembourg and Norway) and in all of these the benefit is index linked. In eight countries the benefit is not uprated regularly nor is it index linked.

Table 3.7 Characteristics of non-income-related child cash benefits

Country[1]	Name	Variations by: no.	age	type	Age limits	Paid to	Contrib.	Uprated	Indexed	Taxed
Austria	familienbeihilfe	yes	yes	no	18, or 26 in ft education	mother	no	yes, govt decides	no	no
Belgium	gezinsbijslagen	yes	yes	no	18, or 25 in ft education	mother	yes	yes	consumer price index	no
Denmark	bornefamilieydelse	yes	yes	no	18	mother	no	yearly	average earnings	no
	bornetilskud (single parent child supplement)	yes	no	no	18	single parent	no	yearly	average earnings	no
Finland	lapsilisa	yes	no	no	17	mother	no	yes, govt decides	no	no
France	allocations familales	yes	yes	no	16, or 20 in education, training, unemployed	mother				
	allocation de soutien familial.	yes	no	no		single parent	no	yearly	inflation	no
Greece	child benefit – public sector worker	yes	no	no	18 years or 24 years if the children in Higher Education	either, both can claim	no	ministerial decision or law	no	yes
	child benefit – private sector worker	yes	no	yes	18 years or 24 years if the children in Higher Education	either, one can claim	yes	ministerial decision	no	yes
Ireland	child benefit	yes	no	no	16, or 19 in ft education	mother	no	not regularly	no	no
Israel	child benefit	yes	no	no	18	mother	no	yearly	indexed to average earnings	no
Japan	occupational family allowance	yes	no	yes	18	earner	no	no	no	yes
Luxembourg	allocation familiales	yes	yes	no	18, or 27 in training /further education	father (or child if over 18)	no	yes	cost of living index	no
Netherlands	kinderbijslag	yes	yes	no	16, or 18 if in f/t education	mother	no	yes, govt decides	no	no
Norway	barnetrygd	yes	yes	yes	18	mother	no	annually	income tax adjustments	no
Sweden	barnbidrag	-	-	-	16, or over 16 and in ft education	mother	no	yes, govt decides	no	no
UK	child benefit	yes	no	no	16, or 16-19 if in ft education	Main carer, usually mother	no	yes, govt decides	no	no

no=variations by number of children, age=variations by age of children, type=variations by family type, contrib.= contributory

[1] Australia, Canada, Germany, Italy, New Zealand, Portugal, Spain and the USA do not have non-income-related child benefits and have therefore been excluded from this table.

Income-related child benefit

In our study, ten countries have income-related cash benefits. Five of these (Austria, France, Greece, Italy and Japan) have more than one scheme. Greece, Ireland, Japan and Norway have a separate scheme for lone parents. The family subsidies in Austria, both schemes in France and the household cheque in Italy also take into account lone-parent families. Four countries (Austria, France, Greece and Italy) have an income-related cash benefit for large families, (Greece has two but neither of these have been included in the matrix). Austria, France, Japan, Greece and Norway have separate benefits for young children, which act as a kind of maternity grant in France (it is paid monthly up to age three). Japan's child benefit is for pre-school children only and Norway's is targeted at lone parents with children under eight.

Variations by number of children

All schemes, with the exception of the infant allowance in Austria, the marriage allowance (which does not account for children at all), and the benefit for households with three or more children in Greece, that for under threes in France and the prestacion economica por hijo a cargo in Spain, vary their benefit by number of children. The family subsidies in Austria and the child benefit in Japan and Portugal are the only schemes that take into account the age of the child.

Variations by work status

Some schemes take into account the parents' work status. The Irish family income supplement is for working families only and its one parent family payment is only income-related if the parent is working. Also, Ireland's child dependant allowance is for parents in receipt of welfare contingency related payments (in the matrix, this has not been treated as a cash benefit). Norway's transitional allowance is conditioned upon the lone parent being in (part-time) employment or education if the child is over the age of three. The Italian scheme is only paid to subordinated workers and the unemployed on benefit. France increases the threshold when there are two working parents. The USA's Temporary Assistance for Needy Families recently strengthened the relationship between work requirements and benefit receipt. This strongly affected welfare rolls and perhaps the labour force participation rates in the US (and influenced policy elsewhere).

Paid to who?

The benefit can be paid to either parent in the majority of countries, although it is paid to the mother by default in France. In Greece (for the marriage allowance), Ireland and Italy the employee/wage earner receives the payment and in Spain, the parent who meets the income criterion. In these countries, only one parent can claim the benefit. In the USA, the head of household receives the benefit.

How often paid?

Most countries' schemes are usually paid monthly or when the claimant is paid, although Spain pays the benefit bi-annually and in Japan, three times a year. Austria only pays its infant allowance for a total of 12 months, Norway pays its transitional allowance for a total of three years (five if the lone parent is in education) and the USA's TANF has a five-year lifetime limit for recipients.

Financing of payments

Only five cash benefit schemes (over three counties) are contributory: all allowances in Greece (except the allowance for children lacking protection); the household cheque in Italy and the Portuguese child benefit scheme. Although the Portuguese scheme is contributory, those who have not paid social security contributions can still receive the benefit but at a lower rate. Only Greece and Norway have a taxable benefit.

Table 3.8 Characteristics of income-related child cash benefits[1]

Country[1]	Name	Variations by: no.	age	type	Other	Paid to	Frequency	Contrib.	Taxed
Austria[2]	supplement of families with 3 or more children	yes	no	no	no	mother or father	monthly	no	no
	infant allowance	no	no	no	no	mother or father	quarterly for one year	no	no
	family subsidies (Oberosterreich)	yes	yes	yes	no	mother or father	monthly for one year	no	no
France[2]	benefit for households with three or more children	no	no	yes	yes	mother	monthly	no	no
	benefit for under threes	no	no	yes	yes				
	allocation de rentrée scolaire (ARS) (for children 6-18)	yes	no	no	no		annually		
Germany	Kindergeld (low-income families)	yes	no	no	no	family decides	monthly	no	no
Greece[2]	allowance for children lacking protection (incl. lone parent)	yes	no	no	no	lone parent	monthly	no	no
	third child allowance (for third child under 6)[3]	yes	yes	no	no	either			yes
	allowances for large families (4+ children)[3]	yes	no	no	no	either			yes
	marriage allowance (not only for households with children)	no	no	no	yes	one earner	depends on pay period		yes
Ireland	family income supplement for full-time workers on low pay	yes	no	no	no	employee	depends on pay period	no	no
	one parent family payment	yes	no	no	yes				
	child dependant allowance for families in receipt of welfare	yes	no	no	no	welfare recipient			
Italy	household cheque[4] (not only for household with children)	yes	no	yes	no	wage earner	monthly, 13 times a year	yes	no
	benefit for households with 3 or more minor children	yes	no	no	no			no	no
Japan	child benefit (jido teate) (for pre-school children)	yes	yes	no	no	either	3 times a year	no	no
	child support allowance for lone mothers (jido fuyo teate)	yes	no	no	no	mother	3 times a year	no	no
Norway	Transitional allowance (lone parents with children under 8)	no	yes	yes	yes	lone parent	monthly	no	yes
Portugal[2]	Child benefit	yes	yes	no	-	either		varies	no
Spain	prestacion economica por hijo a cargo	no	no	no	no	parent under threshold	bi-annual	no	no
USA[2]	temporary assistance for needy families (TANF)	yes	no	no	no	head of household	monthly/ weekly	no	no

no=varies by the number of children, age=varied by age of children, type=varies by type of family, other= varies by other factors

[1] Australia, Belgium, Canada, Denmark, Finland, Israel, Luxembourg, Netherlands, New Zealand, Sweden and the UK have not got any income-related benefits and therefore have been excluded from the table. Australia, Belgium, Finland, Israel, Luxembourg however, pay social assistance to low earners and New Zealand pays family support to low earners. These have therefore been include in the matrix.

[2] Austria, France, Germany and Portugal pay Social Assistance to low earners. This has been included in the matrix for low earners. In the USA, Food stamps, HEAP and WIC have been included in the matrix for low earners.

[3] These have not been included in the matrix due to the assumptions made but they are important cash benefits

[4] The household cheque is not strictly support for children, but for members of a household. The money amount varies by household size. It is paid to subordinated workers, unemployed on benefit, retired former subordinated benefit.

3.8.3 Child support

Child support (payments from non-resident parents) can be an important source of income for lone parents. It is only included in this analysis if it is guaranteed by the state on the grounds that private or public arrangements which are not guaranteed are not assured. Child Support is guaranteed by the state in eight countries (Austria, Denmark, Finland, Germany, Luxembourg, Norway and Sweden) if the non-resident parent does not or cannot pay. In Denmark, Finland and Norway the support is guaranteed regardless of the income of the parent. In Belgium, Luxembourg and Sweden, the support is only guaranteed for those with low income (Belgium and Sweden) or who have financial difficulties (Luxembourg).

Whether or not child support (guaranteed or not) is counted as income in order to receive income-related benefits can have an important impact upon a family's disposable income. It is disregarded from *all* income-related benefits in only three countries. In Norway, the forwarded amount is disregarded for transitional allowance. For child support payments exceeding the forwarded amount, there is a 30 per cent disregard for parents in receipt of transitional allowance. For other income-related benefits, there is no disregard. Of those countries that guarantee child support, Denmark is the only other one which does not disregard child support for income-related benefits.

Table 3.9 Child support arrangements

Country	Guaranteed	If yes, details	Disregarded for income-related benefits
Australia	no	-	no
Austria	yes	the state normally advances support if non-resident father does not or cannot pay. However, there are situations when the state is not obliged to award the child support.	yes
Belgium	no[1]	however, for people with very low income, an intervention can be made by the state. it pays advance money to the claimant and can claim it back from the party that is supposed to pay the child support.	no, regarded as a source of income for means tested benefits.
Canada	no	-	not in most provinces
Denmark	yes	if the father does not pay, the municipality will cover and try and get the money from the father	no
Finland	yes	in cases where non-resident parent doesn't pay child support, local authorities pay child maintenance for the under 18 year old child. In 2001 the amount of flat rate child maintenance is 669 FIM/month/child.	yes, they are considered as income in last resort social assistance scheme
France	no[2]	-	no
Germany	yes	if the non-resident parent does not pay the state pays a minimum child support for children below 12 years for 72 months at a maximum (DM 231<6 and DM 309 6-11).	no
Greece	no	-	..
Ireland	no	-	..
Israel	yes	for those with low incomes	yes
Italy	no	-	no
Japan	no	-	no
Luxembourg	yes, in certain cases	it is paid by a social assistance fund if the claimer justifies: that he or his legal representative have lived in Luxembourg for the last 5 years; that the maintenance is fixed by law in Luxembourg; that the payment of maintenance has not been obtained by private law; that the claimer has financial difficulties.	yes
Netherlands	no	-	no
New Zealand	no	-	no
Norway	yes	forwarded by national insurance if the non-resident parent does not pay regularly on time or pays less than forwarded amount. nkr1160 per month per child	no, for social assistance. yes, for transitional allowance. no, for lone parent benefits.

Continued

Table 3.9 Continued

Country	Guaranteed	If yes, details	Disregarded for income-related benefits
Portugal	no	-	-
Spain	no	-	-
Sweden	yes	guaranteed maintenance is 1173 sek/month. If a parent not living with the children refrains from paying this amount the state will pay the difference up to the guaranteed amount. If earnings are below 72000 sek/year, the state will claim the whole or part of the amount according to a scale which varies by number of children.	yes, for social insurance and housing benefit not for social assistance.
UK	no	-	no
USA	no	-	no

[1] Public centres for social welfare do give advances to alimony payments after two defaults in 12 months of court determined payments, if the recipient's income does not exceed a certain threshold. The Public Centres are then required to get the advances back from the non-custodial parent. This, however, has not been included as a guarantee in the matrix.

[2] Child support is not guaranteed to *divorced* parents, which have been assumed in the matrix.

3.9 Matrix analysis

For the purposes of reviewing the value of child cash benefits and child support paid to different families at different earnings levels we have cumulated the amounts paid in non-income-related child benefit, income-related child benefit, child support (if it is guaranteed) and 'other'. 'Other' is a miscellaneous collection of benefits that are not child benefits but effectively have the same impact. Thus in Australia, Austria, Finland, France, Germany, Israel, Luxembourg, the Netherlands, New Zealand, Portugal and USA social assistance can be paid to employed families with low earnings.[23] In order to estimate the value of this element of the child benefit package we deducted any benefits paid to a childless couple from the amount paid to families with children to obtain the amounts paid only in respect of children. The results are expressed in £ purchasing power parities per month.

It can be seen in Table 3.10 that New Zealand is the only country in the study that has no cash benefit of this type for a couple with two school age children. It is entirely reliant on delivering support to couples with two school age children through the tax system. Australia, Germany, Spain and the USA have income-related benefits which are not payable on higher earnings. Denmark, Greece, Netherlands, Norway and the UK all pay the same amount to the two-child family regardless of earnings (though as we have seen the UK varies tax benefits for children by income). The level of the child benefits varies considerably – at the lowest earning case (Case 1) Ireland, Austria and Luxembourg pay the highest child benefits. For the highest earning case (Case 6) Luxembourg, Austria and Belgium have the highest child benefits.

[23] In Australia there is the parenting payment, in France Revenue minimum d'insertion (RMI) or Allocation de parent isole (API), in Germany there is the Sozialhilfe, in Israel Income Support, in Luxembourg Revenu Minimum Garanti, in New Zealand Family Support, in Portugal, the Guaranteed Minimum Income and in the USA there are Food Stamps, HEAP and WIC.

Table 3.10 Child cash benefits by earnings. Couple + two school age children. £ppp per month

	(Case 1)		(Case 2)		(Case 4)		(Case 6)	
Country	£ppp	Rank	£ppps	Rank	£ppp	Rank	£ppps	Rank
Australia	3	20	57	16	0	18	0	18
Austria	420	2	242	4	238	2	238	2
Belgium	176	9	176	8	176	3	176	3
Canada	204	5	175	9	60	13	19	16
Denmark	110	14	110	13	110	9	110	9
Finland	268	4	182	6	129	5	129	5
France	174	10	100	15	100	11	72	11
Germany	152	11	156	10	0	18	0	18
Greece	16	19	16	20	16	17	16	17
Ireland	572	1	278	3	116	7	116	7
Israel	184	7	53	17	53	14	53	12
Italy	65	17	177	7	97	12	22	15
Japan	0	21	37	19	51	15	51	13
Luxembourg	397	3	398	1	269	1	269	1
Netherlands	108	15	108	14	108	10	108	10
New Zealand	0	21	0	21	0	18	0	18
Norway	117	12	117	11	117	6	117	6
Portugal	178	8	49	18	33	16	33	14
Spain	41	18	0	21	0	18	0	18
Sweden	90	16	192	5	130	4	130	4
UK	112	13	112	12	112	8	112	8
USA	187	6	370	2	0	18	0	18

Case 1= One earner on minimum wage, 16 hrs per week

Case 2= One earner half average male earnings

Case 4= One earner average male earnings

Case 6= Two earners average male and half average female

Table 3.11 presents the value of child cash benefits paid to a low-paid worker by family type. Again New Zealand is the only country without any cash benefit and Spain only pays a small amount to the couple with three children. Denmark, France, Norway, Sweden and the USA pay higher cash benefits for a pre-school age child than a school age child. Belgium and Luxembourg and the Netherlands pay lower amounts for the pre-school age child. Norway is particularly generous in its benefit for a lone parent with a pre-school age child through the Transitional Allowance. The cash benefits paid in respect of children to a lone parent are in most cases higher than that paid to a couple. However Belgium, France, Israel, the Netherlands, Portugal and the UK pay the same and in Italy and Luxembourg lone parents receive less than couples. A number of countries gear their cash benefits in favour of larger families including Austria, France and Luxembourg.

Table 3.11 Cash benefits by family type and size. One earner on half average male earnings (Case 2) £ per month ppp

Country	Lone parent + 1 < 3	Lone parent + 1	Lone parent +2	Couple + 1< 3	Couple + 1	Couple +2	Couple +3
Australia	96	96	107	57	57	57	57
Austria	179	249	590	108	108	242	506
Belgium	50	58	176	50	58	176	349
Canada	165	86	175	156	86	175	261
Denmark	197	175	324	77	55	110	165
Finland	152	152	317	60	60	182	291
France	104	14	100	104	14	100	357
Germany	34	61	311	61	61	156	261
Greece	6	6	62	5	5	16	37
Ireland	266	266	418	175	175	278	397
Israel	27	27	53	27	27	53	107
Italy	46	46	120	73	73	177	356
Japan	177	177	194	41	19	37	54
Luxembourg	35	45	210	159	169	398	691
Netherlands	39	47	108	39	47	108	173
New Zealand	0	0	0	0	0	0	0
Norway	471	188	316	98	59	117	176
Portugal	24	24	49	24	24	49	135
Spain	0	0	0	0	0	0	61
Sweden	1	1	147	149	83	192	318
UK	67	67	112	67	67	112	157
USA	29	0	248	283	255	370	482

Table 3.12 shows how child cash benefits vary by family type for a family with one earner on average earnings. At this level of earnings Australia, New Zealand, Spain and the USA do not pay cash benefits and Germany only pays them to lone parents and the large couple family. Fewer countries at this earnings level pay higher cash benefits to lone parents and to pre-school children but Norway is still paying considerably more to both.

Table 3.12 Cash benefits by family type and size. One earner on average male earnings. (Case 4). £ per month ppp

Country	Lone parent + 1 < 3	Lone parent + 1	Lone parent +2	Couple + 1< 3	Couple + 1	Couple +2	Couple +3
Australia	0	0	0	0	0	0	0
Austria	179	249	590	108	108	238	396
Belgium	50	58	176	50	58	176	349
Canada	38	30	60	38	30	60	113
Denmark	197	175	324	77	55	110	165
Finland	152	152	317	58	58	129	129
France	104	0	100	104	14	100	357
Germany	34	61	122	0	0	0	16
Greece	-35	-35	-21	5	5	16	37
Ireland	58	58	116	58	58	116	191
Israel	27	27	53	27	27	53	107
Italy	18	18	64	38	38	97	210
Japan	-55	-55	-31	27	27	51	67
Luxembourg	95	104	269	95	104	269	498
Netherlands	39	47	108	39	47	108	173
New Zealand	0	0	0	0	0	0	0
Norway	227	188	316	98	59	117	176
Portugal	17	17	33	33	17	33	67
Spain	0	0	0	0	0	0	0
Sweden	145	145	291	65	65	130	212
UK	67	67	112	67	67	112	157
USA	0	0	0	0	0	0	0

Finally, Table 3.13 examines the child cash benefit paid to a two-earner couple by family type. Australia, Germany, New Zealand, Spain and the USA do not pay any child cash benefits to two-earner families at this earnings level regardless of the number of children. The most generous benefits for pre-school age children are paid in Austria, Luxembourg and Norway. Belgium, Luxembourg and the Netherlands pay lower amounts for pre-school age children. Luxembourg, Austria, Belgium and France pay the highest child cash benefits for the couple with three children.

Table 3.13 Cash benefits by family type and size. Two earners average male plus half average female earnings. (Case 6) £ ppp per month

Country	Couple + 1<3	Couple +1	Couple +2	Couple +3
Australia	0	0	0	0
Austria	108	108	238	396
Belgium	50	58	176	349
Canada	18	10	19	73
Denmark	77	55	110	165
Finland	58	58	129	129
France	33	0	72	316
Germany	0	0	0	0
Greece	5	5	16	37
Ireland	58	58	116	191
Israel	27	27	53	107
Italy	11	11	22	89
Japan	27	27	51	67
Luxembourg	95	104	269	498
Netherlands	39	47	108	173
New Zealand	0	0	0	0
Norway	98	59	117	176
Portugal	17	17	33	67
Spain	0	0	0	0
Sweden	65	65	130	212
UK	67	67	112	157
USA	0	0	0	0

3.10 Future changes

3.10.1 Non-income-related child benefits

Austria (in 2003), Ireland (in 2002) and Luxembourg (in 2002) all have plans to increase their universal child benefit, although in Austria, this will only affect children above three years. Israel, however, intends to abolish the increase in universal benefits for large families.

3.10.2 Income-related child benefits

Austria and Portugal are the only countries with plans to change their income-related cash benefits. In Austria, most income-related benefits were abolished with the introduction of the new childcare allowance in January 2002 although the supplements for large families will be increased in January 2003. In Portugal, a new level of benefit has been created within the Family Allowance for Children and Youth that benefits children living in lower-income families. This came into force at the end of 2001.

3.10.3 Child Support

Norway and the UK have made plans for a new system for child support. In Norway, guaranteed maintenance will become income-related. This will be implemented from October 2003. In the UK, the changes will still not guarantee child maintenance.

3.11 Conclusion

This chapter has examined what in most countries are the most important parts of the child benefit package – tax benefits and cash benefits, income-related and non-income-related. Countries use different mixes of these mechanisms for delivering help to families and the value of that help varies by family type and size, the age of the child and by earnings level. In order to obtain a full picture of a country's child benefit package these elements of the package really need to be put together. This we do in Chapter 9 when the overall structure and level of the package is considered. However meanwhile Figures 3.1 and 3.2 summarise the value of tax benefits and cash benefits for a couple plus two children at a low earnings level (Case 2: One earner on half average male earnings) and a higher earnings level (Case 6: Two earners, average male and half average female earnings). It shows which countries employ cash benefits and/or tax benefits and the combined value of these for two child families. The UK comes second only to the USA at the low earnings level. At the higher earnings level the UK comes sixth, below Luxembourg, Austria, Belgium, Germany, France and the USA.

However this is far from the end of the story - there are other elements of the package to consider starting in Chapter 4 with housing costs and subsidies.

Figure 3.1 Cash benefits and tax benefits for children; couple + two aged 7 and 14

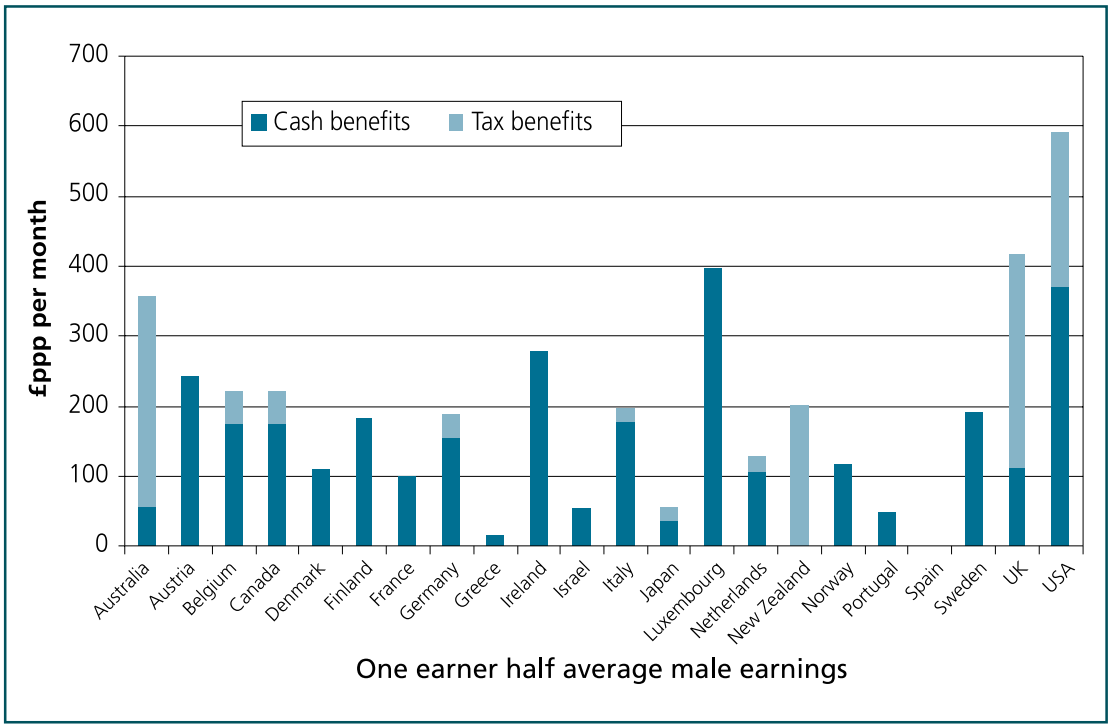
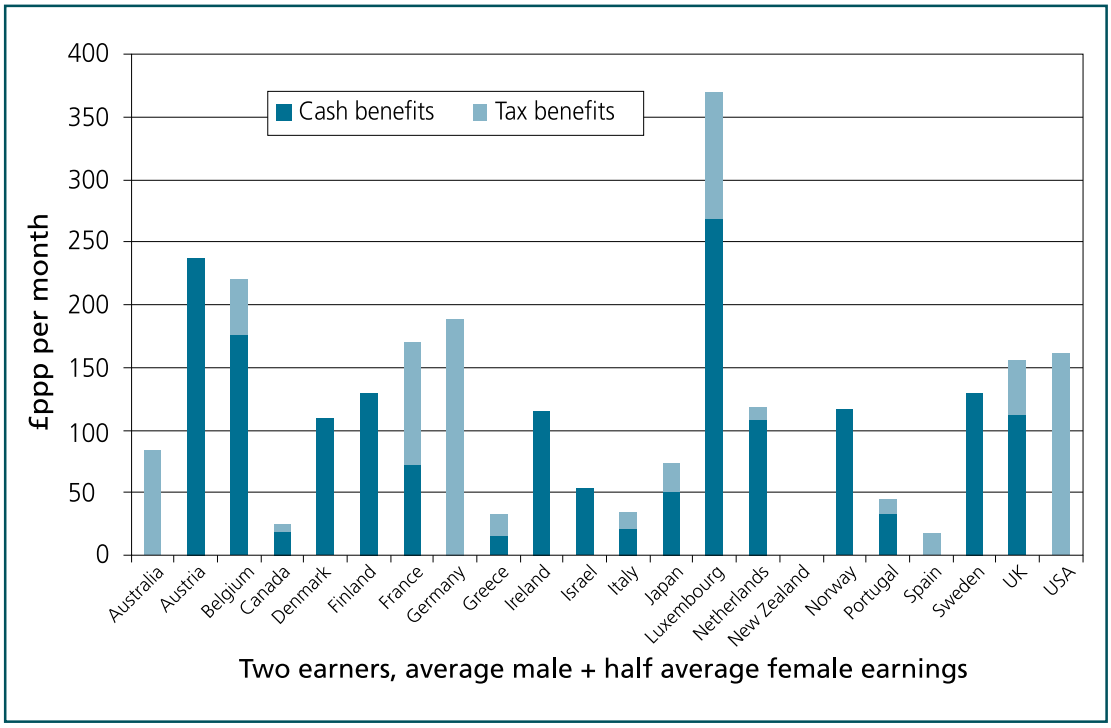


Figure 3.2 Cash benefits and tax benefits for children; couple + two aged 7 and 14



4 Housing costs, housing subsidies and local taxes

4.1 Introduction

Housing costs are the most difficult of all elements to deal with in comparative research on tax and benefit systems. Yet, we know from previous research that housing benefit systems are an important element in the benefit package and one that varies considerably between countries (Bradshaw *et al.,* 1993; Kemp, 1997, Ditch *et al* 2001). Housing costs vary within and between countries according to many factors – the age and condition of the dwelling, the size of dwelling, location, tenure, the extent of bricks and mortar subsidies, rent control legislation and, for those with a mortgage, how long they have been in the market and the current interest rates. The costs of housing are an element which determines the value of the housing benefit payable. In comparative research using the model family method it is necessary to control for all this variation.

In previous work using the model families method we have asked national informants to specify a gross rent level for a one, two and three bedroom dwelling, of the most common housing form, in the most common rental tenure, in a specific place in their country. In the UK this was a one-bedroom council flat and a two and three bedroom semi detached council house in York. In other countries it tended to be private rented flats. The rent varied with the size of the family but not with income. We obtained nominated rents that varied a good deal. The UK rents were thought to be low nationally and unrealistically low for the better-off family.

The OECD, in its work using the model family methods (OECD 2001a), takes a standard 20 per cent of gross average earnings as its housing assumption. Thus housing costs do not vary with family size or income. OECD does not justify their assumption of 20 per cent empirically but it is the kind of ballpark figures discussed in the housing affordability discourse. We decided to depart from our own previous practice and adopt the OECD method in this study. The reasons for this were:

- It is (more) consistent across countries.
- It is simpler for the national informants.
- It is simpler for us to handle at the analysis stage.
- It will make our results more comparable with OECD.
- It will give a higher (arguably more realistic) rent figure for some countries, including the UK.

The disadvantages are:

- Families of different sizes are likely to occupy dwellings of different size and with the standard rent of 20 per cent of average earnings we lose variation by size.
- In most countries a rent of 20 per cent of average earnings will be too high for some of the low-income families we are including in the analysis. Indeed in Japan and Denmark the national informant told us that a low-income family would not be entitled to housing benefit on that rent and be expected to move to lower cost housing. In other countries including the UK there is an eligible rent ceiling for housing benefit, which might have been exceeded by the 20 per cent assumption.
- In some countries 20 per cent of average was considered far too low a rent. In the USA the area (Nassau County) where the families were located had rents that were considerably above that level and families on average earnings were commonly spending half their income in rent.

There is no right answer to these problems; the advantages and disadvantages are evenly balanced. In the end it is important to remember that the treatment of housing costs and housing benefits is flawed. Nevertheless it is more important to attempt to take them into account than to ignore them completely.

There is another rather different problem with comparisons of housing costs and benefits. The OECD counts housing benefit as income and then estimates net income after gross rent has been paid. We have used a rather different approach - collecting data on gross housing costs then deducting housing benefit and then deducting net housing costs to get at after housing costs income. Our after housing costs income is equivalent to the OECD income net of gross housing costs. However the before housing costs income concept is different. We prefer not to treat housing benefit as income on the grounds that in many countries housing benefit is not a cash sum paid to the tenant but a rent reduction and, where it is paid as a cash amount, it is not available for consumption other than for paying for housing.

In this chapter we describe the housing subsidy systems that exist in our countries and establish a net housing costs figure. In Chapter 9 we evaluate what part housing costs play in the overall child benefit package.

4.2 Housing benefits

4.2.1 Significant changes in housing benefits since 1996

Since 1996 there have only been relevant changes in housing benefits in five countries in our study. In Sweden a new system of housing benefits was introduced, based on preliminary estimates of yearly income, which is later checked against the amount of housing allowances received. A negative balance means that the claimant has to pay the difference. In France, Germany and New Zealand the housing benefit amounts were increased, specifically for households with children in France. New Zealand also reverted to income-related rents for state tenants, away from an income supplement. In Germany, child benefits are now disregarded when calculating household income on which housing benefits are based. The 1996/97 changes to the UK housing benefit scheme bore down on the maximum amount of rent that housing benefit would meet for private tenants. This did not affect the 80 per cent of the housing benefit caseload who are public tenants.

4.2.2 Current housing benefits

Housing costs

Although gross housing costs have been fixed at 20 per cent of income, eligibility requirements for housing benefit or the amount received/deducted varies according to location or tenure in certain countries in our study. As a result, for the calculation of housing benefit we asked the national informants to choose a specific location and to assume that the model families live in a form of rented tenure. The chosen locations and tenures are shown in the Appendix D, Table D.1. Generally, privately rented is the most common tenure that has been chosen.

The choice of tenure has not always been made because it was the most prevalent in the specific country. Table D.2 gives the proportion of rented tenures and the breakdown of public and privately rented tenure. It can be seen that rented accommodation itself is not the most prevalent tenure in most countries in our study. Germany (58 per cent) and Sweden (57 per cent) have the highest proportions of dwellings that are rented and Spain (16 per cent), the lowest. With the exception of Denmark, Finland, the Netherlands, Spain, Sweden and the UK, private tenure is the most common form of rented tenure. Germany (43 per cent) has the highest proportion of private rented dwellings compared to only four per cent in Spain. Sweden has the highest proportion of public rented dwellings (36 per cent) compared to zero (or virtually zero) in Canada and Greece.

Housing subsidies

Housing subsidies may be supply side or 'bricks and mortar' subsidies that go to the dwelling and demand side subsidies or housing benefits that go to the household and results in the gross rent being reduced. In addition, there are also rent controls that reduce the rent below the market rent. In this case the landlord is subsidising the tenant.

Supply side 'bricks and mortar' subsidies may be directed at family housing. In this study, we made little effort to collect information on supply side subsidies. Instead we have concentrated on demand side subsidies - the impact of housing benefit, rent rebate, allowance or differential rent schemes that enable net rent to vary from gross rent for families of different types, sizes and/or different incomes.

Housing benefits

Table 4.1 gives details of the supply and demand side subsidies in each country and Table D.3 gives details of eligibility for the demand side housing subsidies. We know that ten countries (Australia, Austria, Belgium, Denmark, France, Luxembourg, Portugal, Sweden, UK and the USA) in our study have supply side subsidies and 18 countries have a housing benefit scheme. Belgium does not have a demand side subsidy and there are no supply side or housing benefit subsidies in Canada, and Spain. Ireland (in Dublin) has differential rents with rent payable at 15 per cent of assessable earnings. Also, in addition, low-income families may receive a rent or mortgage supplement under the Supplementary Welfare Allowance scheme.

For the housing benefit schemes, the majority of countries take income into account either directly or indirectly (for example, in Australia entitlement for rent allowance is combined eligibility for some other income support payment and the relevant income test then applies (albeit indirectly) to rent allowance (see Table D.3). Japan is the exception and is unique in the sense that allowances exist in the wage structure and are paid by employers (rather than the state). The Employers can also pay a proportion of the rent or mortgage for the employee or control the rent so that the employee's rent is below the market rent. Three other countries (Germany, Greece and Israel) base eligibility on work status.

Norway, Denmark and Sweden are the only countries with a benefit aimed specifically at families with children, (also pensioners in Norway and young people in Sweden). The number of adults in the household is taken into account in ten countries and the number of children in thirteen. Italy, Luxembourg and Portugal take neither the number of adults nor the number of children into account. In fact, only young people under 30 are eligible for Portugal's benefit (see Table D.3) and therefore this has not been included in the matrix. Family type is taken into account in eight countries. In Japan, whether family size and marital status is taken into account varies with the employer.

Table 4.1 Supply and demand side housing subsidies

Country	Supply side subs	Demand side subs	Income	Varies with: Work status[1]	No. of adults	No.of children	Age of children	Fam Type	Admin	Contr.	Taxed	Uprated
Australia	yes	yes	yes	no	no	yes	no	yes	nat.	no	no	commonwealth government decision
Austria	yes	yes	yes	no	yes	yes	no	no	loc	no	no	government decision
Belgium	yes	no	-	-	-	-	-	-	-	-	-	-
Canada	no	no	-	-	-	-	-	-	-	-	-	-
Denmark	yes	yes	yes	no	no	yes	no	no	loc	no	no	Annually in line with other benefits
Finland	no	yes	yes	no	yes	yes	no	no	nat	no	no	Annually by parliamentary decisions. Based on the general housing cost index
France	yes	yes	yes	no	yes	yes	no	yes	nat	no	no	no rule
Germany	no	yes	yes	yes	yes	yes	no	yes	loc	no	no	not regularly (last uprated 2001)
Greece	no	yes	yes	yes	no	yes	no	yes	nat	yes	no	ministerial decision
Ireland	no	no[2]	-	-	-	-	-	-	-	-	-	-
Israel	no	yes[3]	yes	yes	no	yes	no	yes	nat	no	no	according to the index costs
Italy	no	yes[4]	yes	no	no	no	no	no	nat	no	no	according to uprating of the INSP minimum pension level and of local income thresholds to access social housing
Japan	no	yes	no	yes	some	some	no	some	employer	-	yes	negotiation between employer and union.
Luxembourg	yes	yes	yes	no	no	no	no	no	both	yes	yes	consumer price index and inflation
Netherlands	no	yes	yes	no	yes	no	no	yes	nat	no	no	Government decision
New Zealand	no	yes (2)	yes	no	yes	yes	no	no	nat	no	no	changes in market rents, benefit levels, wages
Norway	no	yes	yes	no	yes	yes	no	no	both	no	no	annually by parliamentary decision
Portugal	yes	yes[5]	yes	no	no	no	no	no	nat	no	no	government decision
Spain	no	no	-	-	-	-	-	-	-	-	-	-
Sweden	yes	yes	yes	no	yes	yes	no	yes	nat	no	no	government decision
UK	yes	yes	yes	no	yes	yes	no	no	loc	no	no	in line with income support scales
USA	yes	yes	yes	no	yes	yes	no	yes	Nat/st/loc	no	no	Since the policies are made by the state and local jurisdiction, national generalisations are impossible to make

[1] This is only marked with 'yes' if the benefit varies by work status for families with children - if pensioners are entitled to this benefit, for example, in Norway, this is not indicated in the table.

[2] Ireland has differential rents.

[3] Israel's subsidy has only been applied to social assistance recipients in the matrix.

[4] Italy's (Milan) subsidy has not been included in the matrix because households rarely apply for this benefit.

[5] Only young people under 30 are eligible and therefore this has bot been included.

In this study, we have deducted housing benefit from gross housing costs. Table 4.2 gives the gross rents that were employed in this study. They vary according to average earnings ranging from £151 in Portugal to £429 in the USA.

Table 4.2 Gross rents assumed (20% of average earnings) in £ ppps per month

Country	Gross rent in £ppp
Australia	366
Austria	309
Belgium	338
Canada	396
Denmark	361
Finland	261
France	297
Germany	364
Greece	189
Ireland	265
Israel	222
Italy	283
Japan	355
Luxembourg	389
Netherlands	362
New Zealand	266
Norway	280
Portugal	151
Spain	262
Sweden	300
UK	378
USA	429

Table 4.3 presents the impact of housing benefits on these rents by earnings. Belgium, Canada and Spain have no housing benefit scheme. Italy's (Milan) subsidy has not been included in the matrix because households rarely apply for this benefit, Israel's has only been applied to social assistance recipients in the matrix and Portugal's scheme only applies to young people and has therefore not been included. All the other countries' schemes reduce gross rent for the couple with two children on half male earnings. However the amount the rent is reduced by varies from country to country. The Austrian housing benefit system for those with access to public housing is very generous (at least in Upper Austria). Rent is reduced by over half in Denmark, Finland, France and the USA. In Greece, Japan, Norway and the UK housing benefit makes only a modest contribution to mitigating housing costs. Housing benefit is no longer payable in most countries for this family on average male earnings. The exceptions are Denmark, Ireland and Japan. This benefit in Japan is paid as an earnings supplement by employers and is a standard amount regardless of earnings.

Table 4.3 Net rent paid by earnings level: Couple plus two school age children

	Case 2		Case 4		Case 6	
Country	£ ppp	% gross rent paid	£ ppp	% gross rent paid	£ ppp	% gross rent paid
Australia	-257	70	-366	100	-366	100
Austria	-47	15	-309	100	-309	100
Belgium	-338	100	-338	100	-338	100
Canada	-396	100	-396	100	-396	100
Denmark	-163	45	-316	87	-361	100
Finland	-126	48	-261	100	-261	100
France	-122	41	-297	100	-297	100
Germany	-224	62	-364	100	-364	100
Greece	-158	84	-189	100	-189	100
Ireland	-140	53	-208	79	-265	100
Israel	-222	100	-222	100	-222	100
Italy	-283	100	-283	100	-283	100
Japan	-285	80	-285	80	-285	80
Luxembourg	-307	79	-389	100	-389	100
Netherlands	-224	62	-362	100	-362	100
N. Zealand	-173	65	-266	100	-266	100
Norway	-225	80	-280	100	-280	100
Portugal	-151	100	-151	100	-151	100
Spain	-262	100	-262	100	-262	100
Sweden	-238	79	-300	100	-300	100
UK	-310	82	-378	100	-378	100
USA	-163	38	-429	100	-429	100

Case 2: One earner half average male earnings

Case 4: One earner average male earnings

Case 6: Two earners average male and half average female

Table 4.4 and Table D.4 show how the rent varies by family type as a result of the impact of housing benefit payable to the families with one earner on half average male earnings (Case 2). In most countries where there is a housing benefit scheme it reduces rents more for families with children than the single and childless couples with the same earnings. This is not true in Japan where childless couples pay the same as families with children. This is also the case in Luxembourg for both lone parents and couples with children and in Israel for couples with children. In Ireland families with children pay more rent than families without. In New Zealand, couples with children pay more than childless couples. Austria appears to have the most horizontally redistributive housing benefit scheme.

Table 4.4 Rent by family type and size. One earner half average male earnings (Case 2) Ratios Gross rent = 100

Country	Gross rent	Single person	Couple	Lone parent +1	Lone parent +2	Couple +1	Couple +2	Couple +3
Australia	100	100	100	70	70	70	70	67
Austria	100	100	71	71	47	47	15	15
Belgium	100	100	100	100	100	100	100	100
Canada	100	100	100	100	100	100	100	100
Denmark	100	85	85	51	45	51	45	45
Finland	100	100	78	72	57	57	48	39
France	100	91	75	57	41	57	41	24
Germany	100	100	97	97	81	81	62	48
Greece	100	88	88	86	84	86	84	81
Ireland	100	41	44	55	60	50	53	55
Israel	100	100	100	58	58	100	100	100
Italy	100	100	100	100	100	100	100	100
Japan	100	87	80	80	80	80	80	80
Luxembourg	100	100	79	100	100	79	79	79
Netherlands	100	100	69	66	62	62	62	62
N. Zealand	100	71	56	65	65	65	65	65
Norway	100	100	100	95	86	86	80	75
Portugal	100	100	100	100	100	100	100	100
Spain	100	100	100	100	100	100	100	100
Sweden	100	100	100	66	57	89	79	70
UK	100	100	84	90	93	78	82	86
USA	100	56	49	49	49	49	38	31

4.3 Local taxes

Table D.5 shows the arrangements for local tax. The type of local tax varies between countries as does what service charges are included in the tax. In the matrix, the calculation of net local tax includes any additional charges for water, sewerage or garbage collection. These however have been treated separately in Table A.5 and will be discussed separately below.

All countries in our study, with the exception of Ireland, have some kind of system of local taxation. However, not all countries apply their local tax to renters and any local taxation that only applies to homeowners has not been included in the matrix. Indeed, 11 countries have a local tax that applies to homeowners only and ten of these have no local taxation for renters. Italy has a land tax that applies only to owners and an income tax that applies to both owners and renters. Where local taxation is not applied to renters, it is not unlikely that the economic incidence of the tax falls indirectly on the renter through increased rent.

Twelve countries in our study (Belgium, Finland, France, Germany, Greece, Israel, Italy, Japan, Netherlands, Spain, Sweden and UK) have a local tax that applies to renters - Belgium and Japan have two. There is some kind of rebate for renters in over half these countries (Belgium, Finland, France, Japan, Netherlands, Sweden and UK), although Belgium has a rebate on only one of its local taxes - the other tax is a surtax on the personal income tax and therefore is automatically income-related and low- income households do not pay it. The rebate is income-related in all of these countries, work

status is taken into account in Belgium only and the number of children is accounted for in Belgium, France, Japan and the UK.

Local tax may or may not include service charges and there may be additional charges for water, sewerage and/or garbage collection. Of the 12 countries with local taxation for renters, five countries (France, Germany, Italy, Japan and Sweden) do not include any service charges in the local taxation. All 12 countries, with the exception of Italy, the Netherlands and Spain apply *additional* charges to renters. Luxembourg is the only country that has no local tax for renters but charges them (directly) for water, garbage and refuge collection. Ireland, the only country without a local taxation system, charges renters for garbage collection (although this charge has not been included in the matrix). Australia and Sweden have charges in addition to local tax but this is included in the rent.

Table 4.5 shows that the amount of local tax payable varies with earnings in Belgium, Finland, France, Italy, Japan and Sweden (in the case of the UK and the Netherlands, the amount payable also varies with earnings but this is not seen in Table 4.5 because the family on half average earnings is above the Council Tax Benefit threshold in the UK and the social assistance threshold in the Netherlands). Other countries with systems of local tax pay the same across the board. Overall there is a big variation in the amount payable – for the two-earner couple it varies from £4 per month in Greece to £532 per month in Sweden.

Table 4.5 Local taxes for a couple plus two children by earnings £ ppp per month

Country	Case 2 Net local taxes	Case 4 Net local taxes	Case 6 Net local taxes
Australia	0	0	0
Austria	0	0	0
Belgium	-16	-31	-50
Canada	0	0	0
Denmark	0	0	0
Finland	-107	-237	-317
France	-46	-67	-88
Germany	-72	-72	-72
Greece	-4	-4	-4
Ireland	-7	-7	-7
Israel	-89	-89	-89
Italy	-16	-31	-33
Japan	-1	-40	-71
Luxembourg	-22	-22	-22
Netherlands	-178	-178	-178
New Zealand	0	0	0
Norway	0	0	0
Portugal	0	0	0
Spain	-14	-14	-14
Sweden	-179	-404	-532
UK	-81	-81	-81
USA	0	0	0

Case 2: One earner half average male earnings

Case 4: One earner average male earnings

Case 6: Two earners average male and half average female earnings

Table 4.6 examines the variation in local taxation by family type at an earnings level at which exemptions from local taxation might be expected to have an effect (one earner half average male earnings Case 2). However, the main finding is that countries do not appear to be building horizontal redistribution into their local tax arrangements. Belgium does it to a very limited extent as well as Japan. There are however, just as many countries which charge more local tax for families with children at this income level including, France[24], Israel (for couples) and the UK (the latter partly as a result of fact that Council Tax increases with the number of adults in the family and that the national informant took account of variations in dwelling size for different families).

Table 4.6 Local taxes by family type. Earning half male earnings. (Case 2). £ ppps per month

Country	Single	Couple	Lone parent + 1	Lone parent +2	Couple +1	Couple +2	Couple +3
Australia	0	0	0	0	0	0	0
Austria	0	0	0	0	0	0	0
Belgium	-18	-15	-18	-17	-16	-16	-15
Canada	0	0	0	0	0	0	0
Denmark	0	0	0	0	0	0	0
Finland	-107	-107	-107	-107	-107	-107	-107
France	-36	-39	-39	-43	-43	-46	-49
Germany	-72	-72	-72	-72	-72	-72	-72
Greece	-4	-4	-4	-4	-4	-4	-4
Ireland	-7	-7	-7	-7	-7	-7	-7
Israel	-59	-59	-47	-58	-73	-89	-89
Italy	-18	-22	-22	-22	-22	-16	-22
Japan	-23	-13	-14	-9	-8	-1	-1
Luxembourg	-8	-15	-15	-19	-19	-22	-24
Netherlands	-178	-178	-178	-178	-178	-178	-178
N. Zealand	0	0	0	0	0	0	0
Norway	0	0	0	0	0	0	0
Portugal	0	0	0	0	0	0	0
Spain	-14	-14	-14	-14	-14	-14	-14
Sweden	-179	-179	-179	-179	-179	-179	-179
UK	-48	-60	-48	-59	-60	-81	-81
USA	0	0	0	0	0	0	0

4.4 Future changes

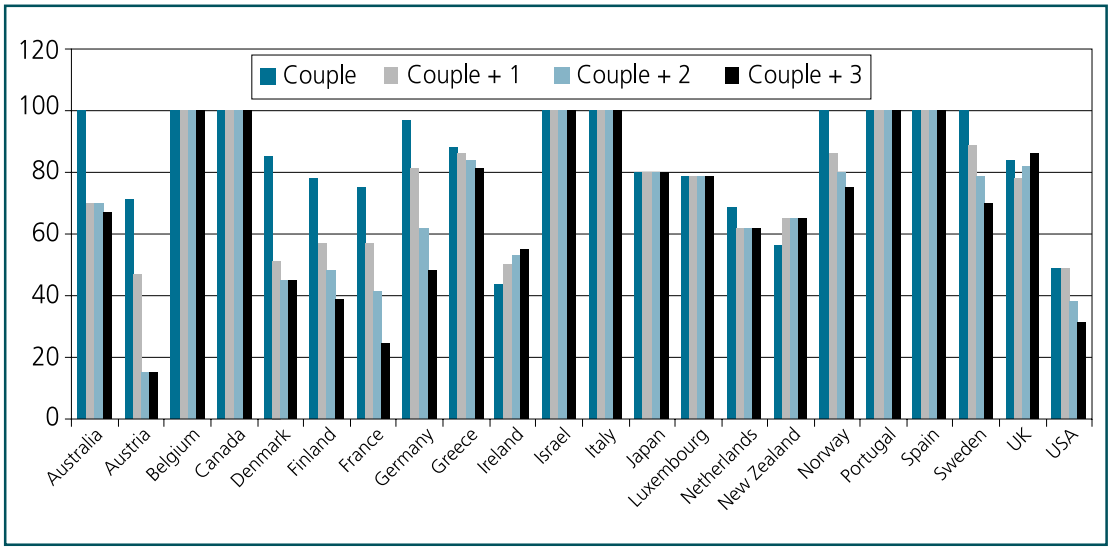
France plans to change housing benefit, with the aim of simplifying and increasing the benefit in 2002. The UK is committed to short-term simplification and long-term structural reform of housing benefit.

[24] For France the local tax amounts actually decrease with the number of children but when sewerage and water charges are included, given the assumption made that they increase with the number of children overall there is a slight increase.

4.5 Conclusion

The majority of countries (all but six) have a demand side subsidy or housing benefit scheme that reduces the gross rent paid by low-income households and in the majority of these housing benefit schemes the amount of rent reduction is greater when there are children in the household. So housing benefits are an important component of the child benefit package which need to be taken into account in assessing its overall value – despite the difficulties inevitable in making assumptions about housing costs. Figure 4.1 shows which countries have housing benefit schemes that reduce gross rents (=100) for Case 2: one earner half average earnings and how they vary by family type. The USA and Ireland and Austria have the biggest reduction in gross rents. More important for this study is how they are reduced by family size. In this respect the UK families with children receive a rather small reductions in rent which are smaller the more children there are in the household.

Figure 4.1 % gross rent paid by family type: one earner 50% average. Gross rent = 100



This is the result of interaction with the rest of the child benefit package. As will be seen in Chapter 9 housing benefit schemes have a variable impact on the overall child benefit package but we will see in Chapter 11 the rankings of countries' child benefit packages changes after the impact of housing costs have been taken into account.

Overall local taxation does not have a major impact on family incomes. However there are exceptions – the Netherlands, Sweden and Finland. Among these countries only Sweden and Finland vary these charges by earnings. As will be seen in Chapter 9 local taxes are a relatively minor element in the child benefit package.

5 Childcare and education costs and benefits

5.1 Introduction

In this chapter we consider access to affordable childcare and education. They are considered together on the grounds that there is growing consensus in OECD countries that 'care' and 'education' are inseparable concepts (OECD, 2001e). Indeed there is a trade-off between childcare and the age at which young children start school. The financial and other burdens on parents in raising children is to an extent dependent on when children start and leave school and what childcare provision is available pre-school and during early school years.

Table 5.1 summarises the age coverage of educational and childcare arrangements in the 22 countries. The statutory minimum school age is six in all countries except Finland (7), Greece (5½), Israel (5), Luxembourg (4), Netherlands (4) and the UK (5). The school leaving age is 15 in nine countries and 16 in 11. The exceptions are: Belgium, where children do not leave school until they are 18 and Greece where the school leaving age is slightly earlier - between ages 14 and 15. In the USA, the leaving age varies between 16 and 18 depending on the state.

For children under three, the proportion in childcare or education varies from one per cent in Ireland to 56 per cent in Denmark. The proportion of older pre-schoolers in education or childcare is higher than for younger pre-schoolers in all countries. In France all three – four year olds are in some form of childcare or education and over 90 per cent in Denmark, The Netherlands, New Zealand and Spain. Canada (23 per cent), Finland (44 per cent), Greece (46 per cent), and the UK (42 per cent) have the lowest proportions of three – four year olds in childcare or education.

Financial dependency is extended if children stay on at school after the school leaving age. The extent to which young people remain dependent on their parents after statutory school leaving age depends on a variety of issues such as whether they are employed or unemployed and funding arrangements for young people remaining in education (see below). The proportion of children between school leaving age and 18 in education/training ranged from under 60 per cent in Austria, Germany and the UK to over 95 per cent in France and Japan and 100 per cent in Belgium, where the school leaving age is 18.

Table 5.1 Childcare and education arrangements

Country	Min school age	School leaving age	% children under 3 in education/ childcare	% children 3-4 in education/ childcare	% children between school leaving age and 18 in education/ training
Australia[1]	6	15	22(1999)	66(1999)	78 (2000)
Austria	6	15	5(2000)	72 (2000)	57[2] (1999)
Belgium (Flanders)	6	18	41 (3 months to 2.5 years) 86 (2.5-3 years) (1999)	75[3] (1999-2000)	100[4] (1999-2000)
Canada	6	16	5 (1998)	23 (1998)	79 (1996)
Denmark (2000)	6	15	56	92	76
Finland (1998)	7	16	19	44	93
France (2000)	6	16	39	100	95
Germany	6	15	9 (2000)	54 (1999)	59[5] (1999)
Greece (2000)	5 ½	14-15	3	46[6]	..
Ireland (2000)	6	16	1[7]	50[8]	78
Israel (1999)	5	15	50[9]	73	90
Italy (1998)	6	15	9	71[10]	82
Japan (1999)	6	15	27	85	96
Luxembourg (2000)	4	15	16	64	85
Netherlands	4	16	19 (1999)	over 90[7] (1999)	76[11] (1997)
New Zealand (2000)	6	16	38 (age 1-2) 58 (age 2-3)	92	68
Norway	6	16	37[12] (2000)	78[9] (2000)	86 (1998)
Portugal	6	15	..[13]	57 (1997/8)	79 (1997/8)
Spain (2001)	6	16	..	91[9]	75
Sweden (1999)	6	16	40	82	..
UK (1999)	5	16	15	42	55
USA (1999)	6/7	16/18	16	54	85

.. = data not available

[1] The school starting and leaving ages varies by State

[2] 15-19 year olds

[3] 2.5-6 year olds

[4] 1.9 per cent of these are in education and work

[5] Percentage for Baden-Wurttemberg

[6] 3-5.5 year olds

[7] 3 years and under

[8] 4 year olds

[9] 2 year olds

[10] 3-5 years olds

[11] 16-19 year olds

[12] 1-2 year olds

[13] 45,175 children under 3 were in education/ childcare in 1998

In the first section of this chapter we are concerned with childcare as opposed to early education. By childcare we mean the care provided to look after children whilst their parents are at work rather than 'early education' which prepares children for formal schooling, although it may also have a childcare benefit. Childcare is important to enable parents (especially mothers) to undertake paid work, an expectation which is becoming increasingly common in most countries for mothers of children over a certain age (see Chapter 10). In our study we are more concerned with access to provision, the affordability of this and the various methods states use to subside this cost. We have not explored the quality of provision. The provision of childcare facilities and its related cash benefits and subsidies are some of the most difficult aspects of the child benefit package to measure accurately and compare cross-nationally (Gauthier, 2000). Not least because no systematic data is collected.

5.2 Pre-school childcare

5.2.1 Significant changes in childcare policy since 1996

Since 1996, public provision for childcare has become more comprehensive and generous. This has been achieved in three main ways:

- By planning childcare: in Australia, a national planning system was implemented for all new long day care places; in Finland, a standard childcare fee was introduced between municipalities; in the UK, a national childcare strategy was launched with the aim of ensuring good quality, affordable childcare for children aged 0-14 and in the USA, funding was consolidated into a block grant providing basic funding level to all states, although it also increased state flexibility in subsidy design.
- By guaranteeing childcare for certain age groups: A childcare guarantee has been introduced for over twos in Denmark and over threes in Israel and is being extended from all employees to the unemployed in Sweden. The UK has introduced a free nursery school place (ie. at school) for children aged four. Germany has had a childcare guarantee for 3-6 year olds since 1996.
- By reducing the costs of childcare: Firstly, state subsidies have been introduced or increased in Austria, France and USA. Second, fees have been reduced in Sweden. Third, benefits have been introduced or significantly increased in France (AFAEMA: an income-related benefit for children under six in childminders was introduced). Fourth, tax credit relief for childcare charges have been introduced in Luxembourg, the Netherlands and the UK. A description of the various ways to reduce the costs of childcare is described below under current policy.

Australia and France have reduced certain childcare subsidies, although in France this was a subsidy largely aimed at rich working families. In Italy, charges have been flattened – the charge for higher-income families has been reduced whilst that for lower-income families has increased. Generally, childcare policy has mirrored the converging expectation of governments that mothers should work.

5.2.2 Current policy

Table 5.2 shows the proportion of children at different ages using the most prevalent full-time pre-school childcare. By childcare we mean the care provided to look after children whilst their parents are at work rather than 'early education' which prepares children for formal schooling. This includes childcare such as crèches or registered childminders but does not include nursery or reception classes in school. It also does not include informal childcare undertaken by friends or relatives within our definition. The most *prevalent* from of pre-school childcare refers to that which has the highest proportion of children age 0-4 attending compared to other forms of formal pre-school childcare.

Most national informants found it difficult to locate childcare figures to meet our exact age requirements and others were unable to find any figure at all for certain age groups.

In most countries in our study, data on childcare for children under three is particularly sparse. This is partly because of the high levels of private provision and informal arrangement for this age group and partly due to the regional/local responsibility for these services (OECD, 2001e). As a result, the figures in Table 5.1 are not directly comparable. In addition, some countries could not give an age breakdown (e.g. Australia). The proportion in childcare differs between age groups and therefore these figures may hide substantial variation between the under threes and three to four age groups.

Taking the above into account, Luxembourg, Netherlands and UK have the lowest proportions of under fives in childcare. In the under three age group, Belgium and Israel both have a high proportion in formal childcare, whereas Austria and Ireland have low proportions. Seventy-five per cent of children age three to four are in childcare in Belgium. Austria, Denmark, Germany and Israel have over 50 per cent of three to four year olds in childcare. France had 100 per cent attendance but this is in school rather than childcare per se.

Table 5.2 The proportions of pre-school children using the most *prevalent* form of formal childcare

Country	% of pre-school children using most prevalent childcare	
	Under 3	3-4
Australia (1999)	..	18[1]
Austria (2000)	8	72
Belgium	(1999) 41	75
Canada (1998)	..	..
Denmark	..	56[2]
Finland (1997)	16	41[3]
France (2000)	17	(in school) 100
West Germany (2000)	..	60[3]
Greece (2000)	3	46
Ireland	9[4]	..
Israel (1999)	41[5]	68
Italy	..	..
Japan	..	..
Luxembourg (2000)	..	4[6]
Netherlands (1999)	..	14[7]
New Zealand (1999)	5 (under1) 14 (1-2 years) 22 (2-3 years)	36
Norway (2000)	..	18[8]
Portugal (1998)	..	10-12
Spain	21	..
Sweden	..	(2000) 66[9]
UK (1999)	11	13
USA	31[10]	45

[1] under 5s, full-time and part-time

[2] 3-5 year olds

[3] 3-6 year olds

[4] 2-3 year olds

[5] under 5s

[6] under 4s

[7] grades 1-4

[8] 6-10 year olds in full time care in municipal day care centres only. Most private day care in regulated by the municipality, and receives the same subsidies: 52% of all children age 0-5 years are in day centres

[9] 1-5 year olds

[10] 0-2 year olds in child minder and informal care

Formal childcare cannot be accessed if it is not readily available or affordable. Table 5.3 gives information on the pre-school childcare available for a child aged two years and 11 months – the age of the pre-school child in the model family matrix. The starting age of compulsory education has also been included in the table since this influences the duration and the nature of pre-school childcare. Five of the 22 countries in our study guarantee childcare for this age group (Belgium, Denmark, Finland, Portugal and Sweden). Although not all municipalities in Denmark guarantee childcare, 86 per cent do and it is expected that within a few years all municipalities will be able to keep the 'childcare promise' – the childcare guarantee. We have therefore treated childcare there as guaranteed by the state.

Even though not all countries guarantee childcare for children as young as two years and 11 months, some do guarantee childcare for older pre-schoolers. Germany guarantees childcare for children from the age of three and Israel guarantees school for this age group. In the UK all four year olds have access to a free early education place (ie. at school). Three year olds in France and four year olds in the Netherlands can enter school but not for the whole week. Four year olds in New Zealand are also 'guaranteed' limited childcare in a kindergarten. Since 1992, in Greece, companies with more than 300 employees are obliged by law to set up and operate a childcare centre (with their own funds) for their employees, and in 1997 a law established that kindergartens (nurseries and primary schools) should open for longer hours to help working parents with very young children.

Of the 17 countries who do *not* guarantee childcare for children age two years and 11 months, seven (Australia, Austria, Germany, Israel, Italy, Japan, Netherlands) give priority to lone parents. In Canada, this decision is made by the individual childcare centres; in the USA priority is given to low-income working parents when allocating childcare subsidies; in the Netherlands there is free childcare for lone parents with a paid job/in training and in Norway the decision is made by the individual nursery or by the municipality (for municipality kindergartens). Also there is a childcare benefit specifically for lone parents with children under ten.

Table 5.3 Pre-school childcare arrangements for a child aged 2 years and 11 months

Country	School age	Most prevalent f/t formal pattern for age 2 yrs 11 mths	Guarantee for age 2yrs 11mths	Priority to lone parents	Fees	State subsidy	Income-related subsidies	Other subsidies	Tax credit/ allowance	Subsidies for informal care
Australia	6	long day care	no	yes	yes	yes	yes	no	no	no
Austria	6	Crèche	no	yes	yes	yes	yes	yes[1] and [2]	no	no
Belgium	6	day care families supervised by ngo	yes, over 2.5 years	no	yes, over 2.5 years	yes, under 2.5 years	yes	yes[3]	yes for children below 3.	no
Canada	6	centre based care	no	yes, centre's decision	yes	grants[4]	yes in most provinces	yes	yes (addition for lone parents)	yes
Denmark	6	kindergarten, childcare institution	yes	no	yes	yes	yes	no	no	varies by municipal
Finland	7	municipal day care centre	yes[5]	-	yes	yes	yes	yes[1]	no	yes, private allowance[6]
France	6	childminder	no	no	yes	yes	yes	no[7]	yes	no
Germany	6	day nursery	no	yes	yes	yes	yes	yes[3]	yes	-
Greece	5.5	low income: public childcare high income: private childcare	no	yes[8]	not for public	yes	no	no	yes	no
Ireland	6	childminder	no	no	yes	grants[4]	no	no	no	-
Israel	5	local government and public ngos	no	yes	yes	no	yes[9]	yes[10]	no	no
Italy	6	day nursery	no	yes	yes	no	yes	yes	no	no
Japan	6	public sector nursery (for both working parents)	no	yes	yes	yes	yes	yes[3] and [13]	no	no
Luxembourg	4	childminder	no	no	yes[14]	yes	not for childminders. yes, for state nursery	no	yes	no
Netherlands	4	subsidised childcare	no	yes	yes[15]	yes	yes	yes[3]	yes	no
New Zealand	6	creche	no	no	yes	yes	yes	no	yes	no
Norway	6	public nursery	no	nursery/ municipal decides	yes	yes	yes	yes[3] and[16]	yes[17]	yes

Continued

Table 5.3 Continued

Country	School age	Most prevalent f/t formal pattern for age 2 yrs 11 mths	Guarantee for age 2yrs 11mths	Priority to lone parents	Fees	State subsidy	Income-related subsidies	Other subsidies	Tax credit/ allowance	Subsidies for informal care
Portugal	6	private non-profit kindergarten	yes	no	yes	yes	yes	no	yes	no
Spain	6	private day nurseries	no	no	yes	no	no	no	no	-
Sweden	6	municipal financed day care centres	yes	yes	yes	yes	yes	yes[3]	no	no
UK	6	childminder	no	no	yes	no	no	no	yes	no
USA	6/7	Family day care or child minder	no	for subsidies	yes	yes	yes	varies	yes	varies

[1] subsidies also vary by family size

[2] subsides vary by size of dwelling

[3] subsidies vary by number of children in care

[4] grants are to the pre-school childcare providers

[5] childcare is guaranteed after the parental allowance period ends which is between 213 and 233 working days (depending when the mother begins maternity leave) from the child's birth. In Finland public childcare is a subjective right. In all cases if a parent wants to put their under 7 year old child in public care the municipality has a duty to organise it. At the same time there is a child home care allowance scheme for families with 1-3 year old children. It makes it financially possible for one of the parents to stay at home to care for small children. Families with under I year old children are encouraged by parental leave schemes to care for their children at home.

[6] private childcare allowance is only available after the parental allowance period ends which is between 213 and 233 working days (depending when the mother begins maternity leave) from the child's birth and if in private care

[7] whilst there is local support in many communes, this is not the case in Draveil, the chosen commune for the matrix.

[8] priority is also given to large families

[9] for working mothers, lone mothers and new immigrant families only. These have not been included in the matrix because funding is limited to a few cases each year and therefore very few parents can actually take advantage of these subsidies.

[10] subsidies also vary by number of children for working mothers, lone mothers and new immigrant families. These have not been included in the matrix because funding is limited to a few cases each year and therefore very few parents can actually take advantage of these subsidies.

[11] these are highly fragmented according to local arrangements

[12] for families with two working parents only

[13] subsidies also vary by age of the child and the time arrangement

[14] there is no official fee: these are negotiated between parent and childminder.

[15] childcare is free for a lone parent in a paid job or training

[16] there are subsidies for lone parents with children under 10 (and for under threes in private childcare)

[17] for children under 12

5.3 The costs of pre-school childcare

Table 5.4 gives the costs of pre-school childcare that an employed lone parent and a two earner couple would be expected to pay for the most prevalent form of full-time childcare in their country.

Table 5.4 Costs of full-time pre-school childcare per month. Most prevalent type of pre-school childcare in each country. After direct and indirect subsidies but before taxes and benefits. £ ppp

	Lone parent with one child aged <3			Couple with one child aged <3	
Country	Case1	Case 3	Case 5	Case 6	Case 7
Australia	-89	-89	-125	-300	-340
Austria	-36	-36	-72	-116	-116
Belgium	-25	-101	-136	-186	-207
Canada	-324	-324	-324	-324	-324
Denmark	0	-30	-84	-167	-167
Finland	0	0	-75	-119	-119
France	-140	-140	-140	-186	-186
Germany	0	0	-225	-225	-225
Greece	0	0	-192	-192	-192
Ireland	-375	-375	-375	-375	-375
Israel	-237	-237	-237	-237	-237
Italy	0	0	-186	-186	-186
Japan	-11	-19	-133	-231	-231
Luxembourg	-26	-62	-137	-274	-386
Netherlands	0	0	0	-367	-367
N. Zealand	-333	-242	-322	-373	-373
Norway	-14	-43	-55	-205	-205
Portugal	-54	-54	-101	-127	-152
Spain	-201	-201	-201	-201	-201
Sweden	-28	-56	-100	-151	-151
UK	-385	-385	-385	-385	-385
USA	0	-127	-160	-647	-647

Case 1: One earner employed for 16 hrs per week
Case 3: One earner earning half average female earnings
Case 5: One earner earning average female earnings
Case 6: Two earners average male+half average female
Case 7: Two earners average male+average female

The expense of childcare can lessen the financial benefits of working, especially if the financial burden is placed wholly upon the parent(s). Public investment by national, regional or local government is therefore necessary to make a childcare system affordable (OECD, 2001e). Countries may use one or more of four mechanisms for subsidising the market costs of childcare:

- They may subsidise the childcare itself so that charges are below market costs to all parents. We see in Table 5.4 that many countries provide help of this kind. The countries that do not include Canada, Ireland, Israel, Spain and the UK. An indication of the value of these indirect subsidies per full-time place can be seen in the final column of Table 5.4. This is the gross amount that a two-earner couple has to pay per month for a full-time childcare place.

- They may reduce or rebate charges for childcare according to the income, family type, age or number of children in childcare. There are charges for childcare for children of 2 years and 11 months in couple families (at these earnings levels) in all countries but in Australia, Belgium, Luxembourg and Portugal there is some variation with earnings. For lone parents most countries provide free or heavily subsidised childcare places. The result of this is that are considerable variations in childcare costs between countries. A lone mother earning half average earnings would be charged £385 per month in the UK and nothing in Finland, Germany, Greece, Italy and the Netherlands. A couple both earning average male and average female earnings would pay £647 per month in the USA and £116 per month in Austria. However these are the typical charges not the actual extra costs.

- The extra costs of childcare in some countries is mitigated by higher cash benefits in respect of a child of pre-school age (though this extra benefit may not be intended to contribute to the costs of childcare). Norway, France, Australia and Canada and Japan have increases in income-related cash benefits paid for a pre-school age child compared to a school age child. In Norway there is a very generous income-related benefit for lone parents, which is not paid to couples. This is the Transitional Allowance, but this is not intended as a way of subsidising the cost of childcare. On the contrary, most receivers of the transitional allowance are staying at home, taking care of their children themselves. Moreover, the Transitional Allowance is not exclusively for parents of pre-school children. In Australia, although the benefit is paid to both couples and lone parents, it is only the lower earning groups which qualify. Japan is unusual in that a small benefit is paid to couples with a pre-school child irrespective of earnings.

  In Denmark and Norway a non-income-related pre-school subsidy is paid while in the Netherlands, Luxembourg and Belgium there is a slight reduction in the non-income-related benefit paid for a pre-school child.

- The final mechanism countries may use for subsidising the market costs of childcare is to offset some or all the costs of childcare against tax payable on income. Belgium, Canada, France, Germany, Greece, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, the UK and the USA all have some kind of tax/benefit in respect of childcare costs (see Table 5.3). In the case of the UK this is the only subsidy that exists. In New Zealand and Norway lone parents with a pre-school child pay more tax than a school-age child but for Norway, this is solely because the lone parent in the matrix has a considerably higher income from the Transitional Allowance.

Table 5.5 presents the combined value of these two latter methods for assisting with childcare costs - cash benefits and/or tax benefit. This is calculated as the difference between the net disposable income after taxes and cash benefits only, of a one child family with a pre-school age child and a school age child.

There is an argument to be had about whether this represents the value of childcare subsidies. The objectives of policy are often not very explicit and in this study we treat the impacts of policy as the objectives of policy. The childcare tax credits that exist in Canada, New Zealand, the UK, France, Luxembourg, and Norway are certainly intended to mitigate the costs of childcare. The fact that some child cash benefit schemes favour the pre-school age children of people in employment has the effect of reducing childcare costs – though admittedly these benefits may be payable whether or not the child uses childcare. The lone parent with a pre-school child in Norway obtains a large subsidy from the Transitional Allowance. Families with pre-school children in Canada and France also receive a substantial subsidy for a pre-school child. However (apart from Norway) the largest subsidies are the childcare tax credit paid in the UK for the lone parent with low earnings and in Canada, France and Germany for the very low-earning lone parent.

Table 5.5 Extra* value of tax benefits and cash benefits for a pre-school child in childcare. Most prevalent type of childcare in each country. £ ppp per month

	Lone parent with one child aged <3			Couple with one child aged <3	
Country	Case1	Case 3	Case 5	Case 6	Case 7
Australia	36	34	36	0	0
Austria	-70	-70	-70	0	0
Belgium	-9	33	53	59	60
Canada	60	99	46	87	93
Denmark	22	22	22	22	22
Finland	0	0	0	0	0
France	39	90	106	65	32
Germany	79	-27	-27	0	0
Greece	0	0	0	0	0
Ireland	0	0	0	0	0
Israel	0	0	0	0	0
Italy	0	0	8	8	8
Japan	0	0	0	0	0
Luxembourg	-10	-10	7	38	54
Netherlands	-8	-8	-8	-8	-8
N. Zealand	-28	11	11	11	11
Norway**	441	238	72	74	75
Portugal	0	0	0	0	0
Spain	0	0	3	1	3
Sweden	19	0	0	0	0
UK	270	269	227	0	0
USA	29	0	0	0	0

* A positive sum indicates that a pre-school age child gets more than a school-age child and a negative sum that they get less.

** Norway: This benefit is not only for a pre-school child in childcare, but for all single parents without income the first years they are alone

Case 1: One earner employed for 16 hrs per week

Case 3: One earner earning half average female earnings

Case 5: One earner earning average female earnings

Case 6: Two earners average male+half average female

Case 7: Two earners average male+average female

Table 5.6 then adjusts the childcare costs given in Table 5.4 by the tax and cash benefit subsidies in Table 5.5 to give a net cost of childcare. The main results of this are to make childcare costs a positive sum in Norway for the lone parent family and in Denmark, Germany and the USA for the very poor lone parent family. Only Ireland, Israel[25] and Spain have no help towards the costs of pre-school children. A number of countries even have subsidies for the better off couple families including Belgium, Canada, Denmark, France, New Zealand and Norway.

[25] Whilst subsidies do exist in Israel for working mothers, lone mothers and new immigrant families, these have not been included in the matrix because funding is limited to a few cases each year and therefore very few parents can actually make advantage of these subsidies.

Table 5.6 Net costs of full-time childcare. Most prevalent type of childcare in each country. After direct and indirect subsidies and after taxes and benefits. £ ppp per month

	Lone parent with one child aged <3			Couple with one child aged <3	
Country	Case1	Case 3	Case 5	Case 6	Case 7
Australia	-54	-55	-89	-300	-340
Austria	-107	-107	-142	-116	-116
Belgium	-33	-68	-83	-128	-147
Canada	-264	-226	-278	-237	-232
Denmark	22	-8	-61	-145	-145
Finland	0	0	-75	-119	-119
France	-102	-50	-35	-121	-154
Germany	79	-27	-252	-225	-225
Greece	0	0	-192	-192	-192
Ireland	-375	-375	-375	-375	-375
Israel	-237	-237	-237	-237	-237
Italy	0	0	-178	-178	-178
Japan	-11	-19	-133	-231	-231
Luxembourg	-35	-71	-129	-236	-332
Netherlands	-8	-8	-8	-375	-375
New Zealand	-361	-230	-311	-361	-361
Norway	428	196	17	-131	-131
Portugal	-54	-54	-101	-127	-152
Spain	-201	-201	-199	-200	-199
Sweden	-9	-56	-100	-151	-151
UK	-116	-116	-158	-385	-385
USA	29	-127	-160	-647	-647

Case 1: One earner employed for 16 hrs per week
Case 3: One earner earning half average female earnings
Case 5: One earner earning average female earnings
Case 6: Two earners average male+half average female
Case 7: Two earners average male+average female

5.4 Future policy

Pre-school childcare is high on the policy agenda for governments in our study - nearly all countries have plans to implement changes to pre-school childcare. The policy aims are two-fold: to expand childcare provision towards universal access (by extending/introducing the childcare guarantee or increasing the number of childcare places available) and to reduce childcare costs for parents.

- The childcare guarantee

  Denmark, the Netherlands and England intend to extend/introduce a childcare guarantee. In Denmark, it is expected that within a few years all municipalities will be able to keep the 'childcare promise' – the childcare guarantee. In the Netherlands, there are plans to develop a basic provision for childcare (it is not yet clear what it will mean but it will not give parents a legal right to childcare). In England, there is an aspiration to provide a guarantee of a part-time place in nursery school education for 3 year olds, whose parents want it, by 2004. This includes the ambition to provide a childcare place in the most disadvantaged areas for every lone parent entering employment by 2004.

- Childcare places

  France, Japan, Luxembourg, Portugal and England intend to increase childcare places. In France this is intended to be achieved by increasing incentives for the creation of places in collective type childcare arrangements.

- Cutting the costs of childcare

  Belgium, Norway and Sweden have plans to cut the costs of childcare for parents. This is aimed particularly at low-income families in Belgium. In Sweden, from January 2002, a national maximum childcare fee will be implemented, which cuts the costs for childcare for most parents and makes childcare fees nationally uniform. Norway intends to reduce parental payment in nurseries from about 37 per cent of the total costs (national average) to about 20 per cent by 2005. Increased state subsidies over five years has also been proposed in the 2000 budget.

  In Italy, where there is no national uniformity of childcare places, there are national plans for firm, inter-firm, neighbourhood and public kindergarten in order to boost the fertility rate and enable women to balance their role as both mother and worker.

5.5 Out of school childcare

Out of school childcare expenses have not been included in the matrix. However, information was collected from the national informants on the proportions using out of school childcare, the fees paid and the reductions available.

5.5.1 Significant changes in out of school childcare policy since 1996

The majority of changes in childcare policy since 1996 have focused upon pre-school childcare policy. However, Australia, New Zealand and Norway have introduced some important measures: a new income tested benefit for families with school age children in Australia and a benefit for low-income families, especially lone parents, in work in New Zealand. Norway has made it an obligation that all municipalities provide day care provision for school age children.

5.5.2 Current policy

Table E.1 gives the proportion of school age children in the most prevalent form of out of school childcare. Greece, Ireland, Israel, Japan and Spain do not have any formal childcare arrangements for school age children – although in Japan the after school club which used to be a voluntary service has recently been given a formal status and the government aims to establish 11,500 clubs by 2006. Of those who do have formal out of school childcare, Canada, Netherlands and West Germany all have less than five per cent utilising the most prevalent form. In contrast, in Denmark and Norway 50 per cent or more of school age children are utilising childcare. In the UK, between 11 and 27 per cent of school children, dependent upon age, had used out of school childcare in the previous year. Table E.2 gives information on the out of school childcare arrangements. Fees are charged in all countries that provide out of school childcare with the exception of Italy where charges are usually nil (or very low). Reductions are available in all countries who charge with the exception of Belgium and Finland. In Japan, whether the fees can be reduced varies by local authority. The state subsidises the market cost of childcare for all parents in France and Germany. Of the countries who reduce or rebate charges for out of school childcare, only Norway and the UK do not do so according to the income, family type of the parent or number of children in childcare. There is a childcare tax credit for out of school childcare in Germany, Netherlands, New Zealand, Norway and the UK.

5.5.3 Future policy

Australia, Japan, Luxembourg and the Netherlands plan to extend the number of out of school childcare places available. In Australia, this will be aimed at areas of high need and out of school childcare will also be made more affordable by giving a wider range of families access to childcare special fee assistance.

5.6 Education costs and benefits

For most parents in all countries in this study, basic education is free. However there are additional costs associated with going to school. Some of these; meals and books are described in this chapter but other costs such as transport and uniform costs may also exist. As was described in the assumptions outlined in Chapter 1 education costs and benefits were taken into account in the matrix if they were compulsory. It was assumed that children lived near enough to the school to walk and thus avoid transport costs. Any compulsory charges for school books, equipment or outings and/or any fees were then recorded as negative amounts. It was assumed that the parents had to pay for a midday meal but if there was a free or subsidised meal provided by the school then the cash value of this was treated as a positive amount. National informants estimated these costs in different ways, using different sources and the results may not be entirely comparable.

5.6.1 Significant changes in education costs and benefits affecting families and children since 1996

Since 1996, only three countries have introduced significant changes in regards to education – Israel has cancelled most of its compulsory charges, making them voluntary; Italy has also reduced the burden on families by fixing the maximum price of books for compulsory education and the UK has begun piloting an education maintenance allowance and a discount card (which can be used for books and other costs) for low income-families with young people age 16-18 still in education or training.

5.7 Educational arrangements

5.7.1 Current education costs and benefits

Table 5.7 summarises the arrangements that exist in each country, including any subsidies available. Meals are provided by the school in 11 countries in our study. Some countries that do not normally provide meals in school make concessions for deprived children. In Canada, breakfasts are provided in some deprived neighbourhoods and in Ireland, meals are provided for children living in social housing. Finland and Sweden are the only countries that provide free school meals for all children. In Luxembourg, all students pay less than the real price of a meal. Meals are free for low -income families in Portugal and subsidies exist for low-income families in France, Italy, Spain, UK and USA.

Books and material charges are compulsory in eight countries in our study, although in Italy, Luxembourg and the Netherlands there are only charges for certain age groups.

Other costs include extra school in Japan and Greece. Whilst education is, in theory free, in both these countries, families spend substantial amounts in extra private tuition for children in order to cope with the inadequacies of a publicly run system, to give the child extra-curricular education or to prepare them for national exams.

Allowances for 16-18 year olds in education exist in 15 countries. Australia, Finland, Portugal, Spain, Sweden and the UK[26] all provide some kind of allowance specifically for young people with a low (household) income over the age of 16. The allowances in Austria, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands and Norway are not specific to the 16-18 age group but higher amounts are given to young people over 16 in education in Germany and France.

Table 5.7 Education costs and benefits[1]

Country	Meals provided	Meal subsidy available	Books/material charges	Allowance for 16-18 year olds[2]
Australia	no	no	no	yes
Austria	no	no	yes	yes
Belgium	yes, at a cost	no	yes	no
Canada	some meals are provided in deprived neighbourhoods	no	no	no
Denmark	no	no	no	no
Finland	yes	free	no	yes
France	yes, at a cost	yes, low income	no	yes
Germany	no	no	no	yes
Greece	no	no	no	yes
Ireland	for children in social housing	no	no	yes
Israel	no	no	no	no
Italy	yes, at a cost	charges vary by income	yes, intermediary/ secondary	yes
Japan	yes, (elementary) at a cost	yes	yes	no
Luxembourg	yes, not in all schools	students pay less that the real price of a meal.	yes books: from age12. materials: all	yes
Netherlands	no	no	yes, secondary	yes
New Zealand	no	no	no	no
Norway	no	no	no	yes
Portugal	yes, at a cost	free for low income	yes	yes
Spain	yes, at a cost	low-income families. varies by family size.	yes	yes
Sweden	yes	free	no	yes
UK	yes, at a cost	free for families receiving Social Assistance	no	yes
USA	yes	free/reduced for low income	no	no

[1] If any benefits exist that are administered through the tax system, they have been included in the income tax line in the matrix rather than under education costs and benefits.

[2] Details of the eligibility for these allowances can be found in Appendix E.3

[26] The Educational Maintenance Allowance in the UK is currently in pilot phase.

5.8 Matrix analysis of the costs of education

Table 5.8 shows the education costs (negative) and benefits (positive) for a couple with two school age children over a range of earnings levels. In Australia, Canada, Denmark, Germany, Israel, Norway and the UK there are no costs or benefits associated with education. Finland and Sweden provide free school meals to children from families of all three earnings categories. France has a free school meal programme and the value of this is less for the higher earnings categories. The USA has free school meals for children whose family income is up to 130 per cent of the poverty level. The other countries have school costs. The highest of these is in Japan where the majority of school children attend after-school school which for low-income families is a severe burden on their resources. A large proportion of Greek families with children also spends substantial amounts on private tuition, which has been accounted for in the matrix. Portugal has quite large monthly charges for school books. The Netherlands is also high.

Table 5.8 Education costs and benefits[1] by earnings level. Couple + two school age children £ ppp

Country	Case 2 £ ppp	Case 4 £ ppp	Case 6 £ ppp
Australia	0	0	0
Austria	-3	-3	-3
Belgium	-27	-27	-33
Canada	0	0	0
Denmark	0	0	0
Finland	87	87	87
France	19	16	6
Germany	0	0	0
Greece	0	-96	-96
Ireland	-11	-22	-22
Israel	0	0	0
Italy	-22	-28	-28
Japan	-138	-138	-138
Luxembourg	-46	-46	-46
Netherlands	-51	-80	-80
New Zealand	-12	-12	-12
Norway	0	0	0
Portugal	-2	-79	-79
Spain	0	-5	-5
Sweden	42	42	42
UK	0	0	0
USA	65	0	0

[1] If any benefits exist that are administered through the tax system, they have been included in the income tax line in the matrix rather than under education costs and benefits.

Case 2: One earner half average male earnings

Case 4: One earner average male earnings

Case 6: Two earners average male and half average female earnings

Table 5.9 takes one low-earnings case, a one-earner family on half average male earnings (Case 2) and shows how the education costs and benefits vary by family type and size. In most countries where there are costs, the costs increase if there are more children in the family. The Japanese costs also increase with the ages of the children. In Norway there is a charge for the 17 year old and in the UK at this income level the 17 year old would have been entitled to an Educational Maintenance Allowance (EMA) designed to encourage children over statutory school leaving age to stay at school. However, this is currently only in pilot phase. It is not clear what form the allowance will take when rolled out nationally. There is little variation by family type, though Ireland is curious in having higher school costs for the lone parents than for the couples. The progressive increase with the number of children in Austria is in fact a function of the age assumptions – parents are expected to pay 10 per cent to the cost of school books and the costs increase with school grade.

Table 5.9 Education costs and benefits[1] by family type and size. One earner on half average male earnings (Case 2) £ per month ppp

Country	Lone parent +1 aged 7	Lone parent +2 aged 7 and 14	Couple +1 aged 7	Couple +2 aged 7 and 14	Couple +3 aged 7,14,17
Australia	0	0	0	0	167
Austria	-1	-3	-1	-3	-7
Belgium	-4	-28	-4	-27	-42
Canada	0	0	0	0	0
Denmark	0	0	0	0	0
Finland	43	87	43	87	130
France	0	19	0	19	34
Germany	0	0	0	0	0
Greece	0	0	0	0	0
Ireland	-11	-22	-6	-11	-17
Israel	16	25	0	0	0
Italy	-5	-22	-5	-22	-53
Japan	-41	-138	-41	-138	-213
Luxembourg	-19	-46	-19	-46	-63
Netherlands	-32	-51	-32	-51	-66
New Zealand	-4	-12	-4	-12	-21
Norway	0	0	0	0	-20
Portugal	-47	-47	-47	-2	-7
Spain	0	0	0	0	0
Sweden	21	42	21	42	63
UK	0	0	0	0	0
USA	33	65	33	65	98

[1] If any benefits exist that are administered through the tax system, they have been included in the income tax line in the matrix rather than under education costs and benefits.

Table 5.10 presents the same information but for a two-earner family with higher earnings. At these levels of earnings education benefits – school meals in the USA are no longer payable and the value of the school meal in France is reduced.

Table 5.10 Education costs and benefits by family type and size. Two earners average male plus half average female earnings. Case 6. £ per month ppp

Country	Couple +1	Couple +2	Couple +3
Australia	0	0	0
Austria	-1	-3	-7
Belgium	-4	-33	-63
Canada	0	0	0
Denmark	0	0	0
Finland	43	87	130
France	0	6	6
Germany	0	0	0
Greece	-41	-96	-178
Ireland	-11	-22	-32
Israel	0	0	0
Italy	-12	-28	-60
Japan	-41	-138	-213
Luxembourg	-19	-46	-63
Netherlands	-32	-80	-177
New Zealand	-4	-12	-21
Norway	0	0	-20
Portugal	-47	-79	-118
Spain	-5	-5	-5
Sweden	21	42	63
UK	0	0	0
USA	0	0	0

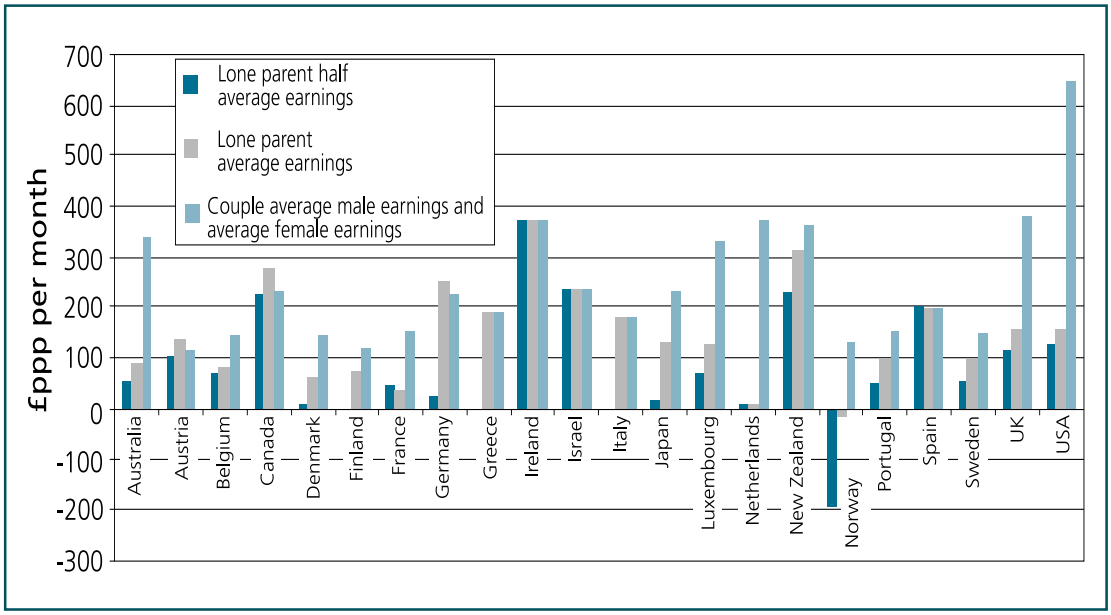
5.9 Future changes

Only four countries (Israel, Ireland, Italy and the UK) have plans to make changes to the education system. In Israel, education is planned to become compulsory for all children over three (rather than five) by 2008. In the other three countries, benefits will be increased (Ireland), introduced/extended (Italy and the UK). In Ireland, the back to school allowance income limit will increase. In Italy, the government intends to institutionalise the Buodo Scuola (school-grant), which is already available in certain regions to both state and private school children. It covers 25 per cent of school expenses and, since state school costs are very small, it is basically addressed at reducing the costs of affluent households with children in private schools – low-income families would not be able to afford the fees, even after the reduction. In the UK, an Educational Maintenance Allowance for 16-18 year olds in full-time education (currently being piloted) may become a national benefit, although it is not clear what form the benefit will take if (and when) it is rolled out nationally. Connexion cards will be introduced for 16-18 year olds in education in England only – these enable the young person to enjoy reductions on certain items and services.

5.10 Conclusion

In most of the countries in this study pre-school childcare policy currently focuses upon access for children over the age of three - a childcare guarantee for the under threes is still the exception. Policy for the under threes is closely linked to the nature of available parental leave which is explored in Chapter 7. Affordability of pre-school childcare for parents is also a priority. However, the costs of childcare still falls mainly upon the parent in most countries. This is the case to a lesser extent for low-income lone parents but, with the exception of Norway, for two-earner couples and lone parents on average income, the cost of childcare falls heavily upon the parents. This is illustrated in Figure 5.1 which shows the net costs of pre–school childcare for a lone parent with one child on half average earnings, a lone parent with one child on average earnings and a two-earner couple on average earnings (childcare costs are represented as positive amounts, while benefits as negative amounts). As we shall see in Chapter 9 the costs of childcare more than wipes out the child benefit package for some families in some countries.

Figure 5.1 Net costs of full-time childcare



Out of school provision for children with working parents has not been a policy priority for most of the countries in this study. However, demand is high and countries are beginning to acknowledge this, especially for the younger age groups. In many countries fees are being reduced in much the same way as for pre-school childcare.

The costs of schooling (and the benefits) where they exist do not have a major impact on the child benefit package. However for some countries it is worth taking them into account.

6 Health costs

6.1 Introduction

Most countries in this study provide free or subsidised health care to some or all of its citizens. However in most countries parents have to pay for some of the health care that their children receive and these payments are effectively a charge on the child benefit package. Therefore, in comparing the child benefit package, these charges need to be taken into account. This chapter compares the health costs and exemptions for both children and adults.

6.2 Significant changes in policies affecting families and children since 1996

New Zealand and USA have introduced new measures directly associated with health costs for dependants through making exemptions more generous for children – New Zealand introduced free health care for children under six and the USA created a programme designed to expand health care coverage for previously uninsured children, however there has been very poor take-up by the states. The UK have introduced a means test for entitlement to health service benefits for adults eligible for the Working Families' Tax Credit (WFTC). Other countries (Belgium, France and Italy) have introduced measures to help low-income groups whilst Germany and Sweden have increased charges for all adults.

6.3 Current health costs

In order to compare health costs consistently across countries, our base line assumption was that health care was provided free at the point of demand, regardless of means, in return for taxes, health levies or social security contributions already covered in Chapter 3. Only health insurance premiums that are required to match this assumption and any costs that families have to pay for a standard packet of health care were included in the matrix. In order to compare like with like, national informants were asked to cost a standard health package consisting of the following:

- No inpatient episodes.
- Each member of the family visits the dentist for a check-up twice per year and has a cavity filled on one of these visits.
- Each member of the family visits the general practitioner once per year and receives a prescription for a standard antibiotic.

The assumption underlying this is that the quality of this package of care is the same in each country. This is unlikely to be the case. For example in Greece, there is currently no system of general practitioners, although a free system is expected to be implemented by 2006.

Charges payable after any rebates or deductions or refunds were estimated and expressed as a monthly sum for each family. Table 6.1 summarises the extent of charges and exemptions for different services for children. Denmark, Germany, the Netherlands and the UK have no charges for children. Finland only has hospital charges for children, Italy only has dentist charges and Austria and Sweden, only prescription charges. Belgium, France, Greece, Ireland, Japan, Luxembourg, Portugal and USA charge children for all types of available health care.

Of those who charge for health care, all except Belgium, Finland, Israel, Luxembourg and Spain have some kind of exemption for children. Six countries have age-related exemptions. Australia (New South Wales) exempts children in grades 2, 4, 6 and 8 and children up to year 8 in high school from dental treatment if needed. Children under six are exempt from all charges in Italy, from GP charges in New Zealand and from prescription charges direct from the GP in Japan. In Japan, there are also local arrangements for children under three. Norway exempts under sevens and Portugal under 13s from all health care. Austria, Canada, France, Ireland and Italy have income-related or means-tested exemptions. In Sweden, there is a limit to annual charges for prescriptions and in the USA, health care is free for Medicaid recipients.

Table 6.1 Health costs for children

	Charges for children				
Country	**Hosp**	**GP**	**Dent**	**Prec.**	**Exemptions**
Australia	no	no	yes	yes	Varies. NSW: risk assessment for all children in kindergarten and grades 2, 4, 6 and 8 and free dental care. Up to year 8s free dentist if got toothache.
Austria	no	no	no	yes	Income-related
Belgium	yes	yes	yes	yes	no
Canada	no	no	yes	yes	Low income in some provinces
Denmark	no	no	no	no	-
Finland	yes	no	no	no	no
France	yes	yes	yes	yes	Income-related
Germany	no	no	no	no	-
Greece	yes	-	yes	yes	No charges for emergency hospital treatment or dental treatment in Greek NHS hospital. All medical expenses are tax deductible
Ireland	yes	yes	yes	yes	Means tested
Israel	no	no	yes	yes	no
Italy	no	no	yes	no	For children under 6 income-related
Japan	yes	yes	yes	yes	Under 6 exempt from charges for prescriptions direct from GP. Local exemptions for under 3s
Luxembourg	yes	yes	yes	yes	no
Netherlands	no	no	no	no	-
New Zealand	no	yes	no	yes	Under 6s free visit to GP.
Norway	no	yes	yes	yes	Free for under 7s limit to annual charges
Portugal	yes	yes	yes	yes	Free for under 13s
Spain	no	no	yes	yes	no
Sweden	no	no	no	yes	Over yearly maximum costs prescriptions free
UK	no	no	no	no	-
USA	yes	yes	yes	yes	Free for medicaid.

Table 6.2 shows the charges and exemptions from charges for adults. All except Canada, Denmark, Greece, Israel and the Netherlands have some kind of exemption from health care for adults. Of those with an exemption, Japan, Spain and Sweden are the only countries that do not have some kind of income-related exemption for which adults with dependent children would be eligible. Indeed, these could be more generous for adults responsible for dependent children.

Table 6.2 Health costs for adults

	Charges for children				
Country	**Hosp**	**GP**	**Dent**	**Prec.**	**Exemptions**
Australia	no	no	yes	yes	Health card/pensioners concession card (income support recipients)
Austria	no	yes	yes	yes	Income-related
Belgium	yes	yes	yes	yes	Reimbursement from sickness fund which is higher for some patients eg. long-term unemployed - does not cover total charge
Canada	no	no	yes	yes	No
Denmark	no	no	no	yes	No
Finland	yes	no	yes	no	(Those born after 1946 using private dentists: 60% exemption)
France	yes	yes	yes	yes	Income-related
Germany	yes	no	no	yes	Income-related (contributory)
Greece	yes	-	yes	yes	(No charges for emergency hospital treatment)
Ireland	yes	yes	yes	yes	Means tested medical card. treatment benefit: dental, optical, hearing aids: PRSI conditions apply.
Israel	no	no	yes	yes	No
Italy	no	no	yes	no	For singles – income-related.
Japan	yes	yes	yes	yes	Elderly with low income.
Luxembourg	yes	yes	yes	yes	Limit to annual charges for hospitalisation.
Netherlands	no	no	yes	no	No
New Zealand	no	yes	yes	yes	Community services card reduces gp and prescription charges (low-income people, pensioners and students).
Norway	no	yes	yes	yes	Limit to annual charges
Portugal	yes	yes	yes	yes	Low-income pensioners, low-income working people, pregnant women and women giving birth.
Spain	no	no	yes	yes	Pensioners.
Sweden	yes	yes	yes	yes	Pensioners.
UK	no	no	yes	yes	Means tested
USA	yes	yes	yes	yes	Free for medicaid.

6.4 Matrix analysis

Table 6.3 presents what a couple with two children has to pay in charges each month for the standard package of health. This is the total charge – not what has to be paid for a child. That is presented in Tables 6.4 for a one earner on average male earnings. What Table 6.3 shows is the variation in the total charge by income. It can be seen that there are no health charges of any kind in Finland and in many countries health charges are reduced or exempted for low-income families. This is the case in Australia, Austria, France, Germany, Italy, the Netherlands, New Zealand, the UK and the USA. In Belgium, Canada, Denmark, Greece, Ireland, Israel, Luxembourg, Norway, Portugal, Spain and Sweden health charges do not vary by earnings. In most countries health charges are only a small amount. However they are relatively large in the Netherlands and the USA.

Table 6.3 Actual total health costs, couple plus two children £ per month ppp

Country	Case 2	Case 4	Case 6
Australia	-0.6	-31.5	-31.5
Austria	0.0	-2.2	-2.2
Belgium	-3.7	-3.7	-3.7
Canada	-45.2	-45.2	-45.2
Denmark	-5.5	-5.5	-5.5
Finland	0.0	0.0	0.0
France	0.0	-27.3	-27.3
Germany	0.0	-0.5	-0.5
Greece	-6.6	-6.6	-6.6
Ireland	-35.9	-35.9	-35.9
Israel	-20.8	-20.8	-20.8
Italy	0.0	0.0	-9.2
Japan	-6.2	-6.2	-5.7
Luxembourg	-10.1	-10.1	-10.1
Netherlands	-44.8	-232.8	-168.5
New Zealand	-18.4	-22.8	-22.8
Norway	-10.3	-10.3	-10.3
Portugal	-2.5	-2.5	-2.5
Spain	-25.7	-25.7	-25.7
Sweden	-12.7	-12.7	-12.7
UK	0.0	-3.6	-3.6
USA	-184.1	-368.3	-368.3

Case 2: One earner on half national average male earnings

Case 4: One earner on national average male earnings

Case 6: Two earners on average male and half average female earnings

Table 6.4 presents the same data for a one-earner family on average male earnings. At this level of earnings families with children in more countries are expected to pay something towards their child health costs. However there are no charges at all in Finland, Germany, Israel, Sweden and the UK. Whereas in the Netherlands and the USA the charges are relatively high.

Table 6.4 Health costs by family type and size. One earner average male earnings (Case 4) £ per month ppp. [Negative amounts are how much more families with children need to pay for a standard health care package and positive sums are how much less they have to pay than a childless couple or single person.]

Country	Lone parent +1 aged 7	Lone parent +2 aged 7 and 14	Couple +1 aged 7	Couple +2 aged 7 and 14	Couple +3 aged 7,14,17
Australia	-7.8	-15.6	-7.8	-15.6	-23.0
Austria	-0.3	-0.5	-0.3	-0.5	-0.7
Belgium	-0.7	-1.7	-0.8	-1.7	-2.5
Canada	-11.3	-22.6	-11.3	-22.6	-33.9
Denmark	-0.2	-0.5	-0.2	-0.4	-0.6
Finland	0.0	0.0	0.0	0.0	0.0
France	-7.5	-14.9	-2.5	-2.5	-2.5
Germany	0.0	0.0	0.0	0.0	0.0
Greece	-1.6	-3.3	-1.6	-3.3	-4.9
Ireland	-9.0	-17.9	-9.0	-17.9	-35.5
Israel	0.0	0.0	0.0	0.0	0.0
Italy	-2.3	2.3	4.6	4.6	4.6
Japan	-1.7	-3.4	-1.7	-3.4	-5.1
Luxembourg	-2.5	-5.1	-2.5	-5.1	-7.6
Netherlands	-54.3	-83.9	-27.8	-57.1	-86.8
New Zealand	-1.8	-3.5	-1.8	-3.5	0.0
Norway	-0.6	-1.1	-0.6	-1.1	-1.7
Portugal	-0.2	-1.0	-0.2	-1.0	-1.8
Spain	-6.4	-12.8	-6.4	-12.8	-19.2
Sweden	0.0	0.0	0.0	0.0	0.0
UK	0.0	0.0	0.0	0.0	0.0
USA	-92.1	-184.1	-92.1	-184.1	-276.2

6.5 Future changes

Future changes in regards to health costs for children are planned in Belgium and Japan only. In Belgium, for children up to 15 years old there will be an extra protection (from 2002 onwards) via an individual maximum ceiling of 26.000 BEF per child (irrespective of household income). In Japan, the government has proposed the reform of health insurance which reduces the charge for children under three. Currently the charge for children is 30 per cent of medical costs (although many local authorities cover some proportion of the 30 per cent) and the rest (70 per cent) is covered by public health insurance. The reform will change this proportion to 20 per cent from 2004. After this change, combined with local authorities' own measure, children under three will effectively receive health care free of charge. In New Zealand no plans have yet been implemented but there is some pressure to develop free health care for dependent children.

6.6 Conclusion

Most countries have either free health care for children or they mitigate charges at low earnings levels. There are only two countries in which health charges represent a substantial drain on the child benefit package – the USA and the Netherlands. In Australia, Canada and Ireland they represent a lesser yet significant drain on the child benefit package.

7 Maternity leave, paternity leave, parental leave and leave to care for sick children

7.1 Introduction

Policies which enable parents to reconcile paid work with care include provision of childcare, as described in Chapter 5 and leave entitlement from work specifically for the purpose of caring for children. Leave from paid work encourages a balance between paid employment and unpaid care. Also, leave from paid work for both parents can specifically address gender equity both in the labour market but also in relation to unpaid care work by actively encouraging men's role in childcare which, in turn, potentially enables women to participate in the labour market and to compete on equal terms as men. However, the right to time off work is not adequate by itself. Rather, it is the quality of leave and the extent of financial assistance that can serve to put the right to care for children into practice. Unpaid (or partially paid) leave disadvantages one-earner families and leave which is restricted to a narrow group of people, does not guarantee a job at the end of it or does not cover social insurance contributions, will not fully reconcile paid work with the caring of children. In this chapter we investigate four kinds of statutory leave to care for children: maternity leave, which is leave put aside for the mother only; paternity leave, which is leave only for the father; parental leave that can be taken by either parent but sometimes specifies a certain number of days or weeks to be taken by the mother or the father and leave to care for sick children. First we explore the changes that have taken place since 1996.

7.2 Significant changes in leave to care for children since 1996

Since 1996, Austria, Belgium, Canada, France, Germany, Israel, Italy, Japan, Luxembourg, New Zealand, Norway, Portugal, Sweden and the UK have all made significant changes to leave entitlement from work specifically for the purpose of caring for children. The policy emphasis has

generally been with parental leave: Belgium, Canada, Ireland, Luxembourg, New Zealand and the UK have all introduced (or radically expanded) parental leave; Austria, Germany and Norway have changed the rules of parental leave in order to encourage both parents to take the leave; and Germany, Japan and Sweden have made parental leave more supportive. At the same time, others have increased the duration of maternity (Ireland, Portugal, UK) and paternity (Ireland and Portugal) leave. Austria, however, has reduced its maternity grant. Israel introduced then ceased its paternity leave. It has since introduced a limited paternity leave, contingent on the mother giving up part of her maternity leave. France and Luxembourg have both introduced leave to care for sick children and France the right to a reduction of working hours to care for children.

Tables 7.1–7.5 show the current statutory arrangements for maternity leave, maternity allowance, maternity grant, paternity leave, parental leave and leave to care for sick children arrangements. These tables should be read in conjunction with each other because, for example, a country with seemingly short and ungenerous maternity leave may make this up through a lengthy and generous parental leave.

7.3 Current statutory arrangements for maternity leave

Table 7.1 gives the details of the maximum statutory maternity leave provision. Australia, Canada, New Zealand and Sweden are the only countries without separate maternity leave (only parental leave) and these have been excluded from the table. In the USA, statutory maternity leave is covered by Family leave. Family leave includes all kinds of leave in addition to maternity leave – and there is no separate right to maternity leave[27] – if the 12 weeks per year is used to take care of a sick child, for example, the mother cannot take any additional Family leave in the same year, even if she gives birth.

Not all countries with statutory maternity leave offer universal coverage to those attached to the labour market (employed, self-employed and unemployed (looking for work)). Only Belgium[28], Denmark, Finland, France and the Netherlands offer statutory maternity leave to all three groups. In the remaining 13 countries in our study, mothers are only eligible if they are employed (for a specified period) and/ or paying social security contributions for a specified period.

It is difficult to generalise which country has the most generous scheme. The length of leave is not necessarily the overriding criteria. For example, although Israel has the longest duration of maternity leave, only 12 weeks is paid, it is taxed and the paid leave is not universal. Even when we achieve the balance between length of maternity leave and a 100 per cent earnings replacement rate, as in Portugal, there are other disadvantages, for example Portugal does not maintain the mother's Social Insurance contributions during the leave. Norway also has a lengthy maternity leave – 48 weeks[29]. Pay, however is not universal and mothers do not automatically have the right to work part-time on their return to work if they were previously working full-time[30]. On this basis, France, Germany,

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[27] Five states (California, Hawaii, New Jersey, New York, Rhode Island), provide a Temporary Disability Insurance program, which covers maternity leave and pays a cash benefit at the time of birth (see table 7.2).

[28] In Belgium, the registered unemployed qualify on the basis of a reference period, with days in unemployment counting as equivalent to working days. The self-employed qualify on the basis of social security contributions.

[29] In total, 52 weeks paid leave is available to parents. Four weeks of this are allocated to the father and even though only nine weeks are allocated to the mother, in practice it is the mother who takes the remaining 39 weeks.

[30] The effect of this depends on the labour market and the ease of finding a (suitable) job after taking a break. Norway has practically no unemployment (see table A2.2), indeed in many sectors there's a shortage of labour. So breaking from a job for a while is normally not much of a risk.

Greece, Netherlands and Spain offer the most supportive arrangements – fully paid leave throughout which social insurance contributions are maintained, their job is guaranteed on their return and they offer the mother the right to part-time work on her return to work (although the leave is not universal or prolonged).

The USA is obviously the least generous of all the countries in our study in terms of maternity leave; it is the only country that does not offer paid maternity leave and also offers the shortest leave duration.

Table 7.1 Statutory Maternity leave arrangements[1]

Country[1]	Universal coverage for Labour Market Active[2]	Criteria	Maximum duration (weeks)	Paid	Paid for full duration	Replaced in full	Paid by	Social Insurance contributions	Job guarantee	Right to work pt
Austria	no	EMP	20	yes	yes	yes	state/ HI	yes	yes	no (ED)
Belgium	yes	QP/ SSC[3]	15	yes	yes	30 days: 82% after: 75%	HI	yes	yes	no (ED)
Denmark	yes	-	28[4]	yes	yes	90% up to maximum	employer	yes	yes	no
Finland	yes	-	21	yes	yes	3 months:100%. after 60%	state/ employer	yes	yes	yes
France	yes	-	1st/2nd child: 16 3 or more: 24	yes	yes	yes	state	yes	yes	QP
Germany	no	EMP	14	yes	yes	yes	HI/ employer	yes	yes	if taking childcare leave
Greece	no	EMP + mother/father insured	17	yes	yes	yes	HI/ employer	yes	yes	yes
Ireland	no	EMP + SSC	26	yes	18 paid	70% with min + max.	state	yes	yes	no
Israel	no	EMP+ QP	1 year 12 weeks[5]	QP	12 paid	yes, less tax.	state	yes	yes	entitled to work 1 hour less
Italy	no	EMP: subordinated + cooperative workers	20	yes	yes	80%	state	yes	yes	no (ED)
Japan	no	EMP	14	yes	yes	60%	HI	yes	yes	no (ED)
Luxembourg	no	EMP + SSC	16	yes	yes	yes	HI	yes	yes	no (ED)
Netherlands	yes	-	16	yes	yes	yes	HI	yes	for first 12 weeks after return to work	yes
Norway	no	EMP + QP	48	QP	yes	48 weeks: 80% or 38 weeks: 100%	state	yes	yes	no (usually permitted: 'time accounting' scheme)

Continued

Table 7.1 Continued

Country[1]	Universal coverage for Labour Market Active[2]	Criteria	Maximum duration (weeks)	Paid	Paid for full duration	Replaced in full	Paid by	Social Insurance contributions	Job guarantee	Right to work pt
Portugal	no	EMP + SSC	24	yes	yes	yes	state	no	yes	yes
Spain	no	EMP + SSC	16[3]	yes	yes	yes	state	yes	yes	yes (until the child is 6)
UK	no	EMP + QP + Earnings + over 16	40	yes	18 paid	First 6 weeks: 90% then final 12 weeks: £62.20	employer	yes	yes	no (ED)
USA	no[6]	EMP + QP + firm under 50 employees	12 weeks per parent per year[6]	no	-	-	-	yes	yes	no

EMP = has to be working/employed to be eligible

QP = qualifying period: Employed have to be in work (unemployed have to be unemployed) for a certain amount of time within a certain reference period to be eligible

SSC = A certain amount of Social Security contributions must have been paid for the claimant

Earnings: Employee has to be earning a certain amount to be eligible

HI = health insurance (ED) = employers discretion

[1] Australia, New Zealand and Sweden do not have statutory maternity leave, only parental leave and have been excluded from this table. In Canada, whilst statutory unpaid maternity leave exists in some provinces, there is no statutory maternity leave in Ontario, which is the reference for this study, only parental leave.

[2] labour market active indicates employed, self-employed, recipients of unemployed benefits

[3`] The employed qualify on the basis of a qualify period and social security contributions, the self-employed on the basis of social security contributions only and the registered unemployed qualify on the basis of the reference period only, with days in unemployment counting as equivalent to working days.

[4] 10 can be given to the father

[5] 21 days can be given to the father

[6] This is family leave. Family Leave covers all kinds of leave including maternity, paternity, parental and leave to care for sick children. NB: the 12 working weeks unpaid leave is not available for each kind of leave. Rather, a total of 12 working weeks of unpaid leave is available per year for each parent in employment, which can be used for any of kind of leave included in this chapter.

7.4 Maternity allowances and maternity grants

Mothers who are not eligible for statutory maternity pay may be covered by a maternity allowance. In addition, in some countries those who are already covered may be eligible for an additional allowance. One off payments in the form of maternity grants may also be available to help with the costs of a new born child. Tables 7.2 and 7.3 show the maternity allowance and maternity grants available.

7.4.1 Maternity allowances

A maternity allowance is an amount of money paid at intervals for a certain period after a child is born. It does not include the statutory pay awarded under statutory maternity leave. In our study, eight countries have some kind of maternity allowance. Luxembourg is the only country that provides the allowance for all mothers not eligible for maternity pay. Others target the allowance. In Austria, the allowance is narrowly targeted towards the self-employed and farmers with health insurance but not covered by statutory maternity pay. Of all countries with a maternity allowances, Austria's is the most generous in monetary terms but the fact that it is narrowly targeted indicates that certain mothers may not be eligible for statutory maternity pay or maternity allowance. In the UK, the self-employed and those employed but *not* entitled to statutory maternity pay are eligible for the allowance. On the other hand, in other countries the allowance can serve as a 'top up' to statutory maternity leave. In New Zealand parents are eligible if they are *not* in receipt of income-tested benefits, although the level of the allowance is the lowest of all countries. In New Zealand, the assistance is in the form of a targeted tax credit.

Table 7.2 Maternity allowances[1]

Country	Eligibility	Duration allowance paid	Total max amount received (£ppp as of July 2001)
Austria	self-employed, women in agriculture, trade and industry who are covered by health insurance but not statutory maternity pay	16 weeks (8 weeks before birth and 8 weeks after)	The benefit may be made available in kind (that means the responsible health insurance provides an adequate assistant) or in cash: 2184
France	means tested	9 months from the 5th month of pregnancy	935
Greece	uninsured mothers; means tested	42 days before and 42 days after birth	411. (half before child birth and half after)
Ireland	those in receipt of various benefits including one parent family payment	18 weeks	2840
Luxembourg	not entitled to insured maternity benefit	16 weeks	1855
New Zealand	parents not in receipt of income-tested benefits	8 weeks after birth	parental tax credit: 526
UK	employed for a certain period and not entitled to SMP or self employed.	18 weeks	Based on average weekly earnings in a specific period. Maximum amount: 1120
USA[2]	employees	2-4 weeks before birth and 6-10 weeks after	same level as unemployment insurance benefit and is a percentage of wages, up to a ceiling[3]

[1] This table only includes those countries that offer a maternity allowance in addition to, or instead of, statutory maternity pay.

[2] This is only available in five states (California, Hawaii, New Jersey, New York, Rhode Island). These states provide a Temporary Disability Insurance program, which covers maternity leave and pays a cash benefit at the time of birth.

[3] The amount varies by State. This is representative of New York state.

7.4.2 Maternity grants

Maternity grants are lump sum amounts paid only once after a child is born. Maternity grants take into account the costs of new born children. Australia, Austria, Belgium, Finland, Germany, Greece, Israel, Italy, Luxembourg, Norway, Spain and the UK all have some form of maternity grant. Germany, Italy, Japan and Norway give grants only to those mothers not eligible for statutory maternity pay. In six countries (Australia, Austria, Belgium, Italy, Spain and the UK) the grant is targeted at low-income parents. The level of the grant is highest in Norway and lowest in Germany.

Table 7.3 Maternity grants[1]

Country	Eligibility	Details (All amounts in £ppp to the nearest £ as of July 2001)
Australia	parent has to be eligible for Family Tax Benefit	379
Austria	income-related; on condition on mother and baby medical examinations	101 on child's first birthday
Belgium	parents entitled to child benefit means tested	673 for first child, 507 for subsequent children
Finland	pregnancy has lasted at least 154 days	maternity pack or cash: 90 required to have health check
Germany	not entitled to statutory maternity allowance	lump sum payment: 53
Greece	insured with IKA and worked at least 50 days in the year before the birth	30 days of minimum wage: 591
Israel	all insured mothers (and those whose partners are insured) who give birth in hospital.	20% of the average wage: 1069[2]
Italy	not entitled to statutory maternity leave, income related	cheque per child paid by state through municipalities: 1035
Japan	receiving maternity pay	1298
Luxembourg	mother and child have medical examination	1040 divided into equal 3 amounts: prenatal, birth and postnatal (child's 2nd birthday)
Norway	not entitled to statutory parental leave	1942
Spain	birth of third and consecutive children and multiple births. subject to conditions for income-related child benefit	380
UK	either partner getting income support, income based Jobseeker's Allowance, Working Families' Tax Credit	Lump sum payment : 300. Can claim from 11 weeks before birth until 3 months after

[1] This table only includes those countries that offer maternity grants

[2] Exchange rate conversion

7.5 Statutory arrangements for paternity leave

Statutory paternity leave (as opposed to parental leave) is designed to encourage fathers to take leave to care for a new born child but can serve to disadvantage children in lone parent families who will only be entitled to maternity (or paternity) leave. Table 7.4 shows the statutory arrangements for paternity leave. Fourteen countries in our study (Austria, Belgium, Denmark, Finland, France, Greece, Ireland, Israel, Italy, Norway, Portugal, Spain, Sweden and the USA) have statutory arrangements for paternity leave. In the USA, however, statutory paternity leave is covered by Family leave and there is no separate right to paternity leave[31]. In Italy, paternity leave cannot be taken in *addition* to maternity leave since fathers only qualify if they are a lone parent or if the mother is ill. In Spain and Israel, fathers have no separate leave but mothers can partially share maternity leave with the father (ten weeks 'given to the father' in Spain and 21 days in Israel). Ireland is the only country which offers unpaid paternity leave. Norway offers the most supportive and generous paternity leave – there is a four weeks 'daddy quota' during which earnings are fully replaced (although not to all fathers) and the father's job is guaranteed on his return.

[31] Family leave includes all kinds of leave in addition to paternity leave. In a given year, if the 60 days (12 weeks) entitlement is used to take care of a sick child, for example, the father cannot take any additional Family leave in the same year, even if his partner gives birth.

Table 7.4 Statutory paternity leave arrangements[1]

Country[1]	Statutory	Universal coverage	No of days	Paid	Paid to all	Paid for full duration	Level of payment	Job guaranteed
Austria	yes	employed	2	yes	yes	yes	100%	yes
Belgium	yes	employed	3	yes	yes	yes	100%	yes
Denmark	yes	yes	2 weeks + 10 weeks mother can 'give to the father'	yes	yes	yes	90% up to maximum	yes
Finland	yes	yes	6-12 days whilst mother is on maternity leave + 6 days	yes	yes	yes	60%	yes
France	yes	yes	3 days	yes	yes	yes	100%	yes
Greece	yes	yes	2 days	yes	yes	yes	100%	yes
Ireland	yes	1 year continuous service	14 weeks	no	-	-	-	yes
Israel	yes	yes	21 days mother can 'give to the father'	yes	yes	yes	100%	yes
Italy	yes	only if lone parent or mother is ill. Income-related, subordinated workers and worker-members of cooperatives.	total leave or the part which mother is ill for	yes	yes	yes	80%	yes
Norway	yes	yes	4 weeks 'daddy quota'	yes	no, if meet qualifying period	yes	100%	yes
Portugal	yes	no (not self employed)	5 days in first month after birth	yes	yes (not self employed)	yes	100%	yes
Spain	yes	both parents must meet employment and contributory criteria	10 weeks mother can 'give to the father'	yes	yes	yes	100%	yes
Sweden	yes	yes	10 days to be used simultaneously with the mother's maternity leave	yes	yes	yes	80%	yes
USA	yes[2]	Employed in firms with fewer than 50 employees	60[2]	no	-	-	-	yes

[1] Australia, Canada, Germany, Japan, Luxembourg, Netherlands, New Zealand and UK do not have statutory paternity leave arrangements in July 2001, these have therefore been excluded from the table.

[2] This is family leave. Family Leave is an umbrella scheme for different kinds of leave including maternity, paternity, parental and leave to care for sick children. NB: the 60 days (12 working weeks) unpaid leave is not available for each kind of leave. Rather, a total of 60 days (12 working weeks) unpaid leave is available per year for each parent in employment, which can be used for any of kind of leave included in this chapter.

7.6 Statutory parental leave

Parental leave is designed to be gender-neutral and entitles either the mother or father to take leave to care for children[32, 33]. It is not necessarily designed for care of newborn children. Table 7.5 summarises statutory arrangements for parental leave. All countries in our study offer some kind of parental leave. Finland, Ireland and Portugal have additional schemes related to leave to care for children and these have been included in the table. Greece, Italy, Norway, Spain and Sweden offer additional support through schemes that reduce the working day specifically for the purpose of caring for children.

Parental leave can be an individual (allocated per parent) entitlement and/or allocated per child. Allocation per parent potentially means that children of lone parents are unfairly treated vis-a-vis children from a couple family. Austria, Belgium, Canada, France, Germany, Greece, Ireland, Luxembourg, the Netherlands, Norway, Portugal and Spain all offer leave as an individual entitlement. However, of these, only Norway and Greece accounts for the disadvantaged position of lone parents and entitles them to the same amount of leave as a couple family (i.e. double the individual entitlement). In Sweden, a one-month quota exists for each parent. This is not transferable from mothers to fathers (or vice versa) but if there is no recognised father, lone mothers are entitled to both months leave. Leave allocated per unit – i.e. with the leave shared between parents in a couple family – treats children equally, regardless of family type but could mean in a couple family that one parent, usually the mother, takes the full leave.

Some countries' parental leave acts as a replacement (or extended) maternity/paternity leave: Australia, Austria, Canada, Finland, France, Japan, Israel, New Zealand and Sweden all have parental leave designed to be taken immediately after the birth of a child (or after maternity/paternity leave). Other countries' schemes allow parental leave to be undertaken for older children. Leave in the US can be taken until the child is 18 and Denmark allows leave to be taken until the child is age nine, although most keep the age limit at or beneath statutory school age – for example, the UK allows leave to be taken until the child is age five. Whilst the length of parental leave and the age limit of the child to whom it can apply are seemingly important factors, the extent to which parental leave will help parents gain continuity in the labour market depends upon a number of factors. It is perhaps more important that the leave is paid at a high level for the total duration, guarantees a return to a previous job and is flexible (i.e. working hours can be reduced or it does not need to be taken in one continuous period). On this basis, the most supportive leave is provided in Spain which offers flexible, fully paid leave for three years as an individual right to each parent for each child, which can be taken up to the child's sixth birthday and also guarantees the parent his or her old job or its equivalent. Australia, Greece, Ireland, Israel, Netherlands, New Zealand, Portugal, UK and US offer only unpaid parental leave. New Zealand has the weakest scheme; although the length of leave is one year, this is unpaid, it is not flexible, has to be taken immediately after the birth of the child, and is the only scheme where parents who take leave are only guaranteed a job to return to rather than their old job or its equivalent.

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[32] Israel's parental leave scheme in effect, maternity leave since it entitles only the mother to take the leave.

[33] Italy's reduced working hours scheme is for mothers' only.

Table 7.5 Statutory parental leave arrangements

Country	Statutory	Duration	Flexible[1]	Child's age limit	Level of payment	Job guaranteed
Australia	parental leave	1 year per child	no	1	unpaid	-
Austria	parental leave	1 parent: 18 months 2 parents: 24 months	yes	18 or 24 months	s5.643 a month + s399 for each dependent child, excluding new born.	yes
Belgium	parental leave	3 months per parent per child.	yes	4	monthly rate of 20808 bef (2000).	yes
Canada	parental leave	35-37 weeks (depending upon whether maternity leave taken) per parent per child	no	1	55% up to $143 per week. family supplement rate if low income. up to 35 weeks.	yes
Denmark	parental leave (if not in childcare)	1 year per child	no	9	60% of maximum unemployment benefit (dkk 353 per day)	yes
Finland	parental leave	approx 32 weeks after maternity leave per child	no	-	60%	yes
	care leave	3 years per child	yes	3	unpaid	yes
France	parental leave	3 years per parent per child	yes	3	if 2+ children, and worked certain number of years. not working: 3131 f per month. part time: under ½ ft: 2071 50 to 80% : 1566	yes
Germany	parental leave	3 years per parent per child[2]	year 3	8	childcare benefit during first 2 years. income-related.	yes
Greece[3]	parental leave	3.5 months per parent	yes	3.5	unpaid	
	reduced working hours	*reduced by 2 hours for one year*	*yes*	-	*no loss of earnings*	
Ireland	parental leave	14 weeks per parent per child	yes	5	unpaid	yes
	homemaker scheme	gives up work to take care of child	no	12	unpaid – prsi credits	-
Israel	Parental leave for mother	Enables mother to extend maternity leave to an additional 9 months	no		unpaid	yes

Continued

Table 7.5 Continued

Country	Statutory	Duration	Flexible[1]	Child's age limit	Level of payment	Job guaranteed
Italy	parental leave	10 months per child[4]	no	8	child under 3: 30% of household wage. child age 3-8: unpaid	yes
	reduced working hours	*mothers entitled to 2 one hour rest periods daily*	-	*1*	*100%*	*yes*
Japan	parental leave	1 year per child	yes	1	40% guaranteed + discretion of employer	yes
Luxembourg	parental leave	6 months per parent per child	yes	5	64 992 luf/ month: f/t (6 months)	yes
Netherlands	parental leave	3 months per parent per child	yes	8	unpaid, unless civil servant (75%)	yes
New Zealand	parental leave	1 year per child	no	1	unpaid	not same job
Norway	parental leave	1 paid year per child: (42/52 paid weeks, of which 4 are reserved for the father and 9 weeks for the mother), and one unpaid year for each parent per child[5]	yes	3	42 weeks 100%, or 52 weeks at 80% if meet qualifying period (including 9 weeks maternity and 4 weeks 'daddy quota') 1 year unpaid per parent	yes
	reduced working hours	*2 years after birth (not maternity and daddy quota)*	*mother*	*2*	*100% replacement*	
Portugal	parental leave	3 months per parent	yes	6	unpaid	yes
	leave to care for children	2 years (3 years for 3+ children)	yes	6	unpaid	yes
Spain	parental leave	3 years per parent per child	yes	6	100	yes
	reduced working hours	*maximum of half the working day*	-	*6*	*salary reduction proportional to reduction of working day*	*yes*
Sweden	parental leave	1.2 years (1 month for each parent of first 360 days).	yes	8	first 360 days: 80 %. remaining 90 days: 60 sek a day.	yes
	reduced working hours	*shorten regular working day*	*yes*	*8*	*salary reduction proportional to reduction of working day*	*yes*
UK	parental leave	13 weeks per child	discretion	5	unpaid	yes
USA	family leave[5]	12 weeks per year per parent[6]	yes	18	unpaid	yes

[1] Flexible leave refers to leave that does not have to be taken in one block – ie. the parent can work part-time or the leave can be taken in a number of blocks.

[2] Parents living together can take leave simultaneously and work up to 30 hours each. A lone parent is entitled to part-time work of 30 hours maximum and to parental leave.

[3] The arrangements described are for private sector employees only. Public sector benefits are normally more generous

[4] The maximum total period of parental leave (mother + father) is 10 months and 11 months if the father takes at least 3 of the 10 months. Lone parents are entitled to the full 10 months.

[5] The right to one unpaid year does not apply if the parents use the time accounting system. If the time accounting system is used, the partial leave replaces the full unpaid year. Lone parents are entitled to all the parental leave (ie. 1 year paid and 3 years unpaid).

[6] Family Leave is an umbrella scheme for different kinds of leave including maternity, paternity, parental and leave to care for sick children. NB: the 12 weeks unpaid leave is not available for each kind of leave. Rather, a total of 12 weeks unpaid leave is available per year for each parent in employment, which can be used for any of kind of leave included in this chapter.

7.7 Statutory leave to care for sick children

Table 7.6 shows the statutory arrangements to care for sick children. In our study, 15 countries offer statutory leave to care for sick children. The leave in the US is part of family leave, which is an umbrella term for different kinds of leave including maternity, paternity, parental as well as leave to care for sick children; there is no separate statutory right for leave to care for a sick child. If a child becomes ill and the parent has already used up his/her 60 days (12 weeks) leave in that year for another purpose, s/he is not entitled to additional leave to care for the sick child. Of those which offer statutory leave to care for sick children, Austria, New Zealand and Sweden have the most generous leaves – long in duration and (with the exception of Sweden) with full earnings replacement – although New Zealand's leave is not an additional entitlement to the parent's own sick leave. Italy (for three to eight year olds), Greece, France and the UK offer the least supportive leave - the period of leave is low, it is unpaid and not flexible – hours cannot be reduced and it cannot be taken in several blocks of leave. Italy, however, does entitle all parents to take as much leave as necessary for a sick child under the age of three. In addition, France offers parental presence leave, which is paid leave that entitles a parent to interrupt their working activity or reduce it for up to one year, in order to take care for a child under 20 who is sick, has a handicap or has been victim of a serious accident and who needs the presence of somebody.

Leave to care for sick children can be an individual entitlement and/or allocated per child or per parent (or both). As with parental leave, allocation per parent could mean that children of lone parents are unfairly treated vis-a-vis children from a couple family. However, in certain countries, such as Germany and Norway, this has been avoided by accounting for family type – lone parents are granted 20 days leave whilst couple parents are granted ten days each. If leave is not granted per child, a family with many children could be unfairly treated. France, Greece and Norway, compensate for this by giving the parent more leave if there are three or more children in the household. Other countries, such as Sweden, allocate leave per child. In these countries, the child will not lose out because of the position of his/her parent(s).

Table 7.6 Statutory leave to care for sick children

Country	Statutory	No. of days	Flexible[1]	Child's age limit	Level of payment	Job guaranteed
Austria	yes	10 per year	yes	None for first week, 12 for second week.	100%	yes
Finland	if both parents work	4 per child per year	-	10	100%	yes
France	short sickness	3 per parent per year[2]	no	16	unpaid	yes
	parental presence leave	1 year	yes	20	Varies with family type and number of hours. F/T leave: couple £324ppp per month: Lone Parent £429ppp per month	yes
Germany	yes	10 per parent per child per year up to maximum Lone parents: 20 per year up to maximum	no	12	70% gross earnings, 90% net maximum	yes
Greece	yes	1 child: 6[3]	yes	16	unpaid	yes
Ireland	yes	3 per year per parent per child	yes	5	paid	yes
Israel	yes	6 per year per parent	discretion	12	100%	yes
Italy	yes	aged under 3: any time. aged 3-8: 5 days a year per parent per child	no	8	unpaid	yes
Luxembourg	leave for family reasons	2 per year per parent per child	no	15	100%	yes
New Zealand	annual leave or own sick leave, including leave to care for a sick child	15 per year per parent	discretion	14	100%	yes
Norway	yes	less than three children: 10 per parent. Lone parents: 20 per year[4].	no	12	100%	yes
Portugal	leave to care for sick children	aged under 10: 30 days per year aged over 10:15 days	yes	Varies if over/under 10	100%	yes
Sweden	yes	60 per child per year.	yes	12	80%	yes
UK	yes	discretionary up to 10 per parent per year	no	16 (or 16-18 in full time education or training)	unpaid	yes
USA	family Leave[5]	60 per year per parent[5]	yes	18	unpaid	yes

[1] Flexible leave refers to leave that does not have to be taken in one block – ie. the parent can work part-time or the leave can be taken in a number of blocks.

[2] 5 days if child under 1 year or there are 3 or more children in the household

[3] 2 children: 8; 3 children: 10 etc.

[4] 3 or more children: 15 days per parent 30 days for a lone parent

[5] Family Leave is an umbrella scheme for different kinds of leave including maternity, paternity, parental and leave to care for sick children. NB: the 60 days (12 weeks) unpaid leave is not available for each kind of leave. Rather, a total of 60 days (12 weeks) unpaid leave is available per year for each parent in employment , which can be used for any of kind of leave included in this chapter.

7.8 Future changes

In addition to childcare, maternity, paternity, parental leave and leave to care for children is high on the policy agenda. Austria, Belgium, France, the Netherlands, New Zealand, Sweden and the UK have plans to make changes to one or more types of leave. The majority of these countries plan to extend or introduce parental or paternity leave.

7.8.1 Parental leave

New Zealand introduced 12 weeks paid parental leave (80% replacement rate) in July 2002 in addition to the current unpaid leave. This allowed mothers to transfer some or all of their entitlement to their partner (including same sex partner). Parents have to be employed 12 months with their current employer to qualify. In January 2002, Austria replaced parental leave benefit with a childcare allowance. This has extended payment to all parents, including the unemployed – previously this was restricted to parents with previous employment and a minimum contributory period to unemployment insurance and will be paid for 30 months (36 months if the other partner takes the 6 months minimum). Sweden will increase the parental leave from 30 days to 60 days per parent.

7.8.2 Paternity leave

France extended paternity leave from three days to two weeks in 2002 at 100 per cent replacement rate of net salary. The Netherlands introduced paid paternity leave in January 2002, albeit for only two days and there are also plans to introduce ten days of paid care leave. In the UK, paid paternity leave will be introduced in 2003 for the duration of two weeks for working fathers paid at the same flat rate as statutory maternity pay.

7.8.3 Maternity leave, childcare leave and leave to care for sick children

In the UK, statutory maternity pay was increased from £60.20 to £75 from April 2002 and will be increased to £100 a week in 2003. Also, the period of maternity pay will extend to 26 weeks from April 2003. Adoption leave will be available from 2003, which will mirror maternity leave provision. The adoptive parents will be able to choose who takes adoption leave and who takes paternity leave.

In Sweden there are plans to allow an insured person other than the parent to stay at home from work with temporary insurance compensation in order to care for the child if his/her parent is unable to do so. This will have obvious benefits for lone-parent families.

7.8.4 Proposed plans

Norway, Denmark, Portugal and the USA also have proposed plans but these have not yet been approved. Denmark is expected to introduce a law extending the maternity and parental leave. Norway is contemplating increasing the daddy quota in the parental leave scheme from four to eight or ten weeks. Portugal is considering making the five days paternity leave a right by law. Finally, in the USA 21 state legislatures have considered proposals for income maintenance while on family leave. Proposed benefits and eligibility criteria vary greatly across the state.

7.9 Conclusion

Policy for the under threes is closely linked to the nature of available maternity leave, paternity leave, parental leave and leave to care for sick children. Whilst this has not been included in the matrix, it is an important part of the child benefit package. The impact of these policies on women, children and

families, however, is difficult to document. An important element of the leave package for the wellbeing of *children* is whether leave is an individual entitlement or allocated per unit and whether parents are entitled to leave for each child. Allocation of leave per parent could mean that children of lone parents are unfairly treated vis-a-vis children from a couple family. Of those offering individual leave, only Norway, Greece, Sweden and Germany account for the disadvantaged position of lone parents and entitle them to the same amount of leave as a couple family (i.e. double the individual entitlement). Also, if allocation is not per child, children in larger families will lose out as in Austria, Greece, Sweden and the USA. That is unless, as France, Greece and Norway do for leave to care for sick children, the leave package compensates for this by giving the parent more leave if there are three or more children in the household.

In order to fully understand how leave policy impact upon families, it is important to look at the whole package. Leave policies can be designed either 1) to facilitate gender equity by supporting women's work outside the home and the reconciliation of paid work and childcare by protecting the wellbeing of the child(ren) whilst the parents are in the workforce or 2) to support family work and childrearing and create an incentive for women to leave the labour force when children are very young (Kamerman, 2000).

Germany and Japan both have long paid parental leave that can be taken after the child has entered school but no paternity leave. Whilst parental leave is designed for both parents, in the majority of countries fathers do not generally take advantage of this – in Germany, only 1.6 per cent of all parents on parental leave were fathers (Mikrozensus, 1999) and in Japan only 0.4 per cent of fathers actually took parental leave (Ministry of Health and Welfare, 1999). Israel has no separate paternity leave; it is partially shared with the mother's maternity leave and only mothers are entitled to parental leave. In these countries, leave is, in effect, designed not to involve the father in family responsibility and instead to enable women to break completely with the labour force during child rearing. On the other hand, in countries such as Sweden and Denmark leave is relatively short and there exists a 'daddy quota'. In these countries, leave is designed to support the reconciliation of paid work and childcare by protecting the well-being of the child. In countries such as the UK and the US, the state does not take a large role in balancing family and paid work. Although leave policy is improving in the UK and statutory parental leave now exists, parental leave is unpaid and, as yet, no paternity leave exists. The wellbeing of the child whilst the parents are in the workforce is, in these countries, still largely left to negotiation between employer and worker.

8 Social assistance

8.1 Introduction

So far the analysis has focused on the child tax/benefit package for parents in employment. One of the income cases for which matrix data was collected was a social assistance case. This chapter will exploit this data to review the structure and level of social assistance paid to families with children. Rules on work seeking conditions, however, will be covered in Chapter 10.

Ideally it would have been better to have included in this study not just a comparison of the social assistance package for families with children, but also a comparison of the insurance benefit package available to parents with children who are unemployed and/or disabled. However such comparisons present many challenges. Unemployment insurance benefits, for example, vary in many countries according to the level of previous earnings, and the length of unemployment. In some countries they are topped up by assistance benefit, or special non-contributory benefits. Also the income of the couple family with one parent receiving unemployment benefit would be affected by whether there was another parent in employment. Taking account of all these complexities in addition to the child tax/benefit package was too much for one study to carry.

There were a number of motives for collecting matrix data on a social assistance case. Social assistance exists in all countries (though it is very residual in Greece) and provides a minimum income on the basis of a test of means for people out of the labour force including families with children. Though there have been comparative studies of social assistance (Eardley *et al.,* 1996; Ditch *et al.,* 1997; Bradshaw and Terum, 1997; Gough *et al.,* 1997; Capucha, 1999; Ditch and Oldfield, 1999; Matsaganis, 2000; Gough, 1996, 2001; Heikkila *et al*., 2001; Heikkila and Keskitalo, 2001) apart from the *OECD Tax/ Benefit Situation of Production Workers* series there is no routinely collected comparable data on social assistance and the most recent OECD data is for 1999 (OECD, 2001b). Therefore to collect up-to-date data on the structure and level of social assistance is intrinsically interesting.

However, there were two additional motives for collecting this information. First, we wanted to use it as a benchmark for assessing the generosity of the child tax/benefit system. Social assistance is the minimum income provided in a country. It is therefore relevant to investigate how it relates to the value of the child tax/benefit package. Second, and in order to do that we wanted to be able to calculate notional replacement rates – what proportion of net disposable income when in employment is replaced by social assistance when out of employment. This replacement rate is a measure of the financial incentives to work which face parents, a measure of the unemployment trap. Both these uses for the data on social assistance are dealt with in Chapter 10 as are the rules on work seeking conditions for receiving benefits.

8.2 Significant changes in social assistance since 1996

In some countries there has been much activity since 1996 regarding social assistance. In Portugal, the guaranteed Minimum Income was implemented as a safety net. In Canada, Italy, Norway and Sweden there has been a move towards a higher degree of national responsibility. Some countries have increased the generosity of their social assistance rates for families with children (France, Germany, UK) while Finland reduced her basic amounts for children by six per cent. There has also been a general trend to discourage welfare dependency and to encourage movement into work, which is discussed in Chapter 10. Perhaps the most dramatic policy change occurred in the USA with the Clinton Welfare Reforms which introduced Temporary Assistance to Needy Families in 1996 and imposed a strong relationship between work requirements and benefits and contributed to halving welfare rolls.

8.3 Current policy

We know from earlier work (Eardley *et al.,* 1996) that there are very large variations in the social assistance systems and the importance of social assistance to families with children in the tax benefit system. Greece is the only country without a general system of social assistance. Instead, there is a series of very low cash benefits for different social groups. For example, lone parents on very low income have access to a means-tested benefit for the 'unprotected' child.

Some countries' social assistance is organised and regulated nationally, as in the UK, where there are national rules and benefit rates. For other countries, such as Spain, Norway and Italy, social assistance is locally regulated and locally administered. In these cases there are different eligibility criteria and payment levels according to different local law and arrangements. This may even mean that not all localities offer a social assistance scheme, as in Italy. In Italy, this inequality of provision is being reviewed and a national scheme (Reddito Minimo di Inserimento) is being piloted which, if implemented, will be nationally regulated with national rules. However, a decision as to whether the scheme will actually be extended to a national level will not happen until after December 2002 when the testing phase ends.

There are also variations in the extent to which countries target specific groups in their assistance schemes. Seven of the countries in our study offer targeted cover for families. The USA has a scheme that targets all families with children whilst others (France, Ireland, Israel, New Zealand and Norway) specifically target lone parents. In Norway there is a social assistance-like benefit targeted at lone parents. This is available, on certain criteria, for lone parents with children under eight. When entitlement to this benefit is lost, lone parents can still apply for the general social assistance that is available to everyone after a means-test. In France, receipt of social assistance for lone parents is dependent upon the age of the youngest child being less than three. Australia targets lone parents and one parent in a couple through its Parenting Payment. With the exception of Australia, Israel and Norway, the rates in all the targeted schemes also include additions for children.

The majority of countries in our study do not target families through separate social assistance schemes and instead offer general all-inclusive schemes. However, within these schemes, the majority include additions for children. In fact, only Belgium and the Netherlands do not recognise children in their rates - there are no additions for dependants or household size. In both countries, however, all families with children on social assistance also receive child benefits and therefore end up with a larger income than families without children. Both countries also recognise the additional burdens for lone parents and accordingly award them higher rates.

Table 8.1 Social assistance for families with children

Country	Benefit	Rules on Availability	Addition for children	Regulatory/ Administrative frame work
Australia	Parenting payment and Newstart	Means tested to sole, parents and partners, earnings in couples.	No	nat/nat
Austria		Austrian and EEA citizens and refugees with permanent residence.	Yes	province/loc
Belgium	Subsistence minimum	Means tested	No	nat/loc
Canada	Social assistance Ontario Works	Those in 'true need'; Means tested	Yes	province
Denmark	Lov om aktiv social politik	1. Has to experience social event eg. Divorce or unemployment 2. Social event caused individual not to be able to provide for him/herself 3. no other coverage	Yes	nat/loc
Finland	Toimeentulotuki	All who qualify the means test	Yes	nat/loc
France	Revenue minimum d'insertion (RMI)	All under income threshold. But NOT Lone parents with one child under 3 and, NOT adults under 25 without dependants.	Yes	nat/nat
	Allocation de parent isole (API)	All lone parents with one child under 3 under income threshold.	Yes	
Germany	Sozialhilfe'	Means tested	Yes	nat/loc
Greece	No general system of social assistance (see text for details)			
Ireland	Supplementary welfare allowance	Given to those who have applied for social welfare and are awaiting payments. Based on means test	Yes	nat/loc
	One Parent Family Payment	Received until child is 18 or 22 if in full time education.	Yes	
	Unemployment assistance	Persons seeking work who satisfy a means test, and are not in receipt of unemployment benefit.	Yes	
Israel	Income support	Means tested	Yes	nat/nat
	Lone parents law programs (school benefit)	Lone parent, school benefit	Yes	
Italy	Minimo Vitale	Means tested (differs between municipality)	Yes	loc/loc
	Reddito Minimo di Inserimento	Means tested (national)	Yes	nat/loc
Japan	Seikatsu Hogo system	Means-tested	Yes	nat/loc
Luxembourg	Revenu Minimum Garanti	Residents in Luxembourg for at least 2 years in last 20.	Yes	
Netherlands	Social assistance	Insufficient means	No	loc/loc
New Zealand	Domestic Purposes Benefit (DPB)/ widows benefit	Must be part of a category (eg. unemployed, lone parent). Income test. Only lone parents can receive DPB/widows benefit.	Yes	nat/nat
	Community wage	Yes		

Continued

Table 8.1 Continued

Country	Benefit	Rules on Availability	Addition for children	Regulatory/ Administrative frame work
Norway	Social assistance	Means tested. Means tested – and you can receive it only for three years	yes, number to live on benefit	loc/loc
	Transitional allowance	Lone parents with children under 8.	No	nat/nat
Portugal	Rendimento Minimo Garantido	Family income is lower than threshold	Yes	nat/loc
Spain	Ingreso Madrileno de Integracion (IMI)	Aged 25-65, unless cohabiting with dependent children, resident for at least 1 year in Madrid and whose economic resources are below the hypothetical benefit amount.	Yes, household number	loc/loc
Sweden	Socialbidrag	Over 18s who lack the means of supporting themselves or cannot meet their needs in other ways.	Yes	nat/loc
UK	Income support Income–tested Jobseeker's allowance	People working less than 16 hours	Yes	nat/nat
USA	What is the name of the State programmeTANF: Temporary Assistance to Needy Families.	Families with minor children/ pregnant person	yes, increases with the number of persons in household	States/states (federal guidelines)
	Food stamps	Not more than $2000 in countable resources and income below threshold.		nat/nat
	General Assistance	Unemployed		States/loc

In some countries social assistance is paid to top up the incomes of people with low earnings. In this study low-earning families with children in Australia, Austria, Finland, France, Germany, Israel, Luxembourg, Portugal, Sweden and USA received some of their income in social assistance. However, in most countries social assistance is only payable to those outside the labour market or employed for a very few hours. The contribution of social assistance to supporting families with children outside of the labour market varies from country to country according to two main factors.

First, the level of worklessness among families with children. In Table 2.4 we found that the proportion of workless lone-parent families varied from 58 per cent in the Netherlands and 47 per cent in the UK to 12 per cent in Portugal. For couples with children worklessness varied from 30 per cent in France to seven per cent in the UK, six per cent in Belgium and Portugal and two per cent in Austria, Japan and Luxembourg.

Secondly, according to the level and coverage of the social insurance system. Thus, in countries with a good insurance system, covering the unemployed, the sick and the disabled, social assistance will only contribute to family income when people do not qualify for insurance benefits, either because they have no contributory record/lack a good enough contributory record, or because their entitlement to insurance benefits has been exhausted. There are no countries in which divorce or relationship breakdown is an insurable risk though there are a few countries (France, Ireland and

Norway) which have a non-contributory, non-means-tested benefit for lone parents. So in many countries lone-parent families who are not in the labour market have to rely on social assistance.

There is no other source of data on the proportion of families with children dependent on social assistance and therefore we decided to collect this information. Table 8.2 shows that the lone mother employment rate is low in those countries which have a high proportion receiving social assistance (i.e. Australia, Ireland, the Netherlands, New Zealand and the UK). It is also high in countries with high levels of couple worklessness and those with non-existent or limited social insurance schemes for adults of working age outside the labour market - mainly the Anglophone countries. Although there is no comparative data on the proportion of families with children dependent on social assistance, we know for the UK how important this type of benefit is – in the mid 1990s more than a quarter of children were living in families receiving social assistance (Income Support, income-related Jobseeker's Allowance) and in 2001 there were still 18 per cent of children living in families receiving social assistance.

Table 8.2 Proportion of lone parents and couples with children receiving social assistance and the proportion of lone mothers who are employed

Country (date of social assistance %)	Benefit	% of lone parents receiving	% of couples with children receiving	% of lone mothers who are employed
Australia (1998)	Parenting payment	77	17[1]	46[2] (2000)
Austria		..	..	80 (1999)
Belgium (1996)	Subsistence minimum	4	0.4	60 (2000)
Canada	Ontario Works	..	..	51 (1996)
Denmark	Lov om aktiv socialpolitik	..	..	*73 (1995)*
Finland (2000)	Income support	27	7	65 (1998)
France (2000)	Revenue minimum d'insertion (RMI)	25-30 of which 85% receive either RMI or AP	1 – 2RMI (2-4 all types of social assistance N/e	66[3] (2001)
	Allocation de parent isole (API)			
Germany	Social assistance ('Sozialhilfe')	25 (1999)	2[4] (1997)	67[3] (2000)
Greece	No general system of social assistance (see text)			75 (1996)
Ireland (1999)	Supplementary welfare allowance	2	0	53 (1999)
	One Parent Family Payment	68	N/e	
	Unemployment assistance	..	..	
Israel (1999)	Income support	30	..	..
	Lone parents law programs (school benefit)			
Italy (1999)	Minimo Vitale (Minimum Life Income)	44% of benefits paid to lps	43	
	Reddito Minimo di Inserimento (Minimum Insertion income) (not national yet)	15	64	65 (1998)
Japan	Public assistance (Seikatsu Hogo system)	12[5]	2[6]	87[7] (1998)
Luxembourg (1999)	Revenu Minimum Garanti : fight against social exclusion	7	3	82 (2000)

Continued

Table 8.2 Continued

Country (date of social assistance %)	Benefit	% of lone parent receiving	% of couples with children receiving	% of lone mothers who are employed
Netherlands (2000)	Social assistance	38	4[4]	42 (1997)
New Zealand (2000)	Domestic Purposes Benefit	82	na	45 (2001)
	Community wage	7	49	
Norway	Social assistance (1999)	17	3	68 (1999)
	Transitional allowance (2001)	43	N/e	
Portugal (1998)	Guaranteed minimum income (Rendimento Minimo Garantido)	22% of recipients are lone parents	..	88 (1996)
Spain	Ingreso Madrileno de Integracion (IMI)	..	..	*68[8] (1991)*
Sweden (2000-2001)	The Social Welfare Allowance (Socialbidrag)	22	4	*68 (1998)*
UK (1999-2000)	Income support	51	7[9]	52 (2001)
	Income-based Jobseeker's Allowance			
USA (2000)	TANF: Temporary assistance to needy families.	17	..	79 (2000)
	Food stamps	25	..	
	General Assistance	..	..	

Italics=Data not provided by national informants. Figures obtained from other sources.

.. = Not available; N/e = Not eligible to receive benefit

[1] percentage of partnered mothers

[2] lone mothers with children under the age of 15

[3] lone mothers with children under the age of 18

[4] percentage of couples, with or without dependent children

[5] percentage of lone mothers

[6] percentage of all households, with or without dependent children

[7] lone mothers with children under the age of 20

[8] Madrid region (activity rates)

[9] either partner receiving either benefit

8.4 The level of social assistance

Tables 8.3a, 8.3b and 8.3c compare the level of social assistance in £ purchasing power parity per month. Table 8.3a compares the basic social assistance package before the impact of housing costs and services. The social assistance package consists of the social assistance scales minus any income tax or social security contributions payable plus any non-means-tested or means-tested child benefit payable plus child support for lone parents (if it is guaranteed) plus any other benefits paid (Transitional Allowance[34] in Norway, food stamps in the USA, Supplementary Welfare Allowance in Ireland, Allocation de Parent Isole (API) in France, Lone Parents Law Programme in Israel). In most countries social assistance is free of income tax and social security contributions. However in

[34] In the matrix analysis we have assumed that Transitional Allowance is paid to the lone parent with a pre-school age child only. In fact some divorced lone parents may also be eligible for Transitional Allowance for up to three years.

Denmark, the Netherlands and New Zealand income tax is payable on social assistance (see Appendix F, Table F.1). In Denmark, Israel and Luxembourg social security contributions are payable (see Appendix F, Table F.2). In Norway the lone parent pays income tax on the Transitional Allowance. Greece has no social assistance benefits for singles and couples and very low and discretionary benefits for families with children and it was decided not to include Greece in this analysis. The relative level of the social assistance paid in other countries varies by family type, but Luxembourg and Denmark have the highest benefits for couple families and Austria, Ireland and Luxembourg for lone parent families with two children. Spain and Portugal have the lowest benefit levels but France and Germany also have lower benefit levels than might be expected given their economic position.

Table 8.3a Social assistance before housing and services, £ purchasing power parities

Country	Singles	Couples	LP+1 child aged<3	LP+1 child aged 7	LP+2 children aged 7 and 14	Couple +1 child aged<3	Couple +1 child aged 7	Couple +2 children aged 7 and 14	Couple +3 children aged 7, 14 and 17
Australia	376	679	673	639	803	923	889	1054	1054
Austria	390	565	609	679	1126	749	749	985	1249
Belgium	377	502	577	594	728	577	594	728	895
Canada	313	531	669	669	865	718	715	919	1123
Denmark	556	873	750	728	878	1184	1162	1217	1272
Finland	335	431	415	415	542	553	553	698	832
France	354	340	393	354	433	406	420	514	693
Germany	196	354	390	312	532	459	459	601	792
Greece									
Ireland	315	523	871	871	1101	688	688	854	1052
Israel	205	313	449	449	585	405	405	497	551
Italy	418	609	456	456	538	456	456	538	621
Japan	370	567	611	634	859	709	732	946	1153
Luxembourg	586	879	734	744	962	1026	1036	1254	1536
Netherlands	342	685	552	560	621	739	747	808	872
New Zealand	294	489	510	510	609	610	610	670	771
Norway	534	679	751	589	710	684	645	765	886
Portugal	129	258	218	218	307	347	347	436	562
Spain	210	262	283	283	336	316	316	363	409
Sweden	559	746	530	539	649	718	726	836	969
UK	230	361	429	429	565	560	560	696	836
USA	209	322	351	322	416	444	416	510	598

The problem with this comparison is that it does not take account of how housing costs are treated. In some countries there is an element included in the social assistance scales for housing costs. In most countries families with children on social assistance receive some or all of their housing costs paid in addition to social assistance (see Appendix F, Table F.3). Only in Canada, Italy, Japan, Portugal and Spain families on social assistance pay all their rent. In Germany and the UK families on social assistance have all their rent paid, though in the UK they still pay water rates. In order to really compare the level of incomes of families receiving social assistance, comparisons need to take account of housing costs. This is done in Table 8.3b. The housing costs assumptions in this study (20 per cent of average earnings) are clearly not reasonable for the social assistance case, and, having paid their housing costs, the single person in Canada, Portugal and the USA, and singles and couples in Spain have negative incomes. Again the rank of countries varies by family type but Luxembourg, Austria and Denmark have the highest levels of benefits for couples with children and Austria and Ireland have the most generous benefits for lone parents.

Table 8.3b Social assistance after housing costs £ purchasing power parities

Country	Singles	Couples	LP+1 child aged<3	LP+1 child aged 7	LP+2 children aged 7 and 14	Couple +1 child aged<3	Couple +1 child aged 7	Couple +2 children aged 7 and 14	Couple +3 children aged 7, 14 and 17
Australia	103	400	415	381	546	666	632	796	806
Austria	234	445	490	560	1043	702	666	938	1202
Belgium	171	271	383	400	546	354	372	385	551
Canada	-83	134	273	273	469	321	319	523	727
Denmark	249	566	588	565	715	890	868	923	978
Finland	205	361	345	345	490	501	501	646	780
France	92	218	299	261	369	306	320	445	653
Germany	196	354	390	312	532	459	459	601	792
Greece									
Ireland	261	437	742	742	947	587	587	737	916
Israel	55	212	398	398	531	351	351	440	494
Italy	123	314	160	160	243	160	160	243	326
Japan	72	213	256	280	504	354	377	591	798
Luxembourg	271	556	411	421	636	700	709	925	1210
Netherlands	176	482	358	367	444	561	569	631	695
New Zealand	221	368	383	383	472	457	457	518	619
Norway	254	399	591	464	579	372	514	629	744
Portugal	-22	107	67	67	156	196	196	285	410
Spain	-65	-13	7	7	61	40	40	87	133
Sweden	259	447	367	376	513	555	564	701	854
UK	221	352	420	420	550	551	551	681	821
USA	-32	110	139	110	204	233	204	347	464

Then, in Table 8.3c we take account of the costs and benefits of services. In many countries even families with children on social assistance have to pay some of their income in health charges (see Appendix F, Table F.4). However, in Austria, Finland, France, Germany, Ireland, Italy, Japan, the UK and USA all families with children do not pay health charges. In Portugal there is an addition to income. There are some charges for school costs in Austria, Belgium, Ireland, Japan (for after-school school - though it is unlikely at this income level), Luxembourg, Netherlands, New Zealand, Norway (books for the 17 year old), and Portugal (see Appendix F, Table F.5). In Finland, France, Italy, Spain, Sweden, UK and USA there is a benefit in relation to schooling because these countries provide free school meals or educational allowances or grants.

Table 8.3c Social assistance after housing costs and services £ purchasing power parities

Country	Singles	Couples	LP+1 child aged<3	LP+1 child aged 7	LP+2 children aged 7 and 14	Couple +1 child aged<3	Couple +1 child aged 7	Couple +2 children aged 7 and 14	Couple +3 children aged 7, 14 and 17
Australia	103	400	415	381	545	665	631	795	972
Austria	234	445	490	559	1040	702	665	935	1195
Belgium	170	269	381	395	523	352	365	361	515
Canada	-94	112	250	250	435	288	285	478	670
Denmark	246	561	585	563	712	885	863	917	972
Finland	205	361	345	389	577	501	545	733	910
France	92	218	299	261	405	306	320	480	720
Germany	196	354	390	312	532	459	459	601	792
Greece									
Ireland	261	437	742	731	925	587	581	725	894
Israel	34	191	377	393	535	330	330	419	472
Italy	123	314	160	155	222	160	155	222	273
Japan	72	213	256	256	437	354	354	523	714
Luxembourg	269	551	406	397	582	692	682	869	1134
Netherlands	154	437	336	313	371	516	493	535	584
New Zealand	213	351	375	370	450	441	436	487	579
Norway	249	390	768	459	574	545	504	619	714
Portugal	-22	107	67	65	154	196	194	283	404
Spain	-72	-26	-5	12	75	21	21	62	101
Sweden	253	434	361	391	549	542	572	730	905
UK	221	352	420	441	595	551	572	726	866
USA	-34	110	139	151	285	273	285	468	464

Although these costs and benefits have an impact on the net incomes of the families, it is not as much as housing costs and does not change the overall position dramatically.

8.5 The implied equivalence scale in social assistance

We have seen that the scales of social assistance vary within and between countries - by family type, and by the number and ages of the children. These differences imply a judgement made in each country about the relative needs of families of different kinds. As this is the minimum income in the countries concerned this variation in the 'implied equivalence scales' is of interest. Therefore in Tables 8.4a and 8.4b the implied equivalence scales of social assistance are compared.

The implied equivalence scale depends on which family type is used as the base, but in this analysis the base family is a childless couple set at 1.00. Before housing costs, compared with a couple, the needs of a single person vary (in Table 8.4a) between 50 per cent of a couple in the Netherlands and Portugal and 80 per cent of a couple in Spain and four per cent more than a couple in France. The most common ratio is in the 60s.

The implied equivalence for lone-parent families varies between countries rather more. Norway is generous to a lone parent on social assistance with a pre-school child - as a result of the Transitional Allowance. Ireland and Israel are the most generous to a lone parent, relative to a couple. Some countries assess the needs of a lone parent with a school age child lower than a childless couple, including Australia, Luxembourg, Germany, the Netherlands, Italy, Portugal and all the Nordic countries. Among the latter, Sweden, Italy and the Netherlands values the relative needs of a lone parent least generously – even a lone parent with two children receives less in social assistance than a childless couple.

Then there are differences in how countries treat the needs of a lone parent in comparison with a couple with children. For example a lone parent with one child aged seven in Israel receives more and in Belgium the same amount as a couple with one child aged seven. But in Denmark a couple with one child under three receives 50 per cent more and in Sweden 25 per cent more than the lone parent. The extra payable for a couple with one child aged seven (compared to a childless couple) varies from minus 25 per cent in Italy, minus five per cent in Norway and minus three per cent in the Sweden to 55 per cent in the UK. Countries evaluate the relative needs of couples with more than one child differently - for each child in the Netherlands a couple receive an extra nine per cent over what is paid to a couple but for example in Germany the first child gets 30 per cent of a couple, the second child 40 per cent and the third child 54 per cent. Overall the UK, Germany, and Austria are relatively the most generous to couples with three children compared to childless couples. But that does not mean they are the most generous in equivalent cash terms in fact they are not – it is just that their social assistance scales are internally more generous to families with children.

Table 8.4a Implied equivalence scale of social assistance before housing costs

Country	Singles	Couples	LP+1 child aged<3	LP+1 child aged 7	LP+2 children aged 7 and 14	Couple +1 child aged<3	Couple +1 child aged 7	Couple +2 children aged 7 and 14	Couple +3 children aged 7, 14 and 17
Australia	0.55	1.00	0.99	0.94	1.18	1.36	1.31	1.55	1.55
Austria	0.69	1.00	1.08	1.20	1.99	1.33	1.33	1.74	2.21
Belgium	0.75	1.00	1.15	1.18	1.45	1.15	1.18	1.45	1.78
Canada	0.59	1.00	1.26	1.26	1.63	1.35	1.35	1.73	2.12
Denmark	0.64	1.00	0.86	0.83	1.01	1.36	1.33	1.39	1.46
Finland	0.78	1.00	0.96	0.96	1.26	1.28	1.28	1.62	1.93
France	1.04	1.00	1.15	1.04	1.27	1.19	1.23	1.51	2.04
Germany	0.56	1.00	1.10	0.88	1.50	1.30	1.30	1.70	2.24
Greece									
Ireland	0.60	1.00	1.67	1.67	2.11	1.32	1.32	1.63	2.01
Israel	0.65	1.00	1.43	1.43	1.87	1.29	1.29	1.59	1.76
Italy	0.69	1.00	0.75	0.75	0.88	0.75	0.75	0.88	1.02
Japan	0.65	1.00	1.08	1.12	1.51	1.25	1.29	1.67	2.03
Luxembourg	0.67	1.00	0.84	0.85	1.10	1.17	1.18	1.43	1.75
Netherlands	0.50	1.00	0.81	0.82	0.91	1.08	1.09	1.18	1.27
New Zealand	0.60	1.00	1.04	1.04	1.24	1.25	1.25	1.37	1.58
Norway	0.79	1.00	1.11	0.87	1.05	0.74	0.95	1.13	1.30
Portugal	0.50	1.00	0.84	0.84	1.19	1.34	1.34	1.69	2.18
Spain	0.80	1.00	1.08	1.08	1.28	1.20	1.20	1.38	1.56
Sweden	0.75	1.00	0.71	0.72	0.87	0.96	0.97	1.12	1.30
UK	0.64	1.00	1.19	1.19	1.57	1.55	1.55	1.93	2.32
USA	0.65	1.00	1.09	1.00	1.29	1.38	1.29	1.58	1.86

The after housing costs the general impact of housing benefit schemes are to reduce the relative position of singles against childless couples and to improve the relative position of families with children. After housing and services (Table 8.4b) the implied equivalencies for families with children tend to improve, particularly in those countries with free school meals and/or no housing costs for children on social assistance.

Table 8.4b Implied equivalence scale of social assistance after housing and services

Country	Singles	Couples	LP+1 child aged<3	LP+1 child aged 7	LP+2 children aged 7 and 14	Couple +1 child aged<3	Couple +1 child aged 7	Couple +2 children aged 7 and 14	Couple +3 children aged 7, 14 and 17
Australia	0.26	1.00	1.04	0.95	1.36	1.66	1.58	1.99	2.43
Austria	0.53	1.00	1.10	1.26	2.34	1.58	1.49	2.10	2.68
Belgium	0.63	1.00	1.42	1.47	1.95	1.31	1.36	1.34	1.92
Canada	-0.84	1.00	2.24	2.24	3.89	2.57	2.55	4.27	5.99
Denmark	0.44	1.00	1.04	1.00	1.27	1.58	1.54	1.64	1.73
Finland	0.57	1.00	0.96	1.08	1.60	1.39	1.51	2.03	2.52
France	0.42	1.00	1.37	1.19	1.85	1.40	1.47	2.20	3.30
Germany	0.56	1.00	1.10	0.88	1.50	1.30	1.30	1.70	2.24
Greece									
Ireland	0.60	1.00	1.70	1.67	2.12	1.34	1.33	1.66	2.05
Israel	0.18	1.00	1.97	2.06	2.80	1.73	1.73	2.19	2.47
Italy	0.39	1.00	0.51	0.49	0.71	0.51	0.49	0.71	0.87
Japan	0.34	1.00	1.21	1.21	2.05	1.66	1.66	2.46	3.36
Luxembourg	0.49	1.00	0.74	0.72	1.06	1.26	1.24	1.58	2.06
Netherlands	0.35	1.00	0.77	0.72	0.85	1.18	1.13	1.22	1.34
New Zealand	0.61	1.00	1.07	1.05	1.28	1.25	1.24	1.39	1.65
Norway	0.64	1.00	1.97	1.18	1.47	1.40	1.29	1.59	1.83
Portugal	0.02	1.00	0.63	0.61	1.44	1.83	1.81	2.64	3.77
Spain	0.36	1.00	1.21	1.38	2.01	1.57	1.57	1.90	2.27
Sweden	0.58	1.00	0.83	0.90	1.27	1.25	1.32	1.68	2.08
UK	0.63	1.00	1.19	1.25	1.69	1.57	1.63	2.06	2.46
USA	-0.29	1.00	1.26	1.37	2.58	2.48	2.58	4.24	4.20

8.6 Conclusion

This chapter has compared the level of social assistance paid in our 22 countries and also explored the implied equivalence scales. We have found that there is considerable variation between countries in what they consider to be the appropriate level of their social assistance benefits and also in how they evaluate the relative needs of families of different sizes and types. It can be seen from Figure 8.1 that after housing costs and services the overall level of the social assistance package is highest for lone parents with one child in Ireland, Denmark, Norway, Austria and the UK and lowest in Portugal and Spain. For couples with three children it is highest in Austria, Luxembourg, Australia, Denmark and Sweden and lowest in Spain and Italy.

Figure 8.1 Social assistance

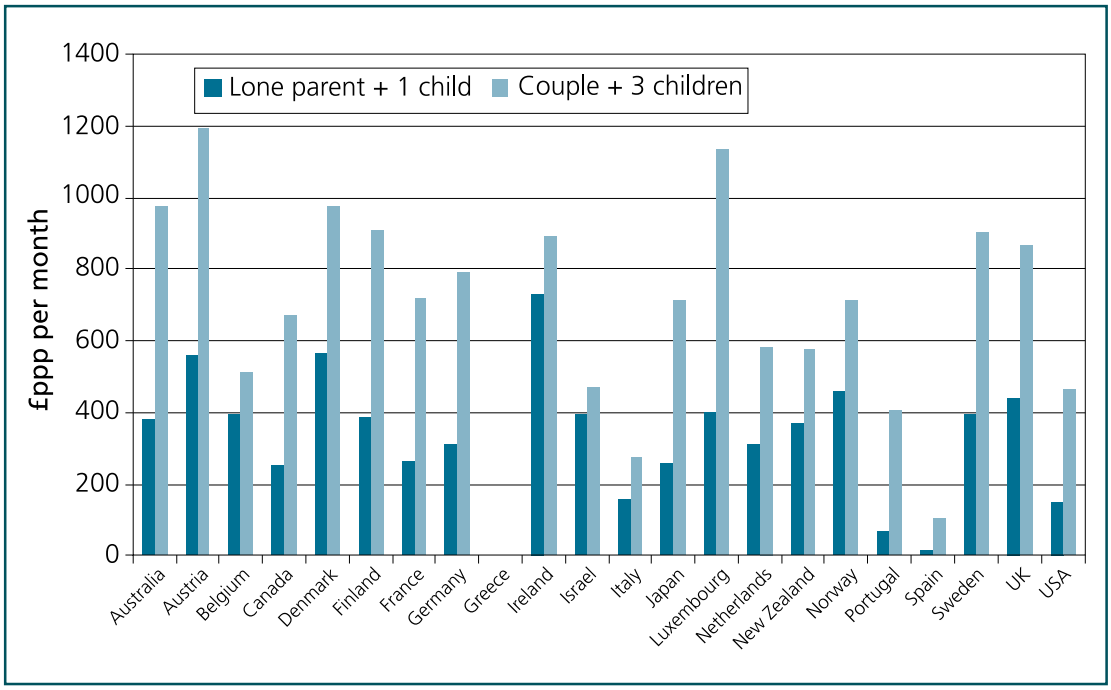
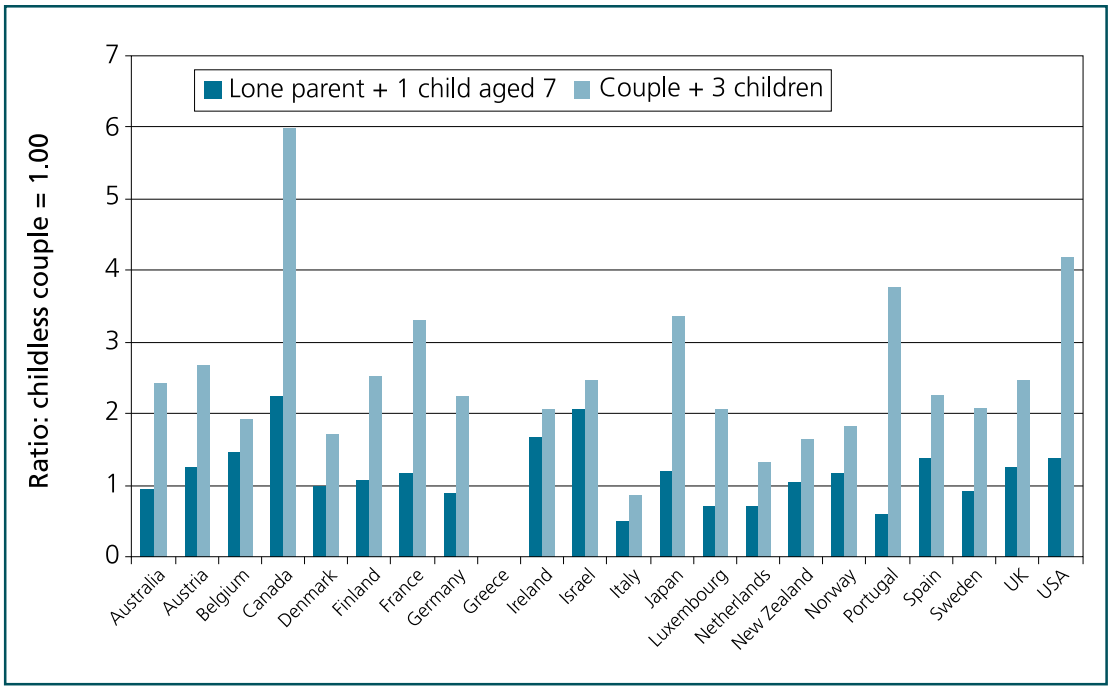


Figure 8.2 compares the implied equivalence scales for these two family types and shows that for the lone parent with one child aged seven it is highest in Canada, Israel and Ireland and lowest in Italy, the Netherlands and Portugal and for the couple with three children it is highest in Canada, Portugal and the USA and lowest in Italy, New Zealand and Norway. For both family types the UK comes towards the middle of the distribution.

Figure 8.2 Social assistance implied equivalence



However one constraint on the level of social assistance is how it relates to the net incomes of families in employment and in the next chapter we turn to that issue.

9 The structure and level of the child benefit package

9.1 Introduction

In the previous chapters each element of the child benefit package has been introduced and compared separately. However all these elements are brought together in this chapter in order to compare the structure and level of the whole package.

9.2 Structure

We start by examining how different countries structure their child benefit package. The elements covered are income tax benefits, social security contributions, non income-tested child cash benefits, income-tested child cash benefit, rent benefits, local taxes, childcare costs, school costs/benefits, guaranteed child support (alimony) and other, which varies from country to country. The structure varies from case to case and so a variety of cases from the range available in the matrix returns are selected. We start with a large low-earning family.

9.2.1 A large poor family

This is a one-earner couple earning half average male earnings (Case 2) with three school age children. Table 9.1 summarises the structure of the package for this family. The values given in the table are the differences in the tax paid etc. between a childless couple and a couple with three school age children at this earnings level.

Table 9.1 Structure of the child benefit package for a couple plus 3 children with one earner on half average male earnings (Case 2)

The amounts are the difference in income from a childless couple at this earnings level in £ ppps.

Country	Income tax	Income related child benefit	Non income related child benefit	Net rent	Net local tax	School costs/ benefits[1]	Health costs	Other	Net after taxes and benefit	Net after all
Australia	300	0	0	123	0	167	0	57	365	654
Austria	0	20	376	171	0	-7	2	110	506	672
Belgium	74	0	349	0	-1	-42	-2	0	423	378
Canada	70	261	0	0	0	0	-34	0	330	296
Denmark	0	0	165	144	0	0	-1	0	165	309
Finland	0	0	129	103	0	130	0	162	291	524
France	5	136	222	150	-10	34	-2	0	362	535
Germany	33	261	0	180	0	0	0	0	295	475
Greece	0	0	37	14	0	0	-5	0	37	46
Ireland	0	207	191	-31	0	-17	-36	0	397	314
Israel	0	0	107	0	-30	0	0	0	107	76
Italy	20	356	0	0	0	-53	0	0	376	322
Japan	18	0	54	0	12	-213	-5	0	71	-135
Luxembourg	0	0	498	0	-8	-63	-8	193	691	612
Netherlands	21	0	173	26	0	-66	0	0	194	154
New Zealand	332	0	0	-23	0	-21	-3	0	332	286
Norway	0	0	176	70	0	-20	-2	0	176	224
Portugal	0	110	0	0	0	-7	1	26	135	129
Spain	0	61	0	0	0	0	-19	0	61	42
Sweden	0	0	212	89	0	63	0	106	318	471
UK	421	0	157	-6	-21	0	4	0	578	554
USA	221	0	0	77	0	98	0	482	703	879

[1] If any benefits exist, including the Education Maintenance Allowance, that are administered through the tax system, they have been included in the income tax line in the matrix rather than under education costs and benefits.

In Australia, New Zealand, the UK and the USA a substantial proportion of the package for this family is delivered in the form of tax credits – thus for example the family with three children on this income in the UK pays £421 less income tax than a childless couple. Other countries have tax allowances that reduce the tax burden for families with children including Belgium, Canada, France, Germany, Italy, Japan, and the Netherlands.

There is only one country (Japan) in which this family pays more social security contributions than a childless couple[35].

[35] It is less than £1 per month and is the contribution paid in respect of the employer's family benefit. (and it is not shown in Table 9.1).

Austria, Canada, France, Germany, Ireland, Italy, Portugal and Spain have income-related child benefits. It is important to acknowledge that there is a problem of classification here. The tax credits in some countries have the same impact as income-related child benefits and, as we shall see, a number of countries have social assistance payments to families with children which are virtually identical to income-related child benefits, though they are not paid only in respect of children.

Most countries have non-income-related child benefits. They are most generous in Luxembourg, Austria and Belgium and rather low in Greece and Japan. The only countries without any non income-related child benefits are Australia (for couples), Canada, Germany, Italy, New Zealand, Portugal, Spain and the USA.

In column nine there is the impact of 'other'. This varies for each country but for example in Australia it is social assistance that is payable to low earners. In the USA it is the value of TANF, food stamps and HEAP.

The total of these tax and cash benefit elements of the package are summarised in column 10. For this family, the USA, Luxembourg and the UK provide most support in the form of taxes and cash benefits.

Housing costs play a part. We assumed in this study that all families, regardless of their earnings, would pay 20 per cent of average earnings. Thus column five gives the difference in this rent paid by this family compared with a couple with no children. This is a measure of the housing benefits that are payable. Housing benefit schemes have an impact in all but eight of the countries in this study. They are substantial (worth over £100 per month) contributors to the child benefit package in Australia, Austria, Denmark, Finland, France, and Germany. New Zealand and the UK have housing benefit schemes but they do not help even these large low-income families more than a couple.

The child benefit package in a few countries is affected by small amounts by the local tax arrangements. Many countries have local property taxation as we have seen in Chapter 4 but only in Israel, the UK, France (when water and sewerage charges are taken into account), Luxembourg and Belgium is more tax paid than for a childless couple.

Services have an impact. First those associated with school. Australia, Finland, France, Sweden, and the USA have positive amounts in column seven – this is the value of free school meals and in France Bourses available to low-income 17 and 18 year olds to encourage them to stay on at school. In the other countries the costs of schooling are fairly small except in Japan where it has been assumed that parents pay for after school care, despite the fact that at this earnings level it would be a very considerable sacrifice for the parents. In the Netherlands, Luxembourg and Belgium large, poor families' school costs are also significant.

Health costs have a small impact on families at this earnings level. They are highest in Ireland, Canada and Spain. They are small positive amounts in Austria, Portugal and the UK because in all those countries the childless couples have some charges, which the couples with children avoid.

The overall value of the package is presented in column 11. Japan is the only country with a negative package (entirely due to after school costs). For this family type, the overall package is most generous in the USA, Austria, Australia, Luxembourg and the UK. It is lowest in Israel, Greece and Spain. We look in more detail at the level of the package later in this chapter.

9.2.2 A small well-off family

In contrast to the previous case we present the results for a couple with only one school age child with two earners on average male and average female earnings (Case 7). This is the richest case that we have collected data on. At this level of earnings there are fewer countries delivering some of the child

benefit package through the income tax system than in the previous case. However Spain and Luxembourg provide some support at this level via tax benefits when they had not for the poorer family and in France and Germany more support is provided via tax benefits for this better off family than had been via tax benefits for the large poor family. This is the result of their child tax allowances, which are of more value to those on higher earnings.

Table 9.2 Structure of the child benefit package for a couple plus one child with two earners on average male and average female earnings (Case 7)

The amounts are the difference in income from a childless couple at this earnings level in £ ppps.

Country	Income tax	Income related child benefit	Non income related child benefit	Net rent	Net local tax	School costs/ benefits[1]	Health costs	Other	Net after taxes and benefit	Net after all
Australia	0	0	0	0	0	0	-8	0	0	-8
Austria	0	0	108	0	0	-1	0	0	108	107
Belgium	17	0	58	0	-1	-4	-1	0	75	70
Canada	0	0	0	0	0	0	-11	0	0	-11
Denmark	0	0	55	0	0	0	0	0	55	55
Finland	0	0	58	0	0	43	0	0	58	101
France	50	0	0	0	-2	0	-2	0	50	46
Germany	98	0	0	0	0	0	0	0	98	98
Greece	9	0	5	0	0	-41	-2	0	15	-28
Ireland	0	0	58	0	0	-11	-18	0	58	29
Israel	0	0	27	0	-14	0	0	0	27	13
Italy	14	0	0	0	0	-17	-2	0	14	-5
Japan	12	0	27	0	10	-41	-2	0	39	5
Luxembourg	50	0	104	0	-4	-19	-3	0	154	129
Netherlands	8	0	47	0	0	-32	-41	0	55	-18
New Zealand	0	0	0	0	0	-4	-2	0	0	-5
Norway	0	0	59	0	0	0	-1	0	59	58
Portugal	0	17	0	0	0	-47	0	0	17	-31
Spain	24	0	0	0	0	-5	-6	0	24	12
Sweden	0	0	65	0	0	21	0	0	65	86
UK	43	0	67	0	0	0	0	0	111	111
USA	104	0	0	0	0	0	-92	0	104	12

At this income level the family is beyond the scope of income-related child benefits except in Portugal, where income-related child benefit is available even at this income level. The same countries provide non-income-related child benefits, except France because *allocation familiale* is only available for a family with three or more children.

Housing benefits make no contribution to the child benefit package as at this income level the families are beyond the scope of income-related housing benefits. In a few countries these families pay a little more in local taxes than couples (and in Japan a little less).

More families at this earnings level have to pay school costs and there are only free school meals available in Sweden and Finland. The same is true of health costs.

At this earnings level, before the impact of housing costs and services the child benefit package is highest in Austria, Luxembourg, the UK and the USA. In Australia, Canada and New Zealand it is non-existent. After housing and services the package becomes a negative sum in seven countries, with Portugal and Greece providing the least benefits to this better off family.

9.2.3 An 'average family' Case 4

Then in Table 9.3 similar data is presented for a couple with two children and one earner on national average male earnings. At this level of earnings more countries than in the two previous cases use the tax system to support families. In Canada, France, Italy and Portugal some income-related child benefits are still payable. Only Australia, Canada, Germany, Italy, New Zealand, Portugal, Spain and the USA do not have a non-income-related cash benefits for children. Denmark alone pays some housing benefit at this level of earnings. A few countries have small positive or negative amounts for local taxes. The majority of countries have modest charges for education and health provision and Finland, France and Sweden have free school meals. Before housing costs and services the family package is worth most in Luxembourg, Austria and Belgium and least in New Zealand, Greece and Spain. After the costs of housing and services the package becomes a negative sum in Greece, Japan, the Netherlands, New Zealand, Portugal and the USA.

Table 9.3 Structure of the child benefit package for a couple plus two children with one earner on average male earnings (Case 4)

The amounts are the difference in income from a childless couple at this earnings level in £ ppps.

Country	Income tax	Income related child benefit	Non income related child benefit	Net rent	Net local tax	School costs/ benefits[1]	Health costs	Other	Net after taxes and benefit	Net after all
Australia	106	0	0	0	0	0	-16	0	106	90
Austria	0	0	238	0	0	-3	-1	0	238	234
Belgium	45	0	176	0	-1	-27	-2	0	221	192
Canada	0	60	0	0	0	0	-23	0	60	37
Denmark	0	0	110	23	0	0	0	0	110	133
Finland	0	0	129	0	0	87	0	0	129	216
France	38	28	72	0	-7	16	-2	0	138	144
Germany	189	0	0	0	0	0	0	0	189	189
Greece	17	0	16	0	0	-96	-3	0	33	-66
Ireland	43	0	116	-6	0	-22	-18	0	159	114
Israel	0	0	53	0	-30	0	0	0	53	23
Italy	28	97	0	0	0	-28	5	0	125	102
Japan	23	0	51	0	20	-138	-3	0	75	-47
Luxembourg	101	0	269	0	-6	-46	-5	0	370	313
Netherlands	10	0	108	0	0	-80	-57	0	118	-19
N. Zealand	6	0	0	0	0	-12	-4	0	6	-10
Norway	0	0	117	0	0	0	-1	0	117	116
Portugal	17	33	0	0	0	-79	-1	0	50	-30
Spain	46	0	0	0	0	-5	-13	0	46	28
Sweden	0	0	130	0	0	42	0	0	130	172
UK	43	0	112	0	-21	0	0	0	155	134
USA	107	0	0	0	0	0	-184	0	107	-78

9.2.4 A lone parent needing childcare

In Table 9.4 we present the results for a lone parent earning average female earnings and needing childcare. Childcare costs are given in column eight of the table and only in the Netherlands are they free of charge at this income level. It can be seen that childcare costs wipe out the value of the child benefit package in many countries. Only in Austria, Denmark, Finland, France, Luxembourg, the Netherlands, Norway and Sweden is the child benefit package still a positive sum. Canada, Ireland, New Zealand and the UK are particularly hard hit by childcare costs. This table also shows the impact of guaranteed child support in the Nordic countries and Austria and Germany.

Table 9.4 Structure of the child benefit package for a lone parent plus one child with one earner on average female earnings (Case 5)

The amounts are the difference in income from a childless couple at this earnings level in £ ppps per month.

Country	Income tax	Social security	Income related child benefit	Non income related child benefit	Net rent	Net local tax	Childcare costs	Health costs	Guaranteed child support	Other	Net Disposable income after taxes and benefits	Net disposable income after all
Australia	98	0	0	0	0	0	-125	0	0	0	98	-27
Austria	0	0	0	108	0	0	-72	1	70	0	179	107
Belgium	-18	0	0	50	0	-1	-136	0	0	0	32	-105
Canada	3	0	91	0	0	0	-324	0	0	0	94	-230
Denmark	-103	0	0	127	28	0	-84	2	70	0	93	40
Finland	0	0	0	80	0	0	-75	0	72	0	152	77
France	15	0	104	0	34	0	-140	5	0	0	119	17
Germany	11	0	0	0	0	0	-225	0	34	0	45	-179
Greece	5	0	0	5	0	0	-192	0	0	-40	-29	-221
Ireland	0	0	0	58	0	0	-375	0	0	0	58	-316
Israel	26	0	0	27	0	12	-237	0	0	0	53	-172
Italy	8	0	38	0	0	0	-186	5	0	0	46	-135
Japan	3	0	22	-55	0	1	-133	0	0	0	-30	-162
Luxembourg	56	0	0	95	0	0	-137	0	0	0	150	13
Netherlands	58	0	0	39	10	0	0	22	0	0	97	129
New Zealand	38	0	0	0	0	0	-322	10	0	0	38	-275
Norway	14	0	18	157	0	0	-55	5	70	0	260	209
Portugal	-6	0	17	0	0	0	-101	1	0	0	10	-90
Spain	5	0	0	0	0	0	-201	0	0	0	5	-196
Sweden	0	0	0	65	0	0	-100	6	80	0	145	51
UK	270	0	0	67	0	12	-385	2	0	0	338	-33
USA	68	0	0	0	0	0	-160	0	0	0	68	-92

9.2.5 Social assistance case

In Table 9.5 we present the results for a couple plus one child aged 7 on social assistance. This is the difference between the social assistance paid to this family compared with a childless couple. Italy, Norway and Sweden pay lower rates of social assistance than for a childless couple. Part of the social assistance package is paid as tax benefits in Australia, Canada, Netherlands and New Zealand. Denmark is the only country to tax social assistance. Then all countries except Australia, Italy, Japan, New Zealand and the USA make some contribution to the package through income-related and non-income-related child benefits. Reductions in housing costs are important in Norway and Sweden and school benefits and food stamps in the USA. After taxes and benefits and after housing and services the social assistance paid in respect of children is highest in Denmark, Australia and the UK and lowest in Italy, which has a negative sum, Greece the Netherlands and Spain.

Table 9.5 Structure of the child benefit package for a couple plus one child on social assistance (Case 8)

The amounts are the difference in income from a childless couple on social assistance in £ ppps per month.

Country	Social assistance	Income tax	Income related child benefit	Non income related child benefit	Net rent	Net local tax	School costs/ benefits	Health costs	Other	Net after taxes and benefits	Net after all
Australia	0	207	0	0	21	0	0	0	3	210	231
Austria	77	0	0	108	36	0	-1	0	0	185	220
Belgium	0	0	0	92	9	0	-4	-1	0	92	96
Canada	69	9	106	0	0	0	0	-11	0	184	173
Denmark	389	-151	0	55	13	0	0	0	0	289	302
Finland	65	0	0	58	18	0	43	0	0	123	184
France	66	0	14	0	29	-6	0	0	0	79	102
Germany	11	0	95	0	0	0	0	0	0	105	105
Greece	0	0	0	5	0	0	0	-2	0	5	4
Ireland	108	0	0	58	-16	0	-6	0	0	166	143
Israel	65	0	0	27	50	-3	0	0	0	92	139
Italy	-153	0	0	0	0	0	-5	0	0	-153	-159
Japan	164	0	0	0	0	0	-23	0	0	164	141
Luxembourg	55	0	0	104	0	-4	-19	-3	0	157	132
Netherlands	0	15	0	47	26	0	-32	0	0	62	56
New Zealand	36	84	0	0	-31	0	-4	-1	0	120	85
Norway	-93	0	0	59	149	0	0	-1	0	-34	115
Portugal	65	0	24	0	0	0	-2	0	0	89	87
Spain	33	0	20	0	0	0	0	-6	0	53	47
Sweden	-85	0	0	65	137	0	21	0	0	-20	138
UK	132	0	0	67	0	0	21	0	0	199	220
USA	0	0	0	0	0	0	81	0	94	94	175

9.3 The level of the child benefit package

We start the comparison of the level of the child benefit package by presenting a simple case - a standard couple, with two children, both of school age. In Table 9.6a we present the results for a single earner family earning national average male earnings (Case 4) and in 9.6b a two-earner family earning national average male earnings and half national average female earnings (Case 6). The child benefit package is presented at four stages of the distributional process – after taking into account taxes and cash benefits only; after taking account of taxes, cash benefits and housing costs; after taking account of taxes, cash benefits and services and finally after taking account of taxes, cash benefits, housing costs and services. In order to make comparisons between countries easier, a rank order is given.

At average earnings (Table 9.6a) the value of the child benefit package (after taxes and benefits) varies from £6 per month in New Zealand to £370 per month in Luxembourg. The value of the child benefit package in Luxembourg is over £100 more than in any other country. Austria and Belgium come second and third from the top. The UK comes sixth. New Zealand, Greece and Spain are towards the bottom of the distribution.

Table 9.6a Value of the child benefit package. Couple plus two children, one earner male average earnings (Case 4)

The amounts are the difference in income from a childless couple at this earnings level in £ ppps per month.

Country	After taxes and benefits	Rank	After taxes, benefits and housing costs	Rank	After taxes benefits and services	Rank	After taxes, benefits, housing costs and services	Rank
Australia	106	*15*	106	*15*	90	*13*	90	*13*
Austria	238	*2*	238	*2*	234	*2*	234	*2*
Belgium	221	*3*	220	*3*	192	*4*	192	*4*
Canada	60	*17*	60	*17*	37	*15*	37	*14*
Denmark	110	*13*	133	*7*	110	*11*	133	*9*
Finland	129	*9*	129	*10*	216	*3*	216	*3*
France	138	*7*	131	*8*	151	*8*	144	*7*
Germany	189	*4*	189	*4*	189	*5*	189	*5*
Greece	33	*21*	33	*20*	-66	*20*	-66	*21*
Ireland	159	*5*	153	*5*	120	*9*	114	*11*
Israel	53	*18*	23	*21*	53	*14*	23	*16*
Italy	125	*10*	125	*11*	102	*12*	102	*12*
Japan	75	*16*	94	*16*	-66	*21*	-47	*20*
Luxembourg	370	*1*	364	*1*	319	*1*	313	*1*
Netherlands	118	*11*	118	*12*	-19	*18*	-19	*18*
New Zealand	6	*22*	6	*22*	-10	*17*	-10	*17*
Norway	117	*12*	117	*13*	116	*10*	116	*10*
Portugal	50	*19*	50	*18*	-30	*19*	-30	*19*
Spain	46	*20*	46	*19*	28	*16*	28	*15*
Sweden	130	*8*	130	*9*	172	*6*	172	*6*
UK	155	*6*	134	*6*	155	*7*	134	*8*
USA	107	*14*	107	*14*	-78	*22*	-78	*22*

After housing costs there are very few changes to the value of the child benefit package because of the assumption that rent is 20 per cent of average earnings and does not vary with the size and type of family at this income level. In a few countries (including the UK) the child benefit package declines in value by small amounts as a result of local taxation. In Japan the package increases in value as a result of the rent allowance paid by employers. This is also the case with Denmark because families receive some housing benefit even at this level of earnings.

There are more substantial changes to the value of the child benefit package as a result of the impact of charges (and benefits) for education and health. In a number of countries the value of the child benefit package is more than consumed by these charges – thus in Greece, Japan, the Netherlands, New Zealand, Portugal and the USA, the child benefit package becomes a negative amount.

The final column takes account of the impact of housing costs and service together. There have been some changes in the rank order of countries as a result of the impact of housing costs and services. Luxembourg still has the highest child benefit package but it is closer to Austria and Finland as a result of charges. Spain moves up the order as a result of the services. Greece and the USA now occupy the bottom places. The UK falls to eighth place.

Table 9.6b presents the same analysis but for a couple earning national average male and half national average female earnings (Case 6). After taxes and benefits this has no impact on the value of the child benefit package in Austria, Belgium, Denmark, Finland, Germany, Greece, Israel, Luxembourg, the Netherlands, Norway, Sweden and the UK. In France the value of the package increases as *quotient familiale* (the tax allowance) is of more value as earnings increase.

Some countries' position in the league table are more stable than others, although there is little consistency in this across regime types or earnings levels. However the variation tends to suggest that there is a more equal balance between the use of tax and cash benefits and services in some countries than in others. Greece, Japan, Portugal, the USA and the Netherlands move down the rankings and are examples of countries who are relying more heavily on tax and cash benefits than services. Canada, Denmark, Finland, Israel, Italy, New Zealand, Spain, and Australia move up the rankings after services.

Table 9.6b Value of the child benefit package. Couple plus two children, two earners average male and half average female earnings (Case 6)

The amounts are the difference in income from a childless couple at this earnings level in £ ppps per month.

Country	After taxes and benefits	Rank	After taxes, benefits and housing costs	Rank	After taxes benefits and services	Rank	After taxes, benefits, housing costs and services	Rank
Australia	83	*14*	83	*15*	68	*12*	68	*12*
Austria	238	*2*	238	*2*	234	*2*	234	*2*
Belgium	221	*3*	221	*3*	186	*5*	186	*5*
Canada	24	*20*	24	*19*	1	*15*	1	*15*
Denmark	110	*13*	110	*13*	110	*10*	110	*10*
Finland	129	*9*	129	*9*	216	*3*	216	*3*
France	170	*5*	173	*5*	174	*6*	176	*6*
Germany	189	*4*	189	*4*	189	*4*	189	*4*
Greece	33	*19*	33	*18*	-66	*21*	-66	*22*
Ireland	116	*12*	116	*12*	77	*11*	77	*11*
Israel	53	*16*	23	*20*	53	*13*	23	*13*
Italy	34	*18*	34	*17*	2	*14*	2	*14*
Japan	74	*15*	94	*14*	-67	*22*	-47	*21*
Luxembourg	370	*1*	364	*1*	319	*1*	313	*1*
Netherlands	118	*10*	118	*10*	-32	*19*	-32	*19*
New Zealand	0	*22*	0	*22*	-16	*17*	-16	*17*
Norway	117	*11*	117	*11*	116	*9*	116	*9*
Portugal	45	*17*	45	*16*	-36	*20*	-36	*20*
Spain	17	*21*	17	*21*	-1	*16*	-1	*16*
Sweden	130	*8*	130	*8*	172	*7*	172	*7*
UK	155	*7*	134	*7*	155	*8*	134	*8*
USA	162	*6*	162	*6*	-22	*18*	-22	*18*

9.3.1 Variation by family size

So far the comparisons have been of a 'standard' two-child family. Using ratios (childless couple = 100) Tables 9.7a and b explore how the value of the child benefit package varies with the number (and ages)[36] of the children. Table 9.7a takes the tax and cash benefit part of the package. A number of countries pay the same or virtually the same amount per child – Australia, Canada, Denmark, Finland, Greece, Japan, the Netherlands, Spain, the UK and the USA. Ireland and the UK pay higher amounts for the first child in the family. France pays much less for the first child. Belgium, France, Germany, Israel, Italy, New Zealand and Portugal pay higher amounts for the third (and subsequent) child. There is clearly very little international agreement about parity equivalence in these patterns of variation but they reveal the problems inherent in comparing child benefit packages using a single model family.

[36] Some of the variation by the number of children may be due to variation by age – the age assumptions of children in the model families were 2 years and 11 months, 7, 14 and 17. We did not collect data systematically on variations in the package by age though where (rarely) such variation exists we note it.

Table 9.7a Variation in child benefit package by number of children. Ratio: Childless couple =100. One earner average male earnings (Case 4). After tax benefits and cash benefits only

Country	Couple+1 aged 7	Couple +2 aged 7 and 14	Couple+3 aged 7,14 and 17
	Ratio childless couple = 100		
Australia	104	107	110
Austria	108	119	131
Belgium	106	118	139
Canada	102	104	107
Denmark	104	109	113
Finland	105	110	110
France	103	111	133
Germany	107	115	123
Greece	102	104	108
Ireland	108	112	117
Israel	103	105	110
Italy	105	111	122
Japan	102	104	106
Luxembourg	109	122	136
Netherlands	104	108	112
New Zealand	100	100	111
Norway	106	111	117
Portugal	104	107	114
Spain	102	104	106
Sweden	104	109	114
UK	107	110	113
USA	103	107	110

We have seen that most of the variation in the child benefit package after housing costs and services is due to the impact of services. For this reason we do not present results after housing costs and services separately. Table 9.7b shows how the child benefit package varies by the number of children after housing costs and services have been taken into account. The countries which are now relatively more generous to larger families are Austria, Belgium and France.

Table 9.7b Variation in child benefit package by number of children. One earner average male earnings (Case 4). Childless couple =100. After taxes, cash benefits, housing costs and services

Country	Couple+1 aged 7	Couple +2 aged 7 and 14	Couple+3 aged 7,14 and 17
	Ratio childless couple = 100		
Australia	105	108	111
Austria	111	124	161
Belgium	108	123	151
Canada	101	103	106
Denmark	106	115	124
Finland	113	128	134
France	103	117	158
Germany	111	122	135
Greece	95	89	81
Ireland	107	110	114
Israel	102	103	111
Italy	106	113	124
Japan	100	97	94
Luxembourg	110	124	141
Netherlands	100	98	90
New Zealand	99	99	113
Norway	108	115	120
Portugal	96	94	98
Spain	101	103	106
Sweden	111	121	134
UK	110	112	116
USA	96	92	88

9.3.2 Variation by earnings

So the child benefit package varies by family size. However, we see in Tables 9.8a and b that in many countries it also varies by the level of earned income. In Belgium, Denmark, Israel and Norway there is no variation in the value of the tax and cash benefit part of the package by earnings and in Austria, Germany and Portugal there is very little variation. Australia, Canada and New Zealand have an entirely earnings related package in that for the two-earner couple there is no benefit for a child. In Spain there is no benefit for the family with the lowest earnings as they do not benefit from the child tax allowance and in France (and Greece) the value of the package increases with earnings due to tax allowances being of more value as earnings increase. Australia, Canada, Ireland, New Zealand, the UK and the USA all have packages highly targeted at low earners but so does Sweden where social assistance is available to the low paid.

Table 9.8a Variation in the child benefit package by earnings (and number of earners). Couple plus two children. After taxes and cash benefits

	Case 2		Case 4		Case 7		Case 2	Case 4	Case 7
	£ per month		£ per month		£ per month		Ratio one earner average male earnings = 100		
Country	ppps	Rank	ppps	Rank	ppps	Rank			
Australia	364	*4*	106	*15*	0	*20*	345	100	0
Austria	242	*6*	238	*2*	238	*2*	102	100	100
Belgium	221	*7*	221	*3*	221	*3*	100	100	100
Canada	220	*8*	60	*17*	0	*20*	368	100	0
Denmark	110	*16*	110	*13*	110	*13*	100	100	100
Finland	182	*13*	129	*9*	129	*9*	141	100	100
France	103	*17*	138	*7*	166	*6*	75	100	120
Germany	189	*12*	189	*4*	193	*4*	100	100	102
Greece	16	*21*	33	*21*	33	*19*	49	100	100
Ireland	278	*5*	159	*5*	116	*11*	174	100	73
Israel	53	*19*	53	*18*	53	*15*	100	100	100
Italy	197	*10*	125	*10*	48	*16*	158	100	39
Japan	55	*18*	75	*16*	75	*14*	73	100	100
Luxembourg	398	*3*	370	*1*	370	*1*	108	100	100
Netherlands	130	*14*	118	*11*	116	*12*	109	100	98
New Zealand	203	*9*	6	*22*	0	*20*	3562	100	0
Norway	117	*15*	117	*12*	117	*10*	100	100	100
Portugal	49	*20*	50	*19*	48	*17*	97	100	95
Spain	0	*22*	46	*20*	46	*18*	0	100	102
Sweden	192	*11*	130	*8*	130	*8*	148	100	100
UK	417	*2*	155	*6*	155	*7*	268	100	100
USA	591	*1*	107	*14*	178	*5*	555	100	167

Case 2: One earner half average male earnings

Case 4: One earner average male earnings

Case 7: Two earners average male and average female earnings

After housing costs and services are taken into account only Israel has a child benefit package that does not vary with earnings. Generally the impact of housing costs and school costs and benefits is to make the child benefit package relatively more generous to low earners. The only exceptions to this are Spain and Japan. Japan and Spain are the only countries with negative child benefit packages for the half average earner family, however six countries have negative packages at average earnings and eight countries have negative packages for the two-earner couples. Australia, the USA and the UK emerge with the most generous packages for low earners.

Table 9.8b Variation in the child benefit package by earnings (and number of earners). Couple plus two children. After taxes, cash benefits, services and housing costs

	Case 2		Case 4		Case 7		Case 2	Case 4	Case 7
	£ per month		£ per month		£ per month		Ratio one earner average male earnings = 100		
Country	ppps	Rank	ppps	Rank	ppps	Rank			
Australia	472	*2*	90	*13*	-16	*16*	526	100	-17
Austria	412	*3*	234	*2*	234	*2*	176	100	100
Belgium	192	*13*	192	*4*	186	*5*	100	100	97
Canada	197	*12*	37	*14*	-23	*18*	530	100	-61
Denmark	254	*9*	133	*9*	110	*10*	191	100	82
Finland	347	*5*	216	*3*	216	*3*	161	100	100
France	214	*11*	144	*7*	160	*7*	148	100	111
Germany	319	*7*	189	*5*	192	*4*	168	100	102
Greece	21	*20*	-66	*21*	-66	*22*	33	100	100
Ireland	225	*10*	114	*11*	77	*11*	198	100	68
Israel	23	*19*	23	*16*	23	*13*	100	100	100
Italy	182	*14*	102	*12*	11	*14*	179	100	10
Japan	-75	*22*	-47	*20*	-47	*21*	160	100	101
Luxembourg	341	*6*	313	*1*	313	*1*	109	100	100
Netherlands	104	*17*	-19	*18*	-35	*20*	564	100	187
New Zealand	166	*16*	-10	*17*	-16	*17*	1648	100	157
Norway	171	*15*	116	*10*	116	*9*	147	100	100
Portugal	46	*18*	-30	*19*	-33	*19*	152	100	108
Spain	-13	*21*	28	*15*	28	*12*	47	100	103
Sweden	296	*8*	172	*6*	172	*6*	172	100	100
UK	407	*4*	134	*8*	134	*8*	303	100	100
USA	705	*1*	-78	*22*	-7	*15*	909	100	8

Case 2: One earner half average male earnings

Case 4: One earner average male earnings

Case 7: Two earners average male and average female earnings

9.3.3 Variation by family type

Finally, in this chapter, we explore variation in the child benefit package which is due to family type – whether the family with children is a lone parent or a couple. In this case the value of the child benefit package is established in comparison with the net income of a single person. This is done in Tables 9.9a for a lone parent with one school age child at three earnings levels.

Table 9.9a Child benefit package for a lone parent. Difference between the income of a lone parent with one child aged 7 and a single childless person on the same earnings. £ ppp per month

	After tax benefits and cash benefits only						After housing costs and services					
	Case		Case		Case		Case		Case		Case	
Country	1	Rank	3	Rank	5	Rank	1	Rank	3	Rank	5	Rank
Australia	384	*3*	317	*5*	117	*11*	400	*2*	433	*2*	109	*11*
Austria	290	*5*	249	*6*	270	*2*	325	*5*	307	*6*	268	*1*
Belgium	58	*17*	95	*16*	95	*13*	51	*20*	90	*19*	90	*14*
Canada	125	*13*	166	*13*	93	*14*	114	*17*	154	*15*	82	*16*
Denmark	175	*11*	175	*11*	175	*6*	319	*6*	297	*7*	202	*5*
Finland	80	*16*	80	*17*	152	*7*	184	*12*	289	*8*	195	*7*
France	0	*21*	0	*22*	0	*22*	194	*11*	113	*17*	93	*13*
Germany	115	*14*	196	*10*	207	*4*	115	*16*	269	*10*	207	*4*
Greece	50	*18*	9	*21*	12	*21*	52	*19*	11	*21*	-31	*22*
Ireland	620	*1*	468	*1*	137	*10*	525	*1*	405	*3*	106	*12*
Israel	265	*7*	328	*3*	79	*16*	380	*3*	568	*1*	201	*6*
Italy	32	*19*	122	*15*	80	*15*	27	*22*	118	*16*	63	*17*
Japan	205	*9*	239	*7*	61	*17*	162	*13*	228	*12*	50	*18*
Luxembourg	168	*12*	123	*14*	294	*1*	138	*14*	93	*18*	264	*2*
Netherlands	307	*4*	173	*12*	197	*5*	249	*9*	162	*13*	190	*8*
N. Zealand	285	*6*	200	*9*	26	*19*	210	*10*	158	*14*	21	*20*
Norway	188	*10*	228	*8*	228	*3*	342	*4*	279	*9*	228	*3*
Portugal	113	*15*	24	*19*	23	*20*	111	*18*	-23	*22*	-25	*21*
Spain	20	*20*	20	*20*	58	*18*	31	*21*	14	*20*	47	*19*
Sweden	-20	*22*	70	*18*	145	*8*	138	*15*	228	*11*	166	*9*
UK	436	*2*	359	*2*	111	*12*	310	*7*	354	*5*	111	*10*
USA	215	*8*	319	*4*	139	*9*	285	*8*	355	*4*	87	*15*

Case 1: Working 16 hours earning minimum wage

Case 3: Earning half average female earnings

Case 5: Earning average female earnings

In all countries (except France and Denmark after tax benefits and cash benefits only) the level of support for lone parents varies with earnings. However at low levels of earnings, Australia, Ireland, the Netherlands and the UK are, relative to a childless single person, and after tax benefits and cash benefits only, the most generous countries towards lone parent families. After services and housing costs the lone parent on average earnings is worse off than a single person in Greece and Portugal.

Tables 9.9b and c compare the child benefit package paid to a lone parent with that for a couple with the same number of children on the same earnings. The differences depend on the level of the earnings and whether the comparison is made before or after the impact of housing costs and services. At half average earnings and for a two-child family, lone parents are treated much more generously than couples in Austria, Denmark, Finland, Germany, Ireland, Japan and Norway. They are treated less generously than couples in Belgium, France, Italy, Luxembourg, Sweden and the USA. New Zealand, Portugal, Spain and the UK are neutral between couples and lone parents and Canada and France are close to neutral. At average earnings and with a one-child family Austria, Finland, Israel, the Netherlands, Norway, Sweden and the USA are among the countries that still favour lone parents. For Australia, Canada, New Zealand and the UK there is no difference between lone parents and couples with one child by average male earnings.

Table 9.9b Comparison of the child benefit package for a lone parent and couple on the same earnings. After taxes and cash benefits. £ ppp

	Half average male earnings (Case 2)			Average male earnings (Case 4)		
Country	Lone parent +2	Couple + 2	Difference	Lone parent + 1	Couple +1	Difference
Australia	432	364	67	64	64	0
Austria	590	242	348	249	108	141
Belgium	167	221	-55	-36	75	-111
Canada	212	220	-8	30	30	0
Denmark	240	110	130	51	55	-4
Finland	317	182	135	152	58	94
France	101	103	-3	0	34	-34
Germany	344	189	154	43	95	-52
Greece	62	16	45	-15	15	-30
Ireland	398	278	120	58	101	-43
Israel	82	53	28	53	27	26
Italy	134	197	-63	18	52	-34
Japan	218	55	163	-48	39	-86
Luxembourg	210	398	-188	80	154	-74
Netherlands	154	130	24	112	57	55
New Zealand	203	203	0	0	0	0
Norway	316	117	199	188	59	129
Portugal	49	49	0	0	25	-26
Spain	0	0	0	3	23	-20
Sweden	147	192	-46	145	65	80
UK	417	417	0	111	111	0
USA	500	591	-91	62	54	8

After the costs of housing and services are taken into account at half average earnings table 9.9c shows that more countries have negative signs – including Belgium, France, Italy, Luxembourg, Portugal, Sweden, the UK and the USA. On average earnings Belgium is now over £100 per month less generous to a lone parent while Austria, Israel and the Netherlands and Norway are over £100 more generous to a lone parent.

There does not appear to be any pattern to these differences. One might hypothesise that those countries with high proportions of lone parents would be more generous to lone parents because of the salience of their need. Or that they might be less generous out of anxiety about the possible incentive and behavioural impacts of their policies. We shall explore this further in Chapter 11.

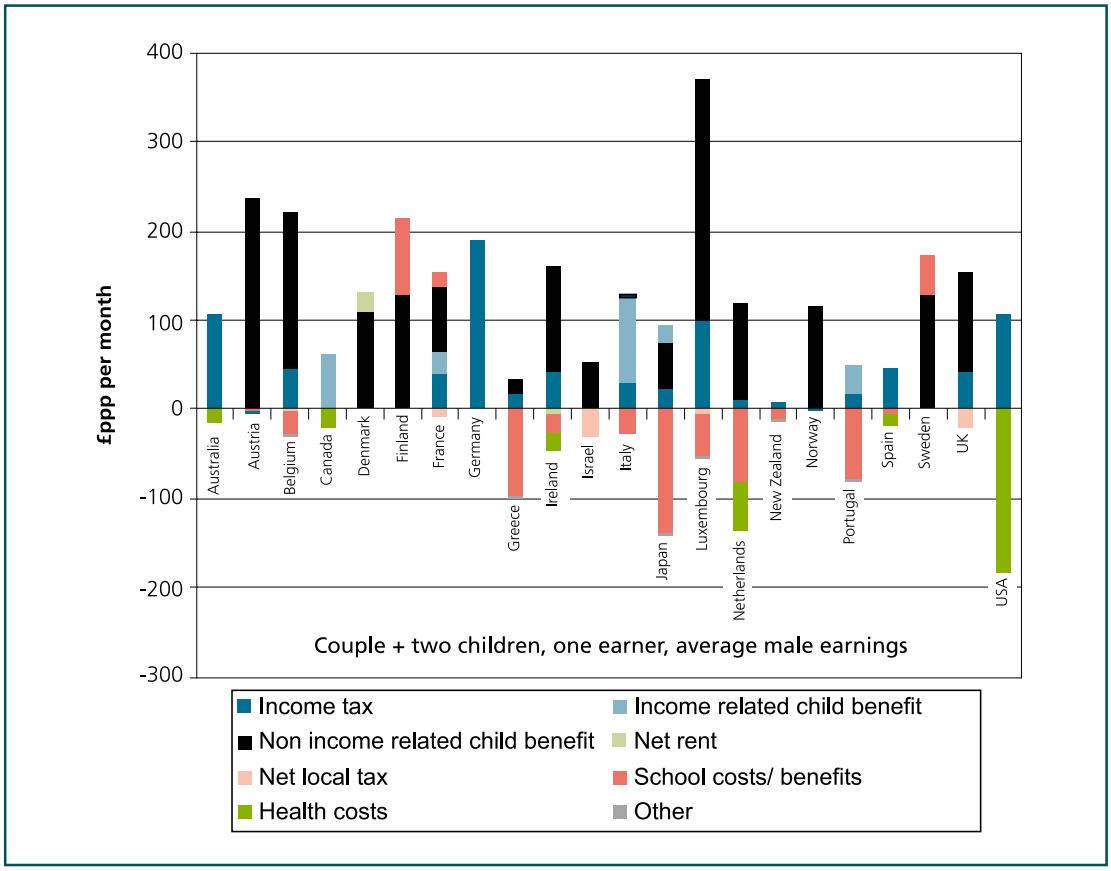
Table 9.9c Comparison of the child benefit package for a lone parent and couple on the same earnings. After taxes, cash benefits, services and housing costs. £ ppp

	Half average male earnings (Case 2)			Average male earnings (Case 4)		
Country	Lone parent +2	Couple + 2	Difference	Lone parent + 1	Couple +1	Difference
Australia	540	472	68	64	56	8
Austria	659	412	248	248	107	142
Belgium	136	192	-56	-46	70	-115
Canada	201	197	4	30	19	11
Denmark	387	254	133	54	55	-1
Finland	459	347	112	195	101	94
France	214	214	0	5	28	-23
Germany	403	319	84	43	95	-52
Greece	68	21	47	-56	-28	-28
Ireland	325	225	101	47	75	-28
Israel	201	23	179	175	13	162
Italy	113	182	-69	6	45	-39
Japan	83	-75	157	-88	6	-94
Luxembourg	76	341	-265	61	129	-68
Netherlands	151	104	46	140	-2	142
New Zealand	175	166	8	4	-5	10
Norway	360	171	188	192	58	133
Portugal	1	46	-44	-47	-22	-25
Spain	-6	-13	6	-3	11	-14
Sweden	325	296	29	173	86	87
UK	386	407	-21	125	111	14
USA	473	705	-232	62	-38	100

9.4 Conclusion

For families with school age children non-income-related child benefits and the income tax system are the main vehicles for delivering the child benefit package. There has been a shift, particularly in the Anglophone countries, from income-related child benefit to using the tax system instead. A few countries – Canada, Italy and New Zealand have abandoned their non-income-related child benefits in favour of tax (and social assistance based benefits). Housing benefits are an important component of the package at low-income levels in some countries. Education costs and health costs in most countries reduce the value of the package but only by modest amounts. As long as childcare costs are not involved the child benefit package is a positive contribution to family incomes in most countries. Figure 9.1 presents a summary of the structure of the package for a couple with two school age children with one earner on average male earnings.

Figure 9.1 Structure of the child benefit package



However the most important conclusion of the comparisons of the levels of the child benefit package is that they vary within and between countries by family size and type, by earnings and by whether the comparison is made of the tax and cash benefit system only or after housing and service costs and benefits. This is illustrated for selective cases in Figures 9.2 to 9.4. Figure 9.2 shows how the package varies by family size (Table 9.2). France for example comes well down the league table in its child benefit for small families but is much more generous to families with three or more children. The UK in contrast is unusual in having a package that benefits one-child families relatively more generously.

Figure 9.2 Child benefit package by number of children. Childless couple=100

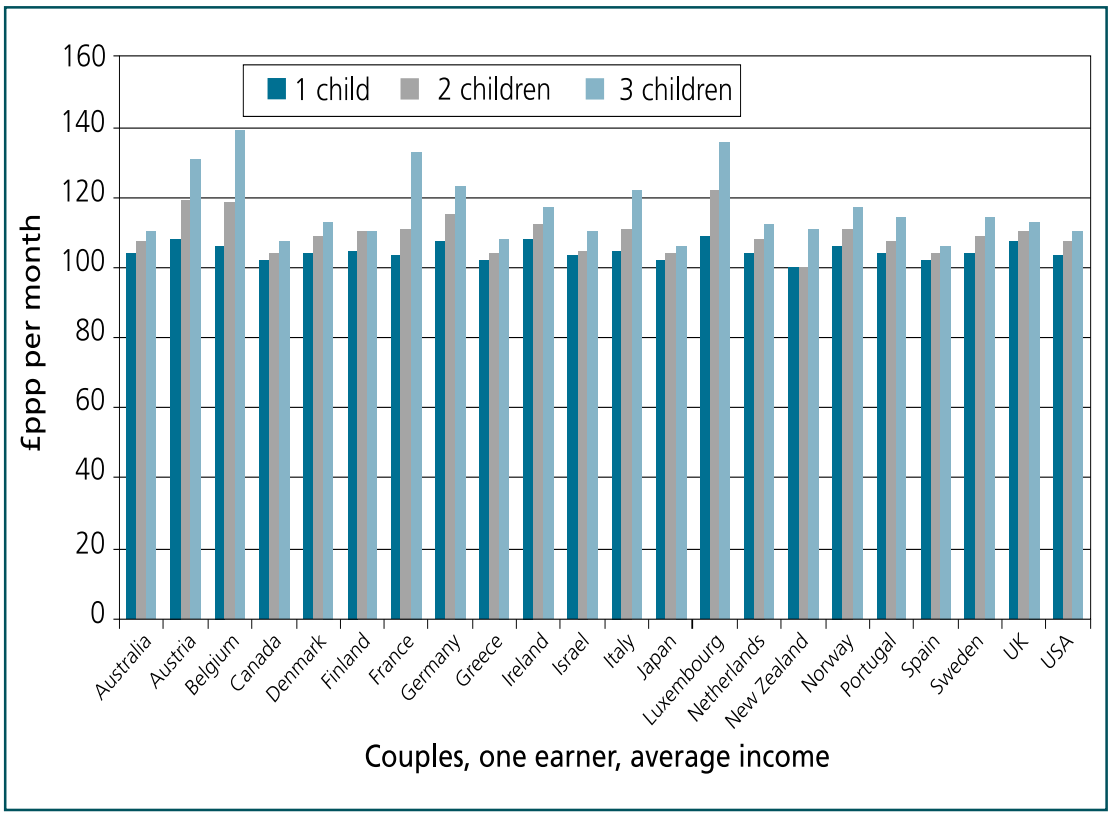


Figure 9.3 takes a standard family and shows how the child benefit package varies by earnings with Anglophone countries having considerably larger packages for low-earnings families , a number of countries having a standard amount regardless of earnings and France, Greece and Japan having packages that increase with earnings.

Figure 9.3 Child benefit package by earnings

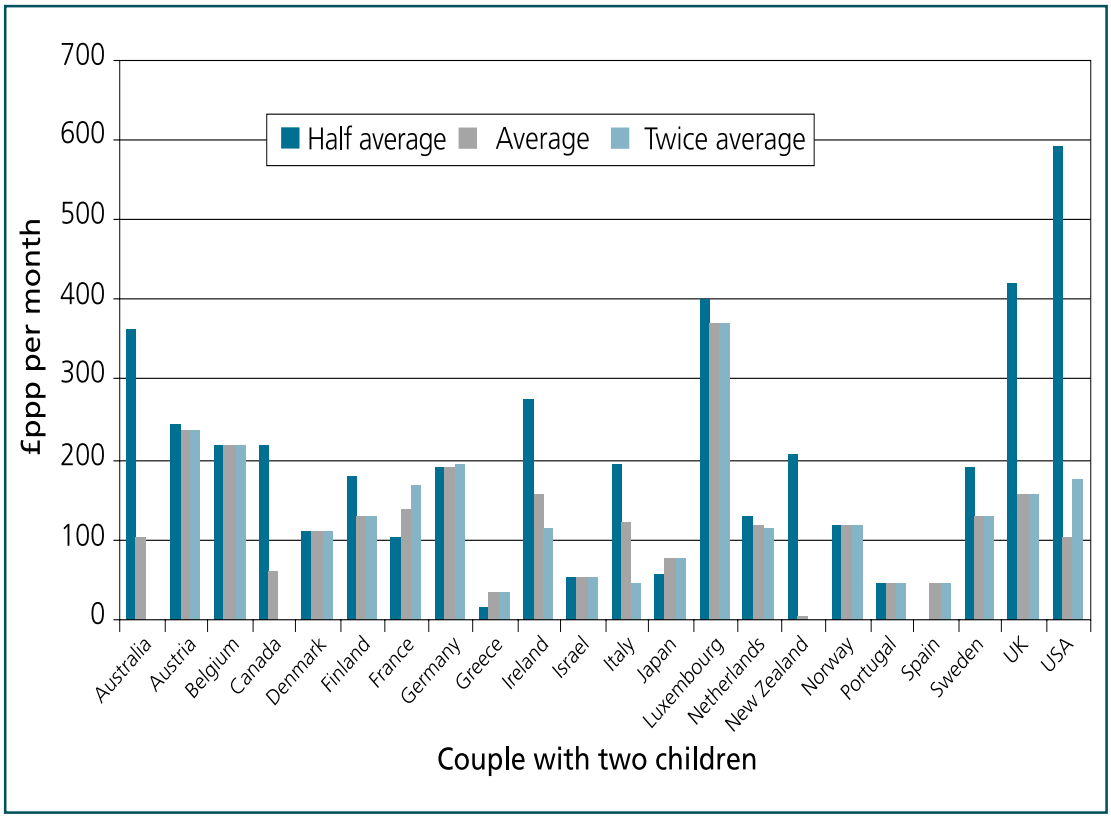
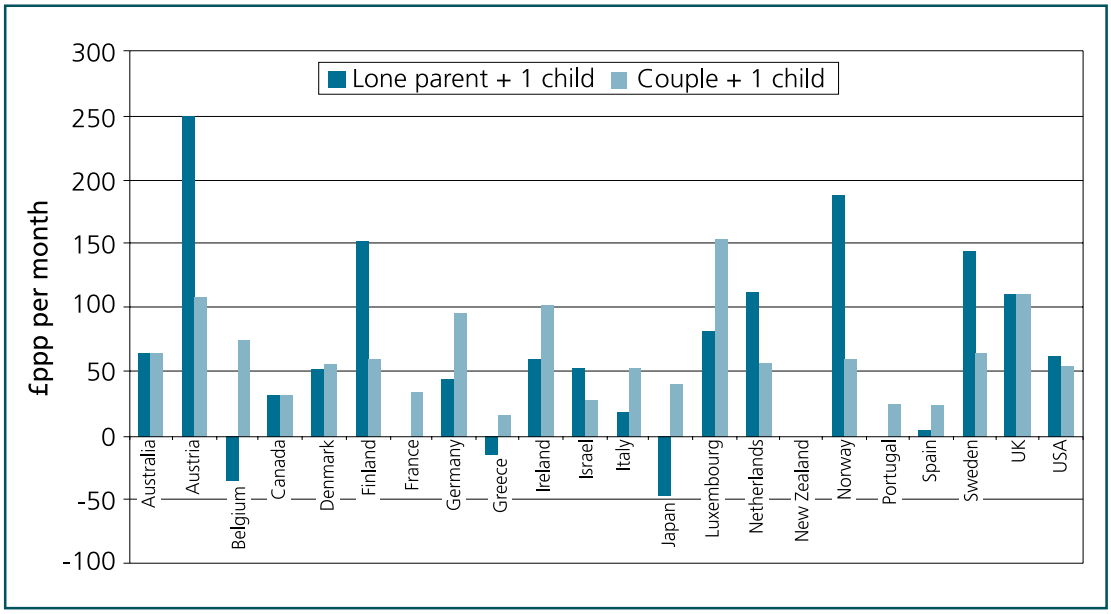


Figure 9.4 shows how the package varies by family type. Luxembourg for example has the most generous child benefit package for couples with children at all family sizes and regardless of earnings but it does not have the most generous package for lone parents. Some countries are neutral to lone parents including the UK, others favour lone parents over couples – Austria is most generous to lone parents and most of the Nordic countries are also. Others favour couples over lone parents including the continental EU countries, except the Netherlands.

Figure 9.4 Child benefit package by family type at average earnings



The UK does comparatively well for small, low-earning families, lone parents not requiring childcare and families on social assistance. The implications of these variations is that it is unsafe to take one or a few standard families to represent a country's child benefit package. It also represents something of a challenge to produce an overall summary measure of the child benefit package in each country – a task tackled in Chapter 11.

10 Average marginal tax rates and notional replacement rates

10.1 Introduction

The model family method makes it possible to calculate average marginal tax rates and notional replacement rates and thus the financial incentive structures facing families in different countries.

Average marginal tax rates are estimates of the proportion of extra earnings that would be foregone in extra direct taxes, loss of income-related benefits and extra charges. So for example if an earner increased their earnings from half national average earnings to national average earnings what would be the effect on their net disposable income? The marginal tax rates calculated here are average in the sense that they are the average over that range of increased earnings. For any extra £ earned they may be higher or lower. We use the phrase marginal *tax* rate despite the fact that not all of the impact on net incomes is the result of taxation – it includes extra charges for services and the loss of benefits. The marginal tax rate is an indication of the financial incentives facing an employee.

In contrast, the notional replacement rate is an indication of the financial incentives facing someone deciding whether to work. In this study the replacement rate is estimated by expressing the income that a family would receive on social assistance as a proportion of the income they would receive in employment at a given wage. Thus, it shows how much of their net disposable income in work is replaced by social assistance. It is notional in two senses. First the calculation is based on a given level of earnings, which may not be the actual earnings that a family was receiving or could receive. Second it is assumed that the source of income that would be doing the replacing is social assistance, whereas in many countries it would be more likely to be insurance-based unemployment benefits which are generally higher than social assistance. So it is the minimum notional replacement rate that we are showing here.

10.2 Average marginal rates

Average marginal tax rates are estimated according to the following formula ((100-((earnings A – earnings)/(net income A – net income B)* 100)), where B is a lower earnings level than A.

In Table 10.1 we start by considering the case of a lone parent who moves from half average female earnings to average female earnings by increasing her hours or getting a better job. The average marginal tax rate varies according to whether childcare is involved and whether the estimate is before services and housing costs. We see that there are considerable variations in average marginal tax rates between countries. After taxes, benefits, services and housing costs are taken into account the lone parent has an average marginal tax rate of 142 per cent in Israel when childcare costs are taken into account and 119 per cent if they are not. This means that in Israel this lone parent would be worse off as a result of doubling her earnings. The average marginal tax rates are also very high in the USA, Australia, Ireland, New Zealand and the UK - all countries with a strong element of targeting in their tax benefit packages. In contrast the average marginal tax rate in Luxembourg, Sweden and Spain is very low. In most countries the average marginal tax rates, after taxes, benefits, housing costs and services, are higher for the lone parent needing childcare – France and Spain are exceptions.

Table 10.1 Marginal tax rates for a lone parent: percentage of extra earnings foregone in taxes and lost benefits in moving from one earnings level to another

	After taxes and benefits		After taxes, benefits, housing costs and services	
	Moving from half ave. female earnings to ave. female earnings	Moving from half ave. female earnings to ave. female earnings	Moving from half ave. female earnings to ave. female earnings	Moving from half ave. female earnings to ave. female earnings
Country	Lone parent with one child aged <3	Lone parent with one child aged 7	Lone parent with one child aged <3	Lone parent with one child aged 7
Australia	59	60	81	77
Austria	31	31	64	57
Belgium	53	57	61	59
Canada	50	44	50	44
Denmark	48	48	74	64
Finland	10	10	72	59
France	23	26	49	52
Germany	47	47	88	57
Greece	15	15	93	39
Ireland	89	89	94	94
Israel	90	90	142	119
Italy	41	43	72	46
Japan	45	45	67	48
Luxembourg	12	14	20	14
Netherlands	30	30	56	56
New Zealand	53	53	86	72
Norway	60	34	62	42
Portugal	27	27	42	27
Spain	13	14	13	15
Sweden	7	7	63	56
UK	69	64	84	76
USA	55	55	95	91

Table 10.2 takes a couple with two children and first shows the marginal tax rate in moving from half average male earnings to average male earnings (case 2 to case 4). Before housing costs and services the average marginal tax rates vary from 13 per cent in Japan and 14 per cent in Spain to 78 per cent in the USA and 59 per cent in Australia. After housing costs and services they increase in most countries. In the USA for this family the marginal tax rate is 130 per cent. Average marginal tax rates are also very high in Sweden, Australia, the Netherlands and Austria and again low in Japan and Spain.

Table 10.2 Marginal tax rates for couple+2 children: percentage of extra earnings foregone in taxes and lost benefits in moving from one earnings level to another

	After taxes and benefits			After taxes, benefits, housing costs and services		
Country	One on half male ave. to male ave earnings	One earner male ave. to two earners male ave. +female half ave. earnings	Two earners ave. male +half ave. female to ave. male and ave. female	One on half male ave. to male ave earnings	One earner male ave. to two earners male ave. +female half ave. earnings	Two earners ave. male+ half ave. female to ave. male and ave. female
Australia	59	23	44	73	23	44
Austria	43	21	35	71	21	35
Belgium	50	44	56	52	47	58
Canada	48	22	26	48	22	26
Denmark	45	50	50	61	54	50
Finland	33	6	22	68	20	39
France	24	30	37	49	33	39
Germany	45	50	53	60	50	53
Greece	18	15	18	45	15	18
Ireland	41	23	25	51	34	25
Israel	40	12	29	40	12	29
Italy	54	38	32	57	40	34
Japan	13	18	27	17	23	29
Luxembourg	31	23	38	39	23	38
Netherlands	41	42	52	77	34	52
New Zealand	50	20	22	63	20	22
Norway	34	29	34	42	29	34
Portugal	28	32	36	46	32	36
Spain	14	26	21	15	26	21
Sweden	37	7	7	71	26	35
UK	56	14	32	63	14	32
USA	78	21	36	129	21	36

The movement from case 4 to case 6 is the marginal tax rate on the earnings of a partner starting to work and earning half national average female earnings. In countries where second earners benefit from a tax relief or allowance the marginal tax rates are lower than in the previous case. The marginal tax rates are very low in Finland, Sweden and Israel. Belgium, Denmark and Germany are countries

with high marginal tax rates on second earners. At this level of earnings in most countries we move beyond the scope of housing benefits and income-related reduction in charges and the after housing and services marginal tax rates do not vary much. Finland and Sweden are exceptions as a result of their local taxation being income-related.

The movement from case 6 to case 7 is effectively the impact of a partner doubling her earnings from half average female to average female. After taxes, benefits, housing costs and services the average marginal tax rate varies from 21 per cent in Spain to 58 per cent in Belgium. For most countries there is little difference between the average marginal tax rate before and after housing and services because at this earnings level they are beyond the scope of income-related benefits.

Table 10.3 shows the impact of a partner joining the labour market if childcare is involved by comparing the marginal tax rates between a one-earner average-earnings couple with no paid childcare and when a partner earns half average female earnings but has to pay for childcare. In all countries except Spain the marginal tax rates are much larger when childcare is involved. There is no benefit in the mother entering employment in Ireland, the Netherlands and the USA if formal childcare needs to be paid for. However the marginal tax rate is relatively low in Sweden, Finland and Austria.

Table 10.3 Marginal tax rates – impact of a partner starting work. Impact of childcare after taxes, benefits and services

	One earner ave. male earnings to two earners ave. male and half ave. female earnings	
Country	**Couple + 1 aged <3**	**Couple + 1 aged 7**
Australia	64	26
Austria	42	22
Belgium	65	45
Canada	66	24
Denmark	67	51
Finland	26	-1
France	62	35
Germany	80	50
Greece	56	25
Ireland	102	30
Israel	75	17
Italy	61	34
Japan	56	25
Luxembourg	54	26
Netherlands	111	65
New Zealand	87	23
Norway	62	30
Portugal	76	46
Spain	29	29
Sweden	32	6
UK	64	14
USA	142	58

10.3 Replacement rates

Financial incentives to work and to work more are a preoccupation of policy makers, particularly perhaps in the Anglophone countries. There is considerable anxiety in these countries that high replacement rates produce an unemployment trap. Since 1996 there has been a general policy trend to discourage welfare dependency and to encourage movement into work - by 'making work pay'.

Notional replacement rates are estimated by the following formula (Net income on social assistance/ Net income while earning* 100). Table 10.4 presents replacement rates for the couple families. The Greek data is virtually meaningless (and has been excluded) because Greece does not have an effective social assistance scheme. It can be seen that the notional replacement rates are very high in some countries. In Denmark a one-child family on social assistance would be 152 per cent better off than a one-earner couple on these earnings. Replacement rates are also over 100 per cent in Norway and very high in Austria, Italy, Japan, Luxembourg and Portugal. The USA, Spain and the UK and Germany have comparatively low replacement rates. In many countries replacement rates increase with the number of children in the family. This is because the implied equivalence in social assistance tends to be more generous to large families than the implied equivalence in the child benefit package for families with an earner.

After housing and services, replacement rates tend to increase even more. For the families with school aged children - because housing and education costs and health charges are lower or exempted for families on social assistance. Now there are nine countries with notional replacement rates for a three child family in excess of 100 per cent. The replacement rates in Spain and the USA are markedly lower than in any other country.

Table 10.4 Replacement rates for couples one earner on half average earnings

	After taxes and benefits Net social assistance as % of net incomes of one earner on half ave. earnings			After taxes, benefits, housing costs and services Net social assistance as % of net incomes of one earner on half ave. earnings		
Country	**Couple + 1**	**Couple + 2**	**Couple + 3**	**Couple + 1**	**Couple + 2**	**Couple + 3**
Australia	82	85	85	77	81	83
Austria	88	100	100	94	100	100
Belgium	72	75	76	78	61	66
Canada	68	77	87	45	64	79
Denmark	152	148	145	150	141	138
Finland	73	79	84	100	100	100
France	64	69	69	76	84	81
Germany	55	64	76	97	94	99
Greece						
Ireland	73	81	90	75	85	95
Israel	64	75	77	103	127	123
Italy	58	60	58	32	38	38
Japan	79	99	119	60	100	155
Luxembourg	91	92	92	87	88	90
Netherlands	78	79	80	102	102	102

Continued

Table 10.4 Continued

Country	After taxes and benefits Net social assistance as % of net incomes of one earner on half ave. earnings			After taxes, benefits, housing costs and services Net social assistance as % of net incomes of one earner on half ave. earnings		
	Couple + 1	Couple + 2	Couple + 3	Couple + 1	Couple + 2	Couple + 3
New Zealand	85	83	82	83	81	80
Norway	100	109	116	128	133	137
Portugal	86	102	109	95	104	114
Spain	48	55	57	6	17	25
Sweden	72	75	78	100	100	100
UK	51	55	59	76	83	85
USA	32	34	37	34	39	33

Table 10.5 presents notional replacement rates for a lone parent earning half national average female earnings. The replacement rates for the lone parents with two school aged children are high in Austria, Denmark, Ireland, Italy, Japan, Luxembourg, Portugal and New Zealand. They are relatively low in the USA and the UK before housing costs and services. After housing costs and services Germany also has very high replacement rates. The contrast between the lone parent with a pre-school aged child and a seven year old child is a measure of the impact of childcare costs on replacement rates. Spain's replacement rate is negative for a lone parent with a child under three, which is virtually meaningless and has therefore been excluded. Childcare costs increase the replacement rates in almost all countries and substantially in Belgium, Canada, Germany, Ireland, New Zealand and Norway. They more than double in the UK. Only in Finland, the Netherlands, Italy and Japan do childcare costs have little or no impact on replacement rates. There are nine countries where, as a result of childcare costs, the lone parent has no financial incentive for entering employment.

Table 10.5 Replacement rates for lone parents on half average female earnings

Country	After taxes and benefits Net social assistance as % of net incomes of one earner on half ave. female earnings			After taxes, benefits, housing costs and services Net social assistance as % of net incomes of one earner on half ave. female earnings		
	Lp <3	Lp 7	Lp 7,14	Lp <3	Lp 7	Lp 7, 14
Australia	61	60	63	55	47	54
Austria	94	94	100	108	100	100
Belgium	72	78	79	111	97	98
Canada	69	76	87	107	55	77
Denmark	91	91	92	97	92	91
Finland	64	64	73	69	72	78
France	54	56	60	79	63	73
Germany	58	44	61	124	91	95

Continued

Table 10.5 Continued

Country	After taxes and benefits Net social assistance as % of net incomes of one earner on half ave. female earnings			After taxes, benefits, housing costs and services Net social assistance as % of net incomes of one earner on half ave. female earnings		
	Lp <3	Lp 7	Lp 7,14	Lp <3	Lp 7	Lp 7, 14
Greece						
Ireland	89	89	100	162	89	100
Israel	63	63	69	94	60	67
Italy	69	69	73	44	43	53
Japan	80	83	110	56	59	124
Luxembourg	86	86	93	106	91	89
Netherlands	69	70	72	84	83	85
New Zealand	76	77	91	142	75	88
Norway	78	81	83	121	93	89
Portugal	73	73	94	71	64	91
Spain	55	55	63		5	31
Sweden	70	71	69	89	81	77
UK	33	42	48	70	64	70
USA	36	33	36	27	22	32

10.4 Work tests for lone parents

In addition to financial incentives to work, policy can be used to encourage, or at least not discourage, re-insertion into paid employment through the implementation of a work test. This usually requires recipients to register as unemployed and to establish in various ways that they are actively looking for work. Canada, Denmark, Finland, France, Netherlands, New Zealand, Sweden and the USA have all introduced or tightened work tests since 1996. The UK has introduced work-focused interviews for lone parents. Table 10.6 shows whether a work test operates for lone parents in each country and, if so, whether this is dependent on the age of the youngest child. It also gives the employment rate of lone mothers.

Table 10.6 Work test for lone parents and employment rate for lone mothers with dependent children

Country	Work test for lone parents?	Dependent on age of child?	If yes, what is the age of the child?	% of lone mothers with dependent children who are employed
Australia	No but about to begin	-	-	Children under 15: 46 (2000)
Austria	yes	yes (subject to childcare)	about 3	80 (1999)
Belgium[1]	yes	discretion	-	59 (1997)
Canada[2]	yes	yes	6	51 (1996)
Denmark	yes	no (subject to childcare)	-	*73 (1995)*
Finland	yes	yes	4	65 (1998)
France[3]	no	-	-	Children under 18: 66 (2001)
Germany	yes	yes	3	Children under 18: 67 (2000)
Greece	no	-	-	75 (1996)
Ireland	no	-	-	53 (1999)
Israel	yes	yes	7	N/a
Italy[4]	yes	yes	3	65 (1998)
Japan[5]	discretion	no	-	Children under 20: 83 (1999)
Luxembourg	yes	yes	6	82 (2000)
Netherlands[6]	yes	yes	5	42 (1997)
New Zealand[7]	yes	yes	6	45 (2001)
Norway	yes	yes	3	68 (1999)
Portugal[8]	no	-	-	88 (1996)
Spain[9]	no	-	-	*68 (1991)*
Sweden	yes	no	-	68 (1998)
UK	no	-	-	52 (2000)
USA	yes	yes	1	68 (2000)

Italics=Data not provided by national informants. Figures obtained from other sources.

[1] All social assistance beneficiaries, are in principle required to be looking for work and to be ready to take up employment; however, in the case of single parents, especially those with young children, this requirement is probably not always enforced very strongly.

[2] Work test requirement for Ontario; employment figure for Canada. No work test for lone mothers until 1995 and toughened to apply to mothers with children under 6 in 1996. NB: employment figure for 1996.

[3] RMI recipients have to sign a contract that very often consists in an engagement to participate in actions in order to enhance one's employability or to reintegrate the labour market, but it may instead refer to engagement related to social rights, to medical visits, to the search for housing, to the search for a place in childcare, etc.

[4] Social Assistance scheme: RMI, in test phase and not yet implemented nationwide.

[5] Social case workers' discretions are the most important aspects in the Japanese social assistance system. It is highly unlikely that those in working age can receive benefit, if not impossible in law. Officers (social case workers) visit all those receiving benefits on a regular basis, and suggest (help or order) them to work.

[6] Work test introduced for lone mothers in 1996. NB. Employment figure for 1997.

[7] Those with a youngest child under 6 having an interview to discuss current and future barriers to work and those with a youngest child between 6-14 having a mandatory work test for part-time work and those with youngest child 14+ having a full-time work test. The work test was due to be abolished in 2001 but was not passed due to an error. It is expected to be abolished in 2002.

[8] For those who are beneficiaries of the Guaranteed Minimum Income (RMG), there is an integration programme. This programme is composed by different actions related to education, housing, health, training etc.; these actions, and the integration programme as a whole result form an agreement between the social services and the beneficiaries. Those recipients of the Guaranteed Minimum Income who do not accomplish what was established in the integration programme lose the right to the economic benefit paid by RMG.

[9] Madrid region (activity rates). In Spain, the social assistance eligibility varies between region. We have used Madrid as the reference. According to the current regulatory frame of Madrid' IMI a lone parent, in order to receive social assistance, has to commit oneself to develop the integration activities established by the Centre for Social Services. However, the required reintegration activities is a condition very ambiguously defined by the law and scarcely applied in the daily practice.

One must take care in relating the operation of a work test to employment figures for three reasons. First, the implementation of a work test is merely one of many factors influencing the lone mother employment rate including financial incentives (see above), labour demand, availability of childcare etc. Also, it is impossible to know whether women on maternity or parental leave are included (or excluded) from the rates used for each country in this study. On the one hand, including them may overestimate the employment rates if the mother is not intending to return to work after the leave period is finished but excluding them may underestimate the proportion of women in employment, especially if they are expecting to return to work after the leave period. Second, in our study some of the employment figures are relatively old and sufficient time has not passed since the implementation of a work test in order for a measurable effect to have taken place. For example, in Canada (Ontario) the 'work test' was toughened to apply to mothers with children under six in 1996, more or less simultaneously with the collection of the census data. So, if there were a cause and effect, it would have had time to have any impact. Likewise, in the Netherlands, a work test did not come into operation for lone parents until 1996 and the employment figures are for 1997.

Of the 22 countries in our study, seven do not operate a work test for lone parents with dependent children, of which two (Australia[37] and the UK) have one of the five lowest lone mother employment rates. Certain countries have different interpretations about how much they should force lone parents to actively seek work. For example, in Spain, France and Portugal, whilst they do not have a work test per se, they do have insertion measures which must be fulfilled in order to receive social assistance. These may or may not be directly related to training or labour market insertion. In our study Portugal also has the highest lone mother employment rate (88 per cent). The UK has a work-focused interview for lone parents, which if they do not attend may result in benefit penalties.

In other countries, a work test may be stipulated by law but not put into practice. Belgium and Japan operate a work test but whether this is actually applied to lone parents varies. In Belgium, this requirement is probably not always enforced very strongly for single parents, especially those with young children. On the contrary, in Japan, there is no special treatment for lone parents and a strict work test operates for those of working age. Social work officers play a large part in its implementation by visiting individual recipients and suggest them to work where appropriate. The differing emphasis on the importance of a work test in these two countries (a tendency towards leniency in Belgium and relative severity in Japan) could perhaps explain the comparatively low proportion of lone mothers in employment in Belgium (60 per cent) and the high proportion in employment (83 per cent) in Japan.

Of the 13 remaining countries that do operate a work test for lone parents, the majority only apply the test when the youngest child reaches a certain age. In Canada, the Netherlands and New Zealand the work test is not applied to lone parents whose youngest child is below statutory school age, whilst in Israel and Luxembourg the work test is not applied until the youngest child has been in school for two years. In Germany and Austria the work test is not operated until a childcare place is guaranteed for the youngest child - age three in both countries. In Germany the work test for lone parents is very moderate and aims at part-time work rather than full-time. Italy enforces a work test for lone mothers whose youngest child is eligible to attend a state school nursery (age three) but a place for the child is not guaranteed. In Finland, Norway and the USA, the operation of a work test is dependent upon the age of the youngest child but the age does not relate to the statutory school age or childcare arrangements. In Finland, parents with children aged one to three can select the child home allowance option. This makes it financially possible for one of the parents to stay at home with the

[37] Australia is about to implement work-related requirements for sole parents.

children, during which there is no work test. In Norway, lone parents are expected to work when the child is three. In the USA, TANF imposes work tests on all parents, the majority of whom are single mothers. In the USA single parents are expected to work for their benefits when their child reaches three months of age, though there is considerable state variation up to a maximum of one year. The work test is applied only if childcare is available.

Two countries (Denmark and Sweden) operate a work test regardless of the age of the youngest child. However, in Denmark the work test is only applied if childcare is available.

10.5 Future changes

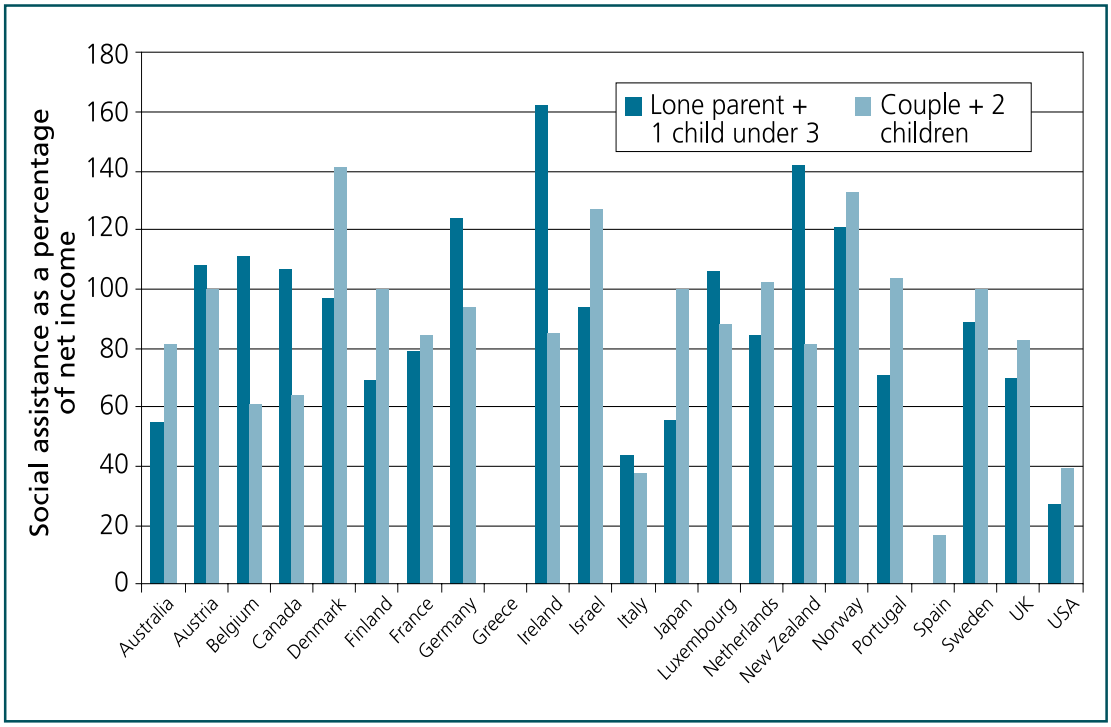
Plans for the future demonstrate a strong general trend towards the implementation of a work test for lone parents. Of those who do not already have a work test, only Ireland and the UK do not currently have plans to introduce one. Moreover, some countries already with work tests for lone parents intend to increase their severity (Belgium, the Netherlands and Israel). Whilst Spain, France and Portugal have insertion measures, they do not have work tests *per se* and no plans are currently in place to implement one. France does plan, however, to extend its 100 per cent earnings disregard up to six months for all social assistance schemes, including API (the French social assistance scheme for lone parents), presumably to encourage work re-insertion. Likewise, Australia will allow people on income support to keep more of their income support payment while working through the introduction of a working credit.

New Zealand stands alone in its social assistance policy: in 2001, it abolished its work test for partners and has plans to abolish its work test for lone parents on the Domestic Purposes and Widow Benefits (DPB) in 2002. This gives lone parents more flexibility to move into work. The age of the youngest child in a family will no longer determine the requirement to work and the number of hours required of a beneficiary. Instead each beneficiary will be required to plan for their future with a case manager. The changes are designed to recognise family responsibilities and individual circumstances. Whilst Denmark is also expected to relax its activation policy for certain groups, this is not likely to affect (single) parents.

10.6 Conclusion

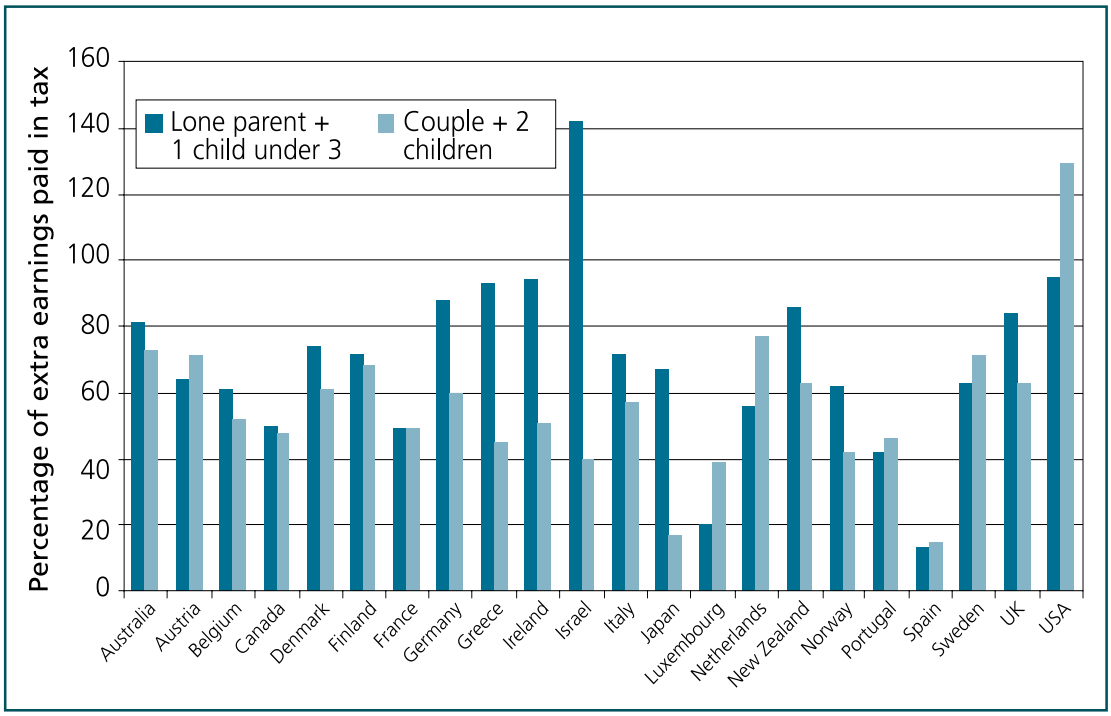
It is clear from this analysis that some countries have very high replacement rates but it is also the case that they do not tend to be the countries that are most anxious about incentives to work. It can be seen in Figure 10.1 that Australia, the UK, the USA and Canada have comparatively low replacement rates for couples. They are higher for lone parents who need childcare in Canada, Ireland New Zealand. However, countries like Austria, Denmark, the Netherlands and Japan are managing with very high replacement rates.

Figure 10.1 Replacement rates at half average earnings



However the countries which are most anxious about the impact of work incentives on labour supply do have comparatively high marginal tax rates at the lower end of the earnings distribution. This is because they rely more than other countries on income-related benefits and tax credits which are withdrawn as earnings increase. The loss of childcare benefits is a particular cause of high marginal tax rates for lone parents as can be seen in Figure 10.2.

Figure 10.2 Marginal tax rates on moving from half average earnings to average earnings



11 Explanations for variations in the level of the child benefit package

11.1 Introduction

What explains the variations in the level of the child benefit package that have been observed in this study? In this chapter a number of possible explanations are examined but first it is necessary to devise an overall ranking of the level of the child benefit package.

11.2 Constructing a summary measure of the child benefit package

Table 11.1 presents a simple attempt at an overall ranking. The child benefit package in purchasing power parities is added for each of the families at each of the eight earnings levels, i.e. 50 different families and the total is divided by the number of families to obtain an overall mean. The ranking obtained varies to some extent with the stage of the distributional process. Austria has the highest average package after housing costs and services but the UK comes top after taxes and benefits. Spain and Greece come bottom after taxes and cash benefits but after services Japan and Greece are bottom of the table. The range of values of the average child benefit package is considerable from minus £36 per month in Greece to £311 per month in Austria after all parts of the package have been taken into account.

Table 11.1 Ranking of the mean value of the child benefit package. All cases, £ ppps

After tax and bens		After housing costs		After services		After all	
UK	304	Austria	330	Austria	263	Austria	311
Ireland	287	UK	275	UK	216	Finland	208
Austria	281	Ireland	258	Finland	190	Australia	195
Luxembourg	230	Australia	233	Ireland	177	Norway	194
USA	196	Luxembourg	219	Luxembourg	167	UK	188
Australia	179	Norway	212	Australia	141	Denmark	179
Canada	166	USA	206	Norway	140	Sweden	157
Belgium	160	Denmark	195	Germany	121	Luxembourg	155
Norway	158	France	177	Belgium	110	France	150
Germany	148	Germany	169	France	107	Ireland	149
France	134	Canada	166	USA	105	Germany	142
Finland	133	Belgium	158	Denmark	104	USA	115
Denmark	121	Finland	151	Sweden	87	Belgium	108
New Zealand	110	Sweden	149	Canada	74	Israel	80
Israel	106	Israel	132	Israel	54	Canada	74
Netherlands	104	Netherlands	108	Netherlands	31	Netherlands	35
Japan	93	Japan	99	New Zealand	29	Italy	28
Sweden	79	New Zealand	95	Italy	28	New Zealand	14
Italy	66	Italy	66	Portugal	6	Portugal	6
Portugal	55	Portugal	55	Spain	-25	Japan	-21
Spain	30	Spain	30	Japan	-27	Spain	-25
Greece	15	Greece	20	Greece	-41	Greece	-36

There are some unexpected results in this table. First, the UK is at or near the top of the table. In our earlier studies the UK tended to come half way down the list of countries with a child benefit package around the average and a long way less than Luxembourg, Belgium and France. It is also unexpected to find Australia and Ireland among the leading countries, the USA in the middle and Luxembourg, Belgium and France, who in the past were invariably towards the top of the table, where they are now. The Dutch child benefit package has been found in the past to be relatively ungenerous but who would have guessed that Norway would come below the USA in the league table after taxes and benefits? One possible explanation for these unexpected rankings is to do with the problems of purchasing power parities. In Table 11.2 the rankings are redone using the child benefit package as a proportion of average earnings.

There are some re-rankings as a result of expressing the child benefit package as a proportion of average earnings. The UK and Canada move a few places lower. Ireland, Israel, Norway, Portugal and Finland move a few places higher. However the overall rankings remain fairly stable.

Table 11.2 Ranking of the value of the child support package. All cases. Percentage of average earnings

After tax and bens		After housing costs		After services		After all	
Ireland	22	Austria	21	Austria	17	Austria	20
Austria	18	Ireland	19	Finland	14	Finland	15
UK	16	Norway	15	Ireland	13	Norway	14
Luxembourg	12	UK	15	UK	11	Ireland	11
Norway	11	Australia	13	Norway	10	Australia	11
Belgium	10	France	12	Luxembourg	9	Sweden	11
Australia	10	Israel	12	Australia	8	France	10
Finland	10	Luxembourg	11	France	7	UK	10
Israel	10	Finland	11	Belgium	7	Denmark	10
USA	9	Denmark	11	Germany	7	Luxembourg	8
France	9	Belgium	10	Sweden	6	Germany	8
Canada	8	Sweden	10	Denmark	6	Israel	7
New Zealand	8	USA	10	USA	5	Belgium	7
Germany	8	Germany	9	Israel	5	USA	5
Portugal	7	Canada	8	Canada	4	Canada	4
Denmark	7	Portugal	7	New Zealand	2	Italy	2
Netherlands	6	New Zealand	7	Italy	2	Netherlands	2
Sweden	5	Netherlands	6	Netherlands	2	New Zealand	1
Japan	5	Japan	6	Portugal	1	Portugal	1
Italy	5	Italy	5	Japan	-2	Japan	-1
Spain	2	Spain	2	Spain	-2	Spain	-2
Greece	1	Greece	2	Greece	-4	Greece	-3

However, it can be argued that a simple accumulation of the child benefit package paid to all our illustrative cases is not a good representation of any country's actual mix of families. Among the 50 families there are 18 lone parent cases, which is too high a proportion for any country. Also four of the cases – 28 families are earning half average earnings or less. This bias towards the bottom end of the earnings distribution was deliberate for illustrative purposes, but it results in the cumulative average over-representing low-income families, thus favouring those countries with child benefit packages, which are most generous to low-income families. It was therefore decided to adjust the selection of cases so that it better represented the overall distribution of family types/earnings levels. To do this properly would require data on the earnings distribution by family type and size for each country. That data is not available, and anyway there is a limit to the extent that 50 illustrative families can be adjusted to represent the population, even if the data was available. All that we are able to do is to make a stab at producing a more representative selection of family types/earnings levels. The 34 cases selected are detailed in the box:

Case 2: half average male earnings

Couple + 1<3

Couple + 1 aged 7

Couple + 2 aged 7 and 14

Couple + 3 aged 7, 14 and 17

Case 3: half average female earnings

Lone parent + 1<3

Lone Parent + 1 aged 7

Lone parent + 2 aged 7 and 14

Case 4: average male earnings

Couple + 1<3

Couple + 1 aged 7 * 2

Couple + 2 aged 7 and 14 * 3

Couple + 3 aged 7, 14 and 17* 2

Case 5: average female earnings

Lone parent + 1<3

Lone Parent + 1 aged 7

Lone parent + 2 aged 7 and 14

Case 6: average male and half average female earnings

Couple + 1<3

Couple + 1 aged 7 * 2

Couple + 2 aged 7 and 14 * 3

Couple + 3 aged 7, 14 and 17* 2

Case 7: average male and average female earnings

Couple + 1<3

Couple + 1 aged 7

Couple + 2 aged 7 and 14

Couple + 3 aged 7, 14 and 17

Case 8: social assistance

Lone Parent + 1 aged 7

Lone parent + 2 aged 7 and 14

Couple + 1 aged 7

Couple + 2 aged 7 and 14

There are now only eight out of 34 lone parent cases and the couple cases at one earner average and two earners at average and half average are weighted. Of course this selection is still not representative of any country's actual population but it is arguably less biased towards the bottom of the income distribution and to lone-parent families. There may still be grounds to criticise the choice

of family type/earnings levels chosen to represent the overall picture. However a variety of other permutations were tried and it was found that the rankings changed rather little whatever permutation was tried.

The results of this analysis are presented in Table 11.3 in purchasing power parities and in Table 11.4 as a proportion of average earnings. There are some movements from the rankings given in the previous two tables. In Table 11.3 compared with 11.1 the UK, Ireland, Australia, Canada and New Zealand all countries with very targeted child benefit packages, move down the rankings. France, Belgium, Luxembourg and Germany all move up the rankings. Nevertheless, the position of the UK, third after taxes and benefits is a significant improvement over previous studies and must be the result of the substantial increases that have been made in the real level of the child benefit package since the Labour Government came to power in 1997. However this position in the ranking is not sustained after the impact of housing costs and averages for services.

Table 11.3 Ranking of the value of the child support package. 'Representative' cases, £ppps

After tax and bens		After housing costs		After services		After all	
Luxembourg	277	Austria	283	Austria	234	Austria	266
Austria	252	Luxembourg	268	Luxembourg	208	Luxembourg	199
UK	218	UK	205	Finland	180	Finland	191
Ireland	201	Belgium	190	UK	155	France	162
Belgium	191	USA	187	Belgium	143	Sweden	153
USA	181	Ireland	186	Germany	138	Germany	152
Germany	164	France	183	France	133	Belgium	142
France	154	Germany	178	Sweden	115	UK	142
Australia	138	Australia	167	Norway	109	Denmark	140
Norway	134	Norway	161	Ireland	106	Norway	136
Finland	119	Denmark	157	Denmark	95	Australia	123
Canada	114	Sweden	138	Australia	95	Ireland	91
Denmark	113	Finland	130	Israel	43	Israel	43
Sweden	100	Canada	114	Canada	40	Canada	40
Netherlands	97	Japan	100	USA	30	USA	35
Japan	88	Netherlands	89	Italy	27	Italy	28
Israel	82	Israel	81	New Zealand	3	New Zealand	-5
New Zealand	69	Italy	69	Portugal	-15	Portugal	-15
Italy	68	New Zealand	60	Spain	-15	Spain	-15
Portugal	50	Portugal	50	Netherlands	-27	Japan	-26
Spain	30	Spain	30	Japan	-38	Netherlands	-34
Greece	20	Greece	22	Greece	-61	Greece	-59

The rankings again alter if the child benefit package is expressed as a proportion of average earnings with again the UK and Canada moving down the rankings and Finland, Ireland, Israel and Portugal moving up the rankings.

Table 11.4 Ranking of the value of the child support package. 'Representative' cases, as a percentage of average earnings

After tax and bens		After housing costs		After services		After all	
Austria	16.3	Austria	18.3	Austria	15.2	Austria	17.2
Ireland	15.2	Ireland	14.0	Finland	13.1	Finland	13.9
Luxembourg	14.2	Luxembourg	13.8	Luxembourg	10.7	France	10.9
Belgium	12.1	France	12.3	Belgium	9.1	Luxembourg	10.2
UK	11.6	Belgium	12.1	France	8.9	Sweden	10.2
France	10.4	Norway	11.5	UK	8.2	Norway	9.7
Norway	9.6	UK	10.9	Ireland	8.0	Belgium	9.0
Germany	9.0	Germany	9.8	Norway	7.8	Germany	8.3
Finland	8.7	Finland	9.5	Sweden	7.7	Denmark	7.7
USA	8.5	Sweden	9.2	Germany	7.6	UK	7.5
Australia	7.6	Australia	9.1	Denmark	5.3	Ireland	6.9
Israel	7.3	USA	8.7	Australia	5.2	Australia	6.7
Sweden	6.7	Denmark	8.7	Israel	3.9	Israel	3.9
Portugal	6.6	Israel	7.3	Canada	2.0	Canada	2.0
Denmark	6.2	Portugal	6.6	Italy	1.9	Italy	2.0
Canada	5.8	Canada	5.8	USA	1.4	USA	1.6
Netherlands	5.3	Japan	5.7	New Zealand	0.2	New Zealand	-0.4
New Zealand	5.2	Netherlands	4.9	Spain	-1.1	Spain	-1.1
Japan	4.9	Italy	4.8	Netherlands	-1.5	Japan	-1.5
Italy	4.8	New Zealand	4.5	Portugal	-2.0	Netherlands	-1.9
Spain	2.3	Spain	2.3	Japan	-2.2	Portugal	-2.0
Greece	1.9	Greece	2.1	Greece	-5.8	Greece	-5.6

In the previous tables we have compared the child benefit package by taking the overall difference between the net incomes of lone parents and couples with children and childless couples. In Tables Appendix G, Table G.1 and Table G.2 we select the eight lone-parent families in the 'representative' list above and compare their net incomes with childless single people to produce an overall measure of the child benefit package for lone parents. This produces a somewhat different ranking of countries. Austria still has the most generous package but France, Luxembourg, Belgium and Germany come lower in the rankings and the Nordic countries, Australia and the Netherlands higher in the rankings. Appendix G also contains average rankings for groups of families at different points on the income distribution including families with no worker on social assistance Tables G.3/G4, families with half average earnings Tables G.5/G.6, average earnings Tables G.7/G.8 and twice average earnings Tables G.9/G.10.

11.3 Seeking explanations for the variations observed

The rankings that have been obtained bear little relationship to the rankings that would be inferred using Esping-Anderson's (1990) regime types. The social democratic (Nordic) welfare states tend come in the top half of the table but they are not the leaders and Denmark is well down the rankings. The liberal (Anglophone) welfare states are distributed throughout the rankings with Ireland, the UK and the USA in the top half on some of the rankings. New Zealand is consistently towards the bottom

of the rankings. The conservative (corporatist) countries tend to be found in the upper half of the table but the Netherlands is a big exception. Austria is something of an outlier with a considerably more generous child benefit package than any other country after housing costs and services. The southern EU countries are in the bottom half of the table but spread, with Italy somewhat above the others. Japan, our only representative of the Pacific Rim/Confucian model, is found towards the bottom.

This study is not the first to point out that Esping-Anderson's regime types do not fit family policies (see for example Kilkey, 2000) and he has acknowledged as much himself (Esping-Anderson, 2001).

So what factors do determine the generosity of child benefit packages? We know from the work of Wennemo (1992) that cash benefits for children have their own national histories. Their origins are rooted in culture, politics, demography, religion, the labour market and even in defence manpower considerations. They have adapted over time as policy aspirations have changed. In this study we have not only been concerned with cash benefits but also other elements of the package and, given this, it would be unlikely to find a common factor that would determine the level of the child benefit package across countries. So in search of explanations we engage in exploratory data analysis designed to test hypotheses about the relationship between the child benefit package and a variety of factors that might contribute to an explanation of their variation.

First we have to decide which of the rankings in the tables above should be used. It was decided to take the weighted version of the child benefit package, after taxes, benefits, housing costs and services in purchasing power parities – on the grounds that this measure is more representative, picks up all elements of the package and is not dependent on the accuracy of the estimates of average earnings.[38] So the variable to be explained is the right hand column of Table 11.3.

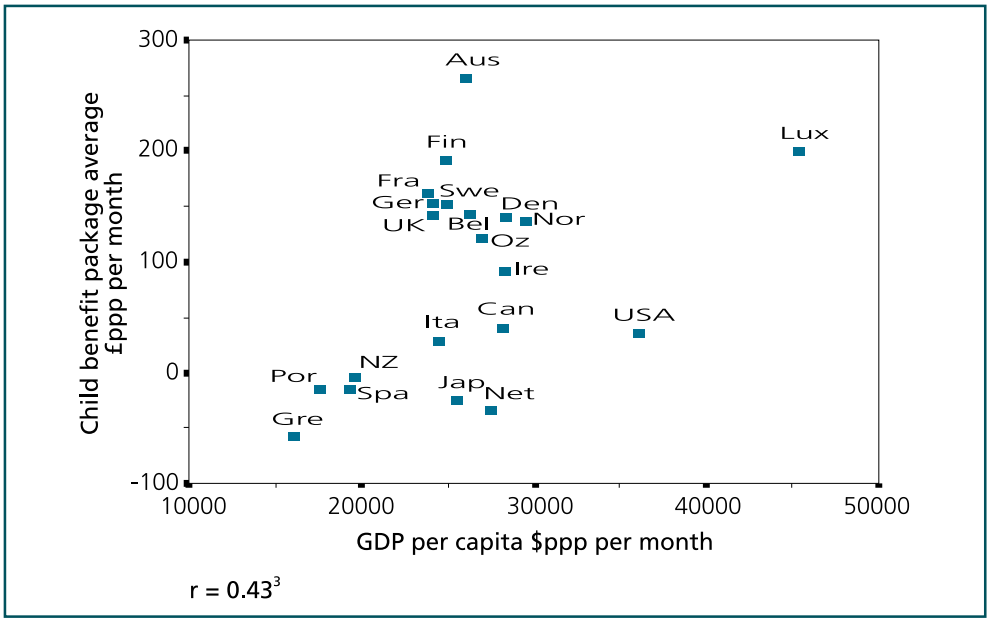
11.4 Level of national wealth (Gross Domestic Product per capita)

Is the child benefit package merely a function of GDP with the richer countries able to afford a more generous child benefit package? Judging from Figure 11.1 the answer is 'not entirely'. Luxembourg with the highest GDP per capita[39] has relatively generous child benefit package but the USA, the Netherlands and Canada have high GDP per capita and a low child benefit package. However the group of countries with the lowest GDP per capita – Greece, Spain, Portugal and New Zealand are also those with the lowest child benefit package. So the level of the development of the economy might be a factor in explaining the level of the package, but beyond that, it is other factors that determine the package.

[38] Except in so far as housing costs were based on 20 per cent of average earnings.

[39] Unless stated otherwise all the data in this section comes from the OECD Health Database 2001b.

Figure 11.1 Child benefit package by GDP per capita $ ppp



11.5 Social expenditure

Figure 11.2 and 11.3 show the relationship between the child benefit expenditure and social expenditure as a percentage of GDP and social expenditure per capita. There is a significant[40] positive relationship in both cases. Those countries that spend more on their welfare states tend to have more generous child benefit with Austria being a high outlier and the Netherlands a low outlier.

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[40] The strength of the probability that there is a correlation between two factors is indicated by the number of asterisks following the *r value* (i.e. the *Pearson's correlation coefficient*): zero asterisks = no significant probability of correlation

* = p = 0.05 (fair probability of correlation)

** = p = 0.01 (strong probability of correlation)

*** = P = 0.001 (very strong probability of correlation)

Figure 11.2 Child benefit package by social expenditure as % GDP

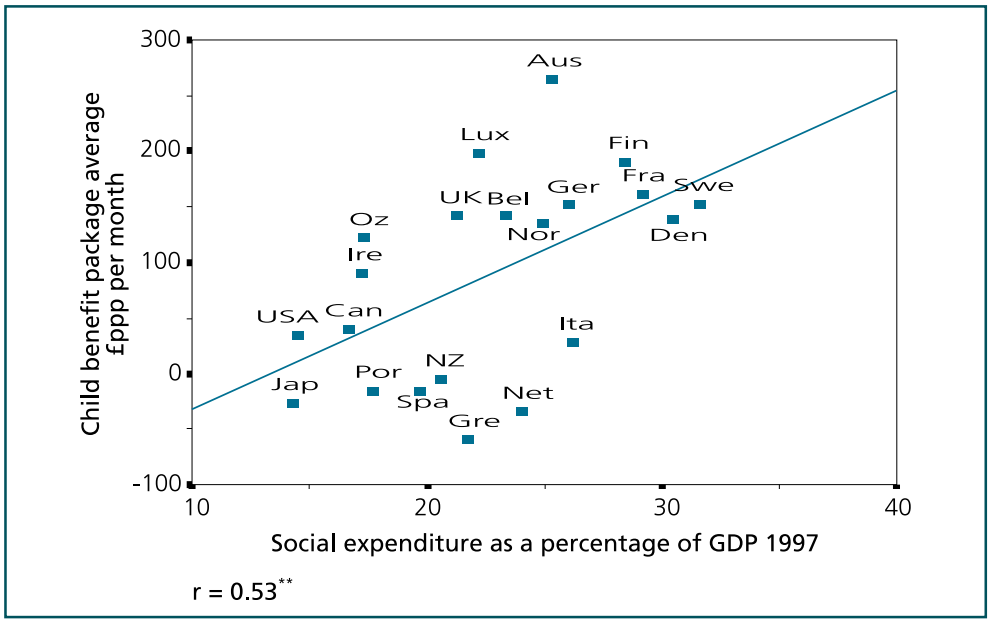
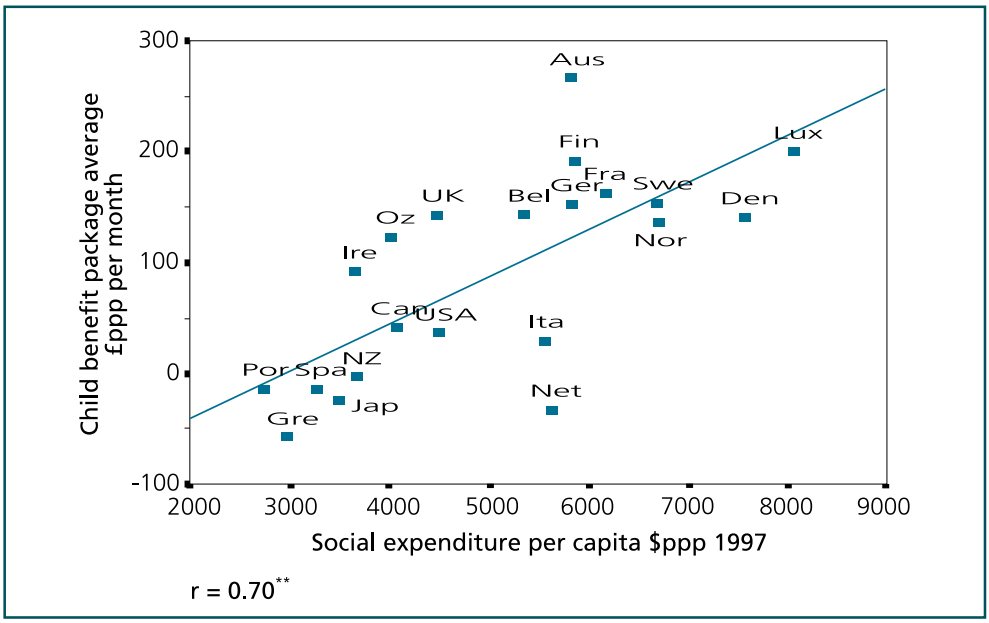


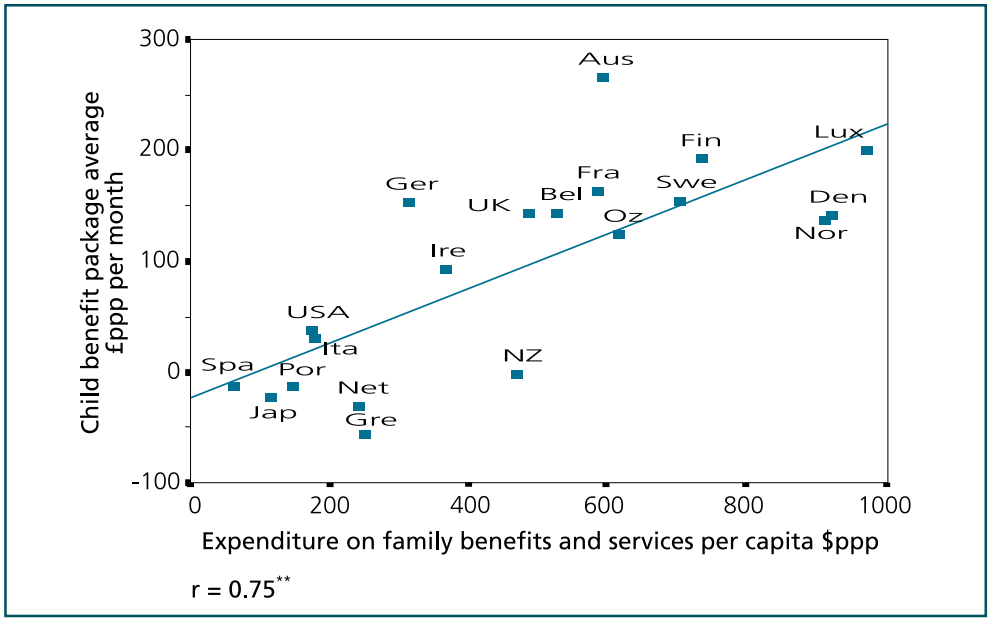
Figure 11.3 Child benefit package by social expenditure, 1997



11.6 Expenditure on family benefits and services

In Figure 11.4 the child benefit package is related to the level of expenditure on family benefits and services. There is clearly a positive relationship. Generally the child benefit package is more generous in countries spending more on family benefits and services. This statement is not a tautology. As we argued in Appendix A – not all the elements of the child benefit package are included in OECD expenditure on family benefits and services.

Figure 11.4 Child benefit package by expenditure on family benefits and services



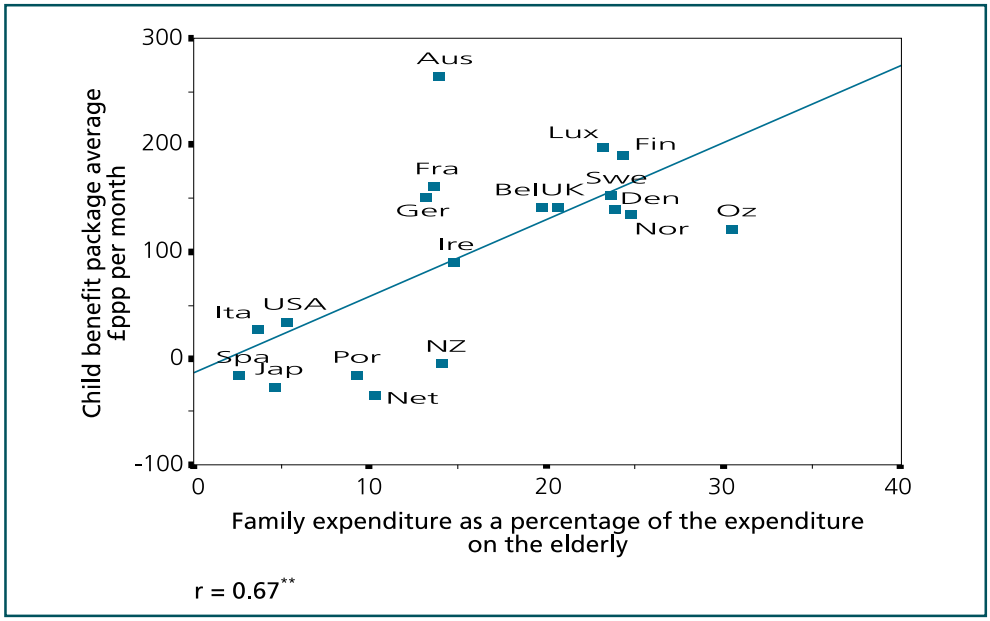
11.7 Priority for the elderly?

One possible explanation for the rankings of the child benefit package is that some countries are giving priority to their elderly population over their children, and that countries with low child benefit packages are low because of this. We test this hypothesis in Figure 11.5.

The x-axis is expenditure on family benefits and services per child as a proportion of expenditure on services and benefits per pensioner in $ ppp. There are two very clear groups of countries. To the lower left are a group who spend low proportions on children compared with the elderly and who are all also countries with low child benefit packages. To the upper right are countries with higher expenditure on children compared to the elderly and high child benefit packages. New Zealand is an outlier for the former group and Ireland, Germany and France for the latter group. Austria is an outlier for both groups. However there does appear to be evidence here of a trade-off between expenditure on the elderly and expenditure on children.

We turn now to test some hypotheses about the relationship between the child benefit package and the market.

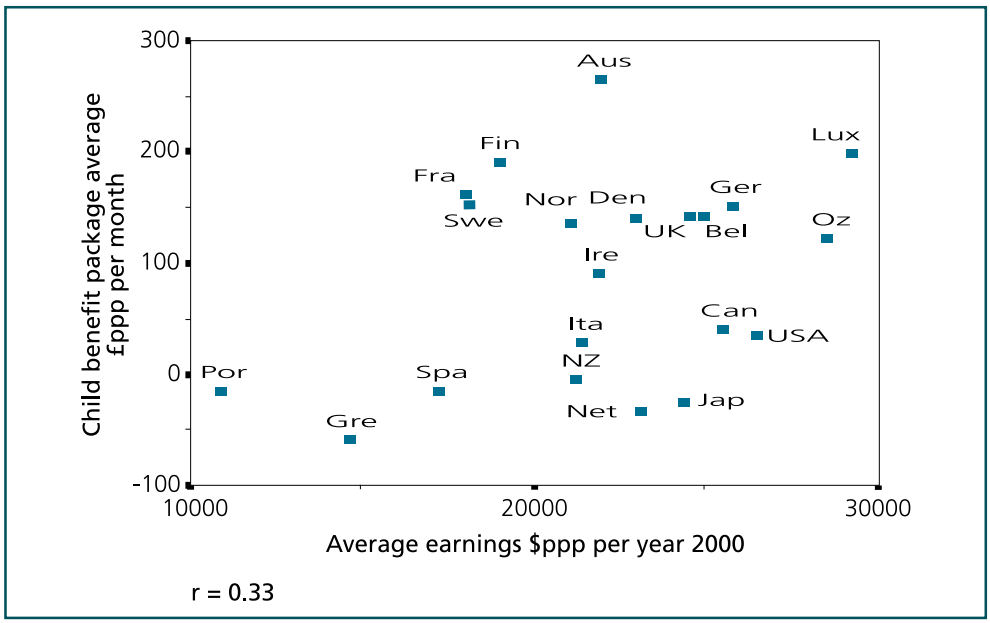
Figure 11.5 Child benefit package by family benefits + services as % elderly benefits and services



11.8 Do earnings matter?

It is possible that in countries with low earnings there is a greater need for the incomes of families with children to be boosted by social transfers. Employees may trade-off higher earnings in favour of improvements in the social wage. Indeed we know that this is the case in Australia and France for example. If this were the case then one would expect to find that the child benefit package was more generous in countries with lower earnings levels. Figure 11.6 explores this relationship[41].

Figure 11.6 Child benefit package by average earnings



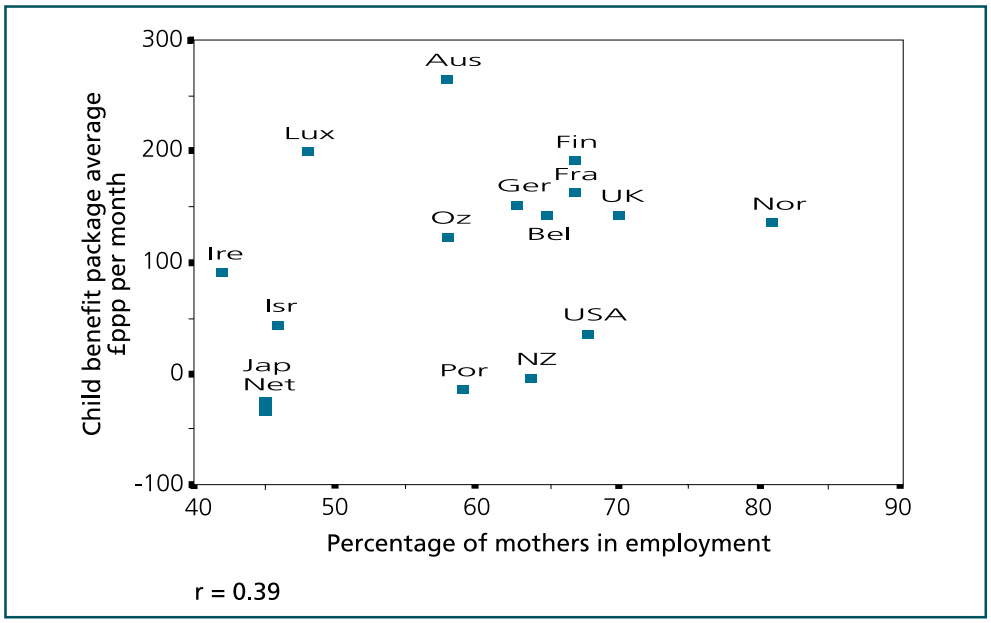
[41] This is not our data on earnings, but OECD data on the average earnings of production workers.

It is difficult to discern a general relationship between the earnings and the child benefit package. Japan and the Netherlands are countries with high earnings and low child benefit packages and Finland, France and Sweden have low earnings and much more generous child benefit packages. Luxembourg has high earnings and high child benefit packages. Portugal and Greece are low on both. So while there may be a relationship between earnings and the package in some countries, there is no general relationship.

11.9 Mothers' employment rates

One possible explanation for this lack of association is because what matters is not average earnings but family earnings and these are determined by the proportion of two-earner families. Figure 11.7 looks at the relationship between the child benefit package and the proportion of married /cohabiting mothers in employment (data from Chapter 2). Canada, Denmark, Italy, Greece, Spain and Sweden are not included in this figure because the national informants could not provide data for the proportion of mothers in employment. There does not appear to be a relationship and certainly no evidence that the child benefit package is in some way compensating for low married women's labour supply.

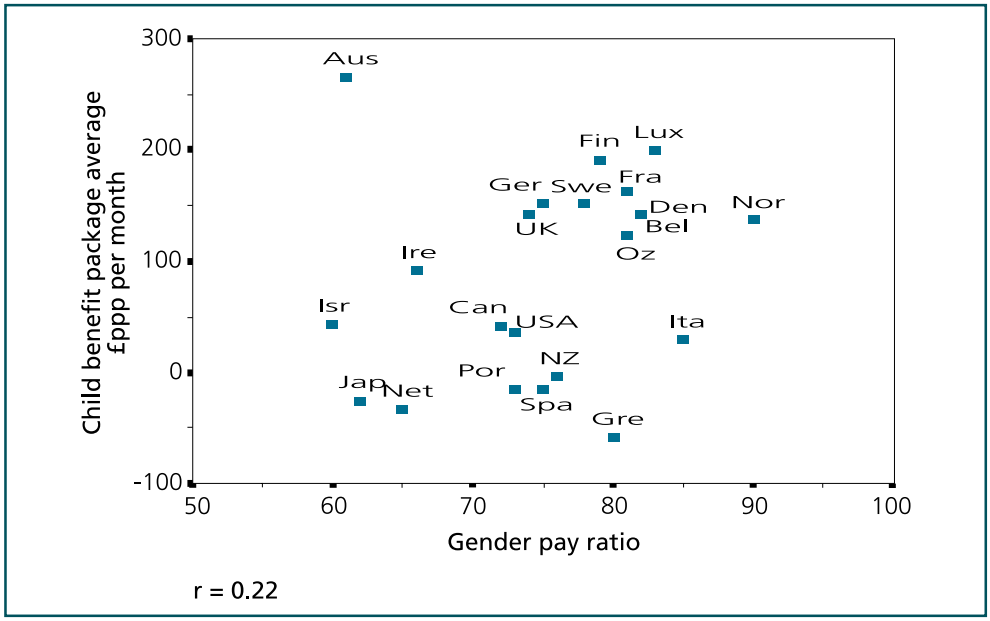
Figure 11.7 Child benefit package by mothers' employment rates



11.10 Women's pay

Similarly Figure 11.8 summarises the relationship between the gender pay ratio (from Chapter 2) and the child benefit package. The hypothesis is that where women's wages are low there is a case for the child benefit package to be higher. If anything the opposite appears to be the case. Countries with a more egalitarian pay structure also have higher child benefit packages.

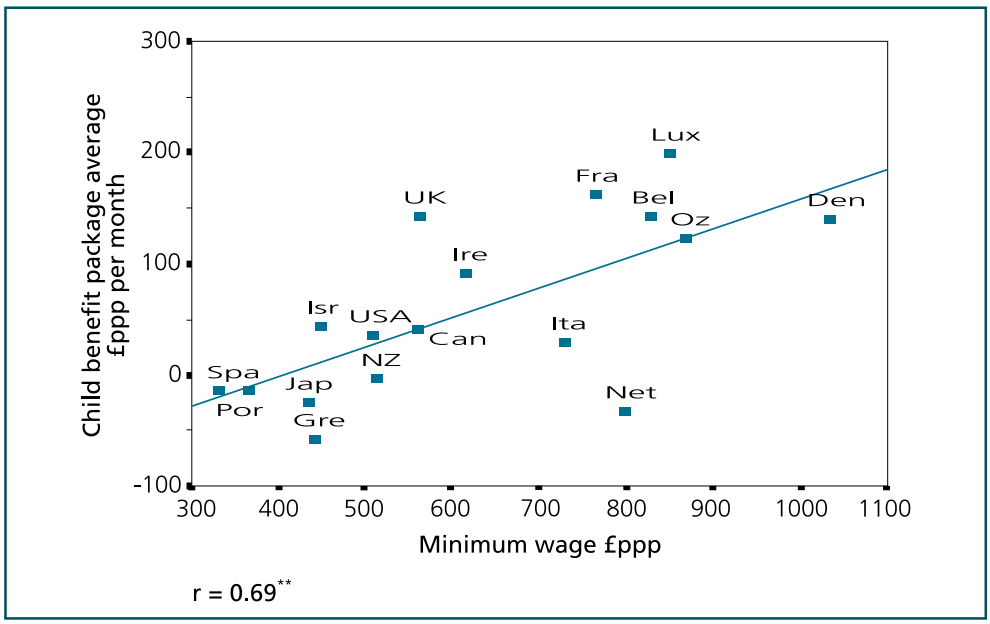
Figure 11.8 Child benefit package by gender pay ratio



11.11 Minimum wage

Also the child benefit package could be used to compensate for the level of the minimum wage (from Chapter 2). We find again in Figure 11.9 that there is a positive relationship with the level of the minimum wage. The higher the wage the higher the child benefit package. The Netherlands is an outlier.

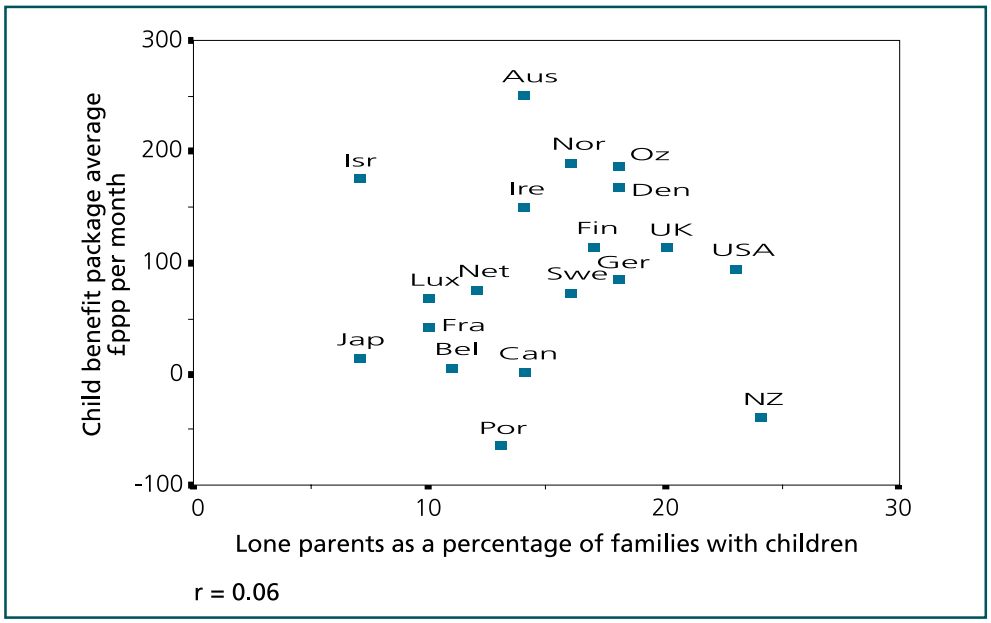
Figure 11.9 Child benefit package by minimum wage



11.12 Prevalence of lone parents

Finally in Figure 11.10 we compare the relationship between the prevalence of lone parents (from Chapter 2) and the level of the child benefit package paid to lone parents (from Table G.1). It can be seen that there is a slight tendency for countries with higher proportions of lone parents to have higher child benefits. However the relationship is not very close, there are exceptions (Israel, New Zealand and the USA) and it is in fact difficult to interpret what, if anything, is going on here. Do countries with large proportions of lone parents care more about them? Or does a generous child package generate them?

Figure 11.10 Lone parents' child benefit package by prevalence of lone parents



11.13 Outcomes

We turn now to consider the relationship between the child benefit package and outcomes.

11.13.1 Child poverty

Figures 11.11 and 11.12 explore the relationship between the child poverty and the child benefit package. Both these poverty rates are based on income and derived from the Luxembourg Income Study by Bradbury and Jantti (2001) and relate to the mid-1990s (1996 for the UK). This is a serious problem because it means that they do not coincide in time with the child benefit package which was assessed at July 2001. The latest EUROSTAT data on child poverty is only for 1997 and does not include as many countries as the LIS data. Clearly the child poverty rate in the UK will have changed since 1996 but the relative position of the other countries is probably not as volatile. In Figure 11.11 there appears to be a negative relationship between the child benefit packages and 'absolute'[42] measures of child poverty. The more generous the child benefit package the lower the child poverty rate. The

[42] The US poverty line was originally derived from budget standards (3* the food budget) in the early 1960s and has been updated since then in line with prices.

Netherlands, Canada and the USA are outliers with lower poverty rates than their child benefit packages would suggest and Ireland with higher poverty than would be expected (this is likely to be because of the time gap in the data - Ireland has been improving its child benefit data since 1987 which is the date for its child poverty data). The relationship is rather closer between relative child poverty and the child benefit package (see Figure 11.12). Now Spain, the Netherlands and Austria are the only outliers and Canada and the USA follow the pattern. For most countries the higher the child benefit packages the lower the child poverty.

Figure 11.11 Child benefit package by 'absolute' child poverty

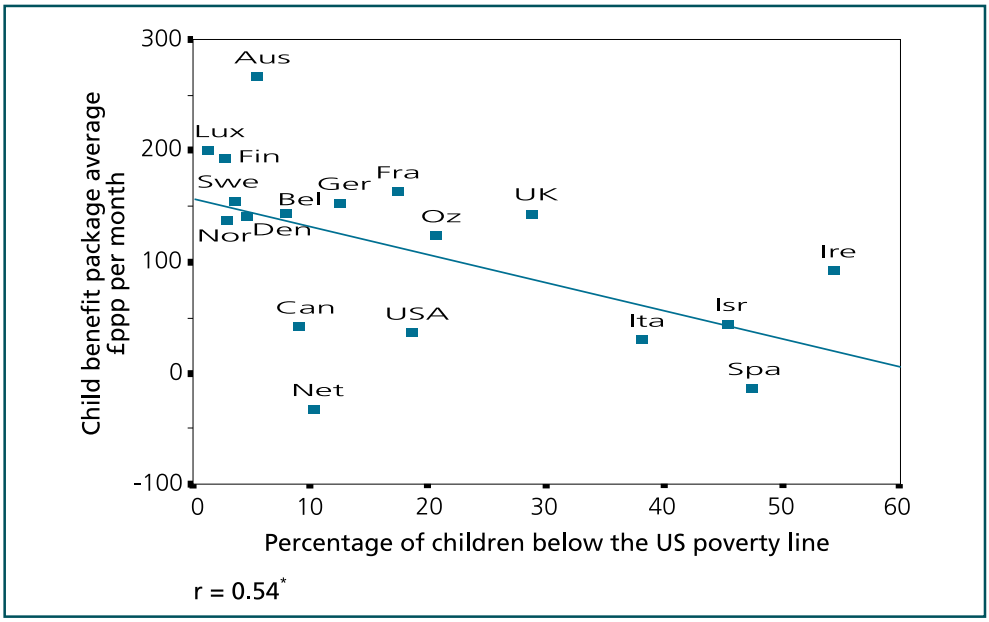
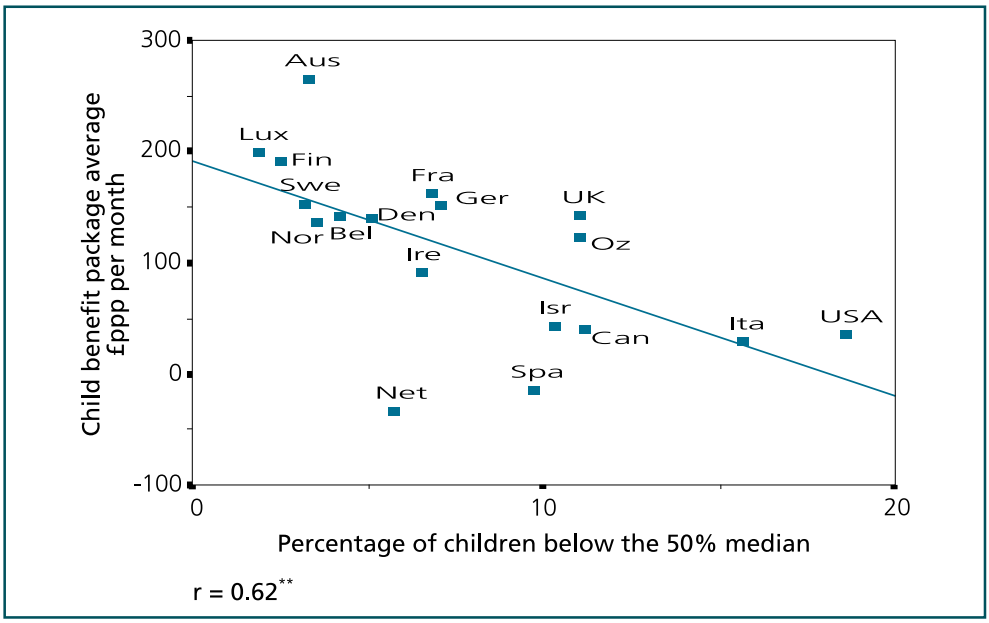


Figure 11.12 Child benefit package by relative child poverty rate



11.13.2 Fertility

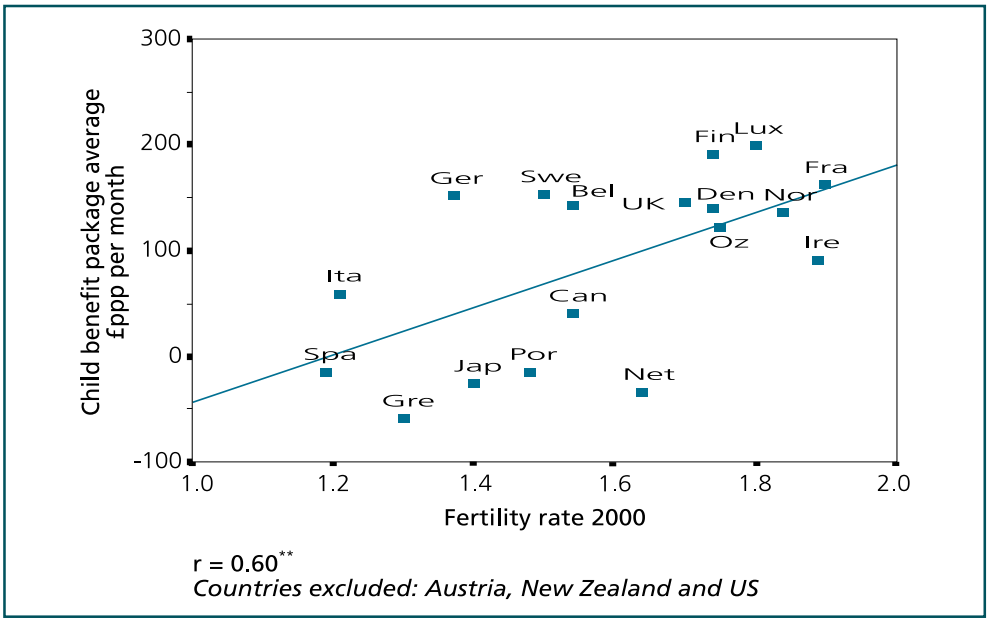
The generosity of the child benefit package is certainly not the only factor that could influence fertility, nor perhaps the most important. But on theoretical grounds it is likely to be a factor (McDonald, 2000).

In Figure 11.13 we see a strong positive relationship between fertility rates and the strength of the child benefit package. It has to be noted though that the main outliers, - i.e. Austria (fertility rate = 1.30), New Zealand (fertility rate = 2.00) and the USA (fertility rate = 2.05) – have been excluded from the figure because their fertility patterns seemed to contradict the main trend exhibited by the other countries. Greece and Austria have the same fertility rates with hugely different child benefit packages. The USA has replacement fertility with a very low child benefit package – the same is true of New Zealand (in both these cases their fertility rates are driven upwards by high fertility in ethnic minority communities).

France and the UK have similar fertility rates but different levels of generosity of their child benefit packages. However in the UK fertility is sustained by an extremely high rate of teenage births (and is falling) and in France the fertility rate has risen above the UK recently. Ireland has experienced the most rapid decline in fertility of any industrialised country at a time when it has been improving its child benefit package – indeed it has been able to afford to improve it because of the decline in fertility (along with the Celtic Tiger economy).

However it is generally the case that countries with the more generous child benefit packages have higher fertility and those with little or no support for child-rearing costs have the lowest. It might be argued that the latter are also the poorest countries - Greece, Italy, Portugal, Spain. Certainly in our earlier studies of child benefit packages we found a closer relationship between the level of the child benefit package and GDP per capita than with fertility. But the same is not true of Japan (or the Netherlands or Canada). Japan has the resources to pay for a generous child benefit package and chooses not to. Not only is Japan's expenditure on family benefits and services very low as a proportion of GDP, it is also very low as a proportion of social expenditure. So even given the small size of their welfare state Japan is making rather little effort in support of families with children compared to other countries. Of course this weak association between the child benefit package and fertility tells us nothing about causal direction of the relationship. Countries may have more generous child benefit packages because they have a higher fertility rate.

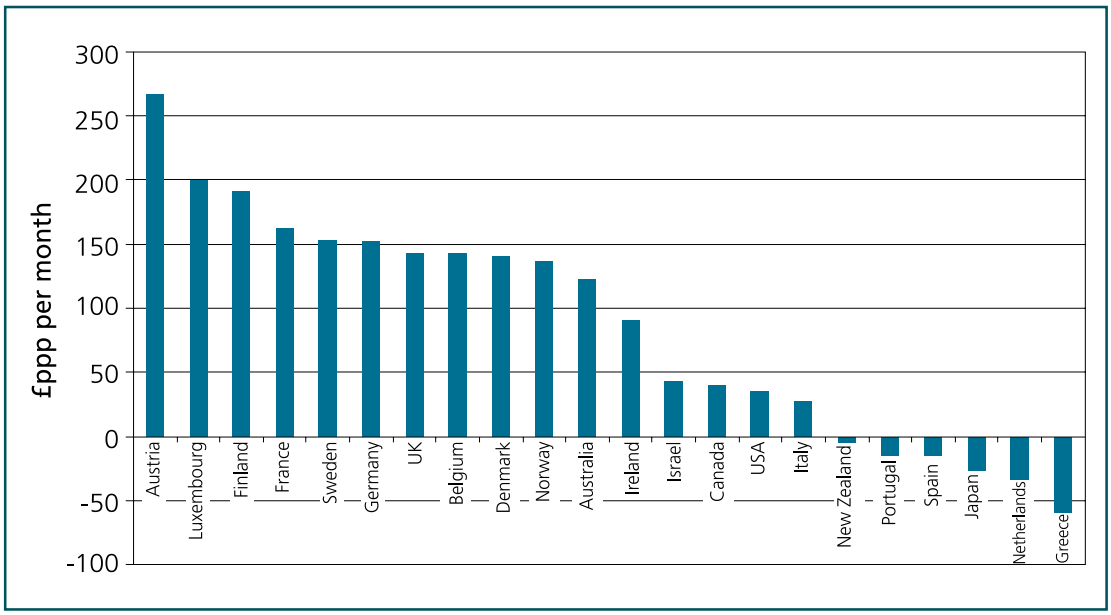
Figure 11.13 Child benefit package by fertility rate, 2000



11.14 Conclusion

Figure 11.14 presents the average ranking of countries that we obtained for the 'representative' selection of families after all elements of the child benefit package have been taken into account. Austria has by far the most generous package, followed by Luxembourg and Finland. The UK comes seventh equal in a second group of countries – a considerably better relative position than in earlier studies and a reflection of the improvements that the government has made in the child benefit package since 1999. Six countries have negative packages – that is any financial support they provide for families with children is cancelled by the charges for services that the children use.

Figure 11.14 Child benefit package after housing and services



There is scope for further exploration of the association between the child benefit package and the characteristics of countries – both their inputs and their outcomes. There may also be potential for some multivariate analysis, though the number of countries is a constraint on this. Meanwhile it appears that it is not the level of the wealth of a nation, nor the character of its labour market, nor the level of earnings but rather its social expenditure and especially the share of its social expenditure going to families, as against the elderly that determines the child benefit package. It is the effort made to transfer resources horizontally that achieves the results. The level of the child benefit package achieved is also associated with success in reducing market-generated levels of child poverty and possibly also fertility.

12 Conclusion

12.1 Introduction

This study has sought to compare the level and structure of the child benefit packages paid to families in 22 countries. The information on the systems in each country and their demographic and labour market backgrounds was provided by national informants. The national informants also completed a matrix specifying the help that a selection of model families would receive from the system of taxes, cash benefits and services in their country.

We started with the assertion that all countries have a package of measures that help parents with the costs of rearing children. In the light of the analysis this is still true but subject to some qualifications. Some countries provide very little support in the form of tax benefits and cash benefits and after the impact of housing costs and charges for childcare, education and health, some families with children in some countries are worse off than childless couples on the same gross earnings and the same gross housing costs. Effectively in these countries the state is making no net contribution to the costs of child rearing. Whatever benefit they provide for families with children is effectively wiped out by the charges they are expected to pay (often for state provided services). The countries with negative average child benefit packages are New Zealand, Portugal, Spain, Japan, the Netherlands and Greece. There are other countries where the average child benefit is very low – the USA, Canada and Israel. Finally there are countries where the package is so concentrated on low-income families that there is effectively very little horizontal redistribution in favour of middle and upper income families – the package exists for some families but not for others. This is the case in the USA, Canada, Australia and New Zealand.

12.2 The demographic and labour market context

Policies that help parents with the costs of child rearing operate in the context of varying demographic and labour market patterns. Generally, in the Anglophone and Nordic countries the male breadwinner family has weakened and women are able to form separate households and be economically independent from men. However, the shift towards greater female economic independence is only partial; the gender wage gap is significant among the Anglophone countries and the minimum wage is relatively low in the USA, UK and Canada. In contrast, in the Southern European countries; the Netherlands; Japan and Ireland women are still relatively economically dependent upon men. However, in Italy and Greece, the gender wage gap is small and in Portugal, Italy and the Netherlands, the minimum wage is comparatively high relative to mean and median earnings.

12.3 Income tax, social security contributions and cash benefits

In our previous study (Bradshaw *et al.,* 1993) based on the situation in 1992, the main vehicle for delivering the child benefit package was non-income-related child benefits. At that time the contribution of income-related child benefits had grown in importance, but child tax benefits had diminished in importance, and were being employed by fewer countries – perhaps because they tended to be of most benefit to better off families in the countries that had them.

In this study (which includes more countries) non income-related child benefit is still the most popular vehicle for delivering the child benefit package. Only seven countries do not have any non-income-related child benefits – Canada and Germany have abandoned theirs, and the Australian scheme which was effectively universal is no longer so except for lone parents. In addition to these New Zealand, Portugal, Spain and the USA lack a non income-related child benefit.

One country, the UK, has abandoned its income-related child benefit and now 13 countries have income-related child benefits or social assistance for employed families.

The main shift has been towards using the income tax system to distribute resources to families with children. The Anglophone countries have all introduced or developed tax credits for children. For low-income families they are now an important element of the package. In the UK, the introduction of the Child Tax Credit in 2003, which will create a single system of support for children, regardless of the working status of parents will positively alter the child benefit package. Out of all the countries only Austria, Denmark, Finland, Ireland, Israel, Norway, Portugal and Sweden have no recognition of the needs of children in their income tax arrangements.

However, it is also significant that the countries with the most generous overall tax benefit package are not the countries with a substantial element of targeting either through tax credits or income-related benefits. Those countries which deliver all or most of the value as a non-income-related child benefit – Austria, Finland, Luxembourg, Norway, Denmark and France tend to have the most generous overall packages. Of these only Austria and France have income-related child benefit elements and only Luxembourg and France have tax allowances.

12.4 Housing costs, housing subsidies and local taxes

Housing costs are a nightmare to tackle in comparative research, but have to be taken into account because housing benefits are an important element in the package. Given our assumption that gross rent did not vary with family type, the only contribution to the child benefit package is in those countries where housing benefit systems mitigate housing costs for low-income families with children more than childless families. Housing benefit systems were important in Australia, Austria, Denmark, Finland, France, Germany, Norway and Sweden and they made a smaller contribution in all other countries except Belgium, Canada, Israel, Italy, Japan, Luxembourg, Portugal and Spain where they do not exist. For the same reasons local taxes were not an important element of the package.

12.5 Childcare and education costs and benefits

The costs of childcare are an important part of the child benefit package. Countries employ a variety of mechanisms for helping parents with the costs of childcare. Only Ireland, Israel and Spain do not help towards the costs of pre-school childcare. However, even for countries that do provide help, the costs of childcare can serve to wipe out the value of the child benefit package. With the exception of

Norway, the costs of childcare fall heavily on the parents, although this is the case to a lesser extent for low-income lone parents. Belgium, Norway and Sweden plan to significantly cut the costs of childcare for parents, which will help increase the value of the child benefit package for low-income families in Belgium, for parents using nurseries in Norway and for most families in Sweden.

With the exception of Japan, where after school schooling is a major drain on the resources of families with school age children, school costs did not have a major impact on the child benefit package. However the benefits of free school meals in Finland, France, Sweden, the USA and the UK (for the social assistance case) contributed positively. Moreover, the UK's Educational Maintenance Allowance (which is currently being piloted) if adopted nationally, will contribute positively to the child benefit package for families with children aged 16-18 in full-time education. School costs contributed to Greece, Japan and Portugal ending up with an overall average negative package.

12.6 Health costs

Most countries had no or very low charges for health care for children. However in the USA they are high except for very low-income families and in the Netherlands contributed to a negative child benefit package. They are also fairly costly in Canada, Ireland and Spain.

12.7 Maternity leave, paternity leave, parental leave and leave to care for sick children

Policy for the under threes is closely linked to the nature of available maternity leave, paternity leave, parental leave and leave to care for sick children. Whilst this has not been included in the matrix, it is an important part of the child benefit package. In order to fully understand how leave policy impacts upon families, it is important to look at the package as a whole. At one end of the scale are countries such as Germany, Japan and Israel where leave is in effect not designed to involve the father in family responsibility[43] and instead to enable women to break completely with the labour force during child rearing. At the other end is Sweden and Denmark where leave is designed to support the reconciliation of paid work and childcare by protecting the wellbeing of the child. However, in countries such as the UK and the US the wellbeing of the child whilst the parents are in the workforce is still largely left to negotiation between employer and worker.

12.8 Social assistance

One of the income cases for which matrix data was collected was a social assistance case. We have found that there is considerable variation between countries in what they consider to be the appropriate level of their social assistance benefits and also in how they evaluate the relative needs of families of different sizes and types. After housing costs and services the overall level of the social assistance package is highest for lone parents with one child aged seven in Ireland, Denmark, Norway, Austria and the UK and lowest in Portugal and Spain. For couples with three children it is highest in Austria, Luxembourg and Sweden and lowest in Spain and Italy.

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[43] In both Japan and Germany no paternity leave exists. Whilst Japan and Germany have parental leave that is designed for both parents, in the majority of countries fathers do not generally take advantage of this – in Germany only 1.6 per cent of all parents on parental leave were fathers (Mikrozensus, 1999) and in Japan only 0.4 per cent of fathers actually took parental leave (Ministry of Health and Welfare, 1999).

12.9 Explanations for variations in the level of the child benefit package

Overall, we have found that the level of the child benefit package varies by family type and size, by the ages of the children, by whether the package is assessed before or after housing costs and childcare costs and other benefits and services. It also varies to some extent according to whether the comparisons are based on purchasing power parities or average earnings. This makes it somewhat of a challenge to produce an overall ranking of countries. Nevertheless we have attempted one in Chapter 11.

12.9.1 Purchasing power parities rank

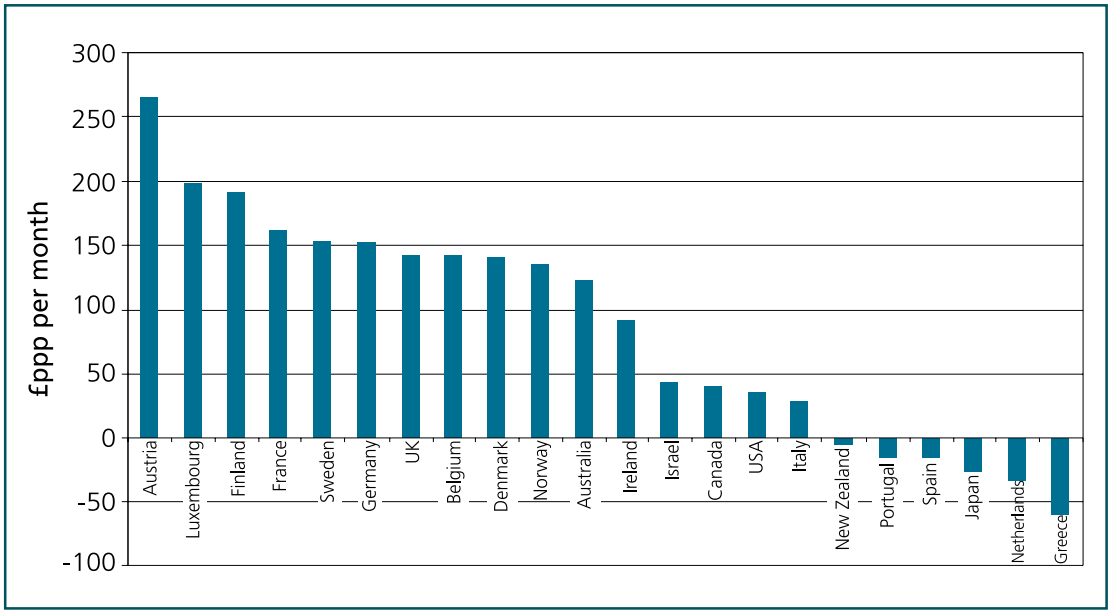
The preferred method based on purchasing power parities produces four groups of countries. Figure 12.1 presents the overall ranking of the average child benefit package paid to a 'representative' sample of families. Austria has a package which is considerably more generous than any other country. The UK comes seventh, equal to Belgium, in the league table of 22 countries. For the UK this is a improvement over a similar study in 1992. Although the studies are not strictly comparable, the earlier study had the UK seventh out of 15 countries, not including Sweden and Austria.

As a result of the real increases in the levels of tax benefits and cash benefits since 1992, the UK is now on a par with Belgium and closer to the leading countries than in 1992.

However, the most important conclusion of the comparison of the levels of child benefit package is that they vary within and between countries by family size and type, by earnings and by whether the comparison is made of the tax and cash benefit system only or after housing and service costs and benefits.

Leaders: Austria, Luxembourg, Finland.
Second rank: France, Sweden, Germany, UK, Belgium, Denmark, Norway, Australia.
Third rank: Ireland, Israel, Canada, the USA and Italy.
Laggards: New Zealand, Portugal, Spain, Japan, the Netherlands, and Greece.

Figure 12.1 Child benefit package after housing and services



12.9.2 Percentage of average earnings rank

These groups are quite robust if a percentage of average earnings is used instead of purchasing power parities. Luxembourg might be moved down to second rank (and Austria is actually really in a class of its own). Ireland might be moved up to second rank. However the laggards remain the same.

Leaders: Austria, Finland.
Second rank: France, Luxembourg, Sweden, Norway, Belgium, Germany, Denmark, UK, Ireland, Australia.
Third rank: Israel, Canada, Italy and the USA.
Laggards: New Zealand, Spain, Japan, the Netherlands, Portugal and Greece.

The rankings that have been obtained bear little relationship to the rankings that would be inferred using Esping-Anderson's (1991) regime types. The social democratic (Nordic) welfare states tend come in the top half of the table but they are not the leaders and Denmark and Norway are well down the rankings. The liberal (Anglophone) welfare states are distributed throughout the rankings with the UK and Australia in the second rank. New Zealand is consistently towards the bottom of the rankings. The conservative (corporatist) countries tend to be found in the upper half of the table but the Netherlands is a big exception. Austria is something of an outlier with considerably more generous child benefit package than any other country after housing costs and services. The southern EU countries are in the bottom half of the table but spread, with Italy somewhat above the others. Japan, our only representative of the Pacific Rim/Confucian model, is found towards the bottom.

An attempt was made to explain these variations in the level of the child benefit package. The main conclusion of this was that it is not the level of a nation's wealth, nor the structure of its demography or labour market that explains the level of child benefit package. What appears to be important (apart from its structure) is the overall level of social expenditure and the proportion of it going to families with children, rather than the elderly. So, for example, the Netherlands has a level of social expenditure not much different from its northern EU partners, but it spends less of it on families with children and more of it on pensioners. For this reason it is a laggard.

Those countries that make most effort to transfer resources horizontally have the more generous child benefit packages. They are also the countries with lower relative child poverty rates and most of them have higher levels of fertility. Policy matters.

Appendix to Research Report No 174

A Comparison of Child Benefit Packages in 22 Countries - A summary of the child benefit package for each country

A Comparison of Child Benefit Packages in22 Countries - A summary of the child benefit package for each country

A study carried out on behalf of the Department for Work and Pensions

BY

Jonathan Bradshaw and Naomi Finch
University of York

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First Published 2002

ISBN 1 84388 077 6

APPENDIX

Australia

Earnings

Earning figures are drawn from the ABS Average Weekly Earnings series. May 2001. The figures are total adult earnings, seasonally adjusted and updated to July 2001 using the average of the ABS' estimated percentage change since May 2000.

Minimum income

Australia does not strictly have a single minimum wage. There are a series of industry-based minimum awards; a national 'safety net' minimum was set in 1997. In the matrix, cases 1, 3 and 6 use the 2001 national 'safety net' minimum wage instead of half average female wages, since the former is higher. The minimum wage is a weekly amount but the number of hours it covers varies according to the particular industry award. In the case of the 16-hours per week worker it is assumed the award is for 35 hours per week and the hourly rate is calculated accordingly.

Tax and social security contributions

The tax system has been reformed since 1 July 2000. Family allowances have been converted into two types of Family Tax Benefits (A and B). These can be paid in three ways: as a tax deduction from regular earnings, as an end of year lump sum tax payment or as a regular income support payment. This makes the payments hard to classify as either tax or social security, especially since they now incorporate most of the child tax rebates. In the matrix, they have been included as tax benefits.

A Medicare Levy is collected as part of general taxation even though it goes towards health services. In the matrix, it has been treated as employee social security contributions. No levy is payable on incomes below a certain threshold and above that threshold there is a 'shading in' area where the levy is payable at 20 per cent of income in the shaded area up to 1.5 per cent of total taxable income. The income threshold and shading-in area increases if the taxpayer is notionally entitled to a spouse or child tax rebate and also increases by the number of dependent children.

Cash benefits

Parenting Payment is a social assistance payment separate from the Family Tax Benefit payments than can be paid to those on low income. Where appropriate, this has therefore been included in the matrix. Also, in Case 1, where the one earner is in part-time work on low pay, they would be entitled to a partial Newstart unemployment payment – but only if the earner is available for and actively seeking full-time work.

Child support

Child maintenance is not guaranteed and it is not fully disregarded for income related benefits.

Housing

Supply side 'bricks and mortar' subsidies do not exist for couples with children and/or lone parents in this study. Rent Assistance is available to private renters (the chosen

tenure in this study) receiving most income support pensions, allowances and payments and families receiving the more than basic rate of Family Tax Benefit – A. There is a maximum payment, which ranges from $58.70 per fortnight for single sharers to $103.04 per fortnight for a sole parent or couple with 1 or 2 children or $116.48 if there are 3 or more children. There is also a minimum level of rent payment to qualify for Rent Assistance. This ranges from $78 per fortnight for a single person or sharer to $151.90 for a couple with 3 or more children. The maximum payment is only available if the rent is above a threshold ranging from $156.27 for single sharers to $307.21 for a couple with 3 or more children. Local tax, service and water charges are included in the rent.

Childcare provision

Pre-school child care is not guaranteed in Australia. Priority is first given to children at risk and then to lone parents who need childcare in order to work. The most common form of full time formal pre-school childcare is long day care. Charges vary by centre and region. In the matrix, $175 per week was taken as a representative figure and 48 weeks per year of useage.

Childcare benefit is available on an income-tested benefit to any parents with dependent children, subject to residential qualifications. Both parents or the sole parent must be doing at least some paid work, study or training in order to receive any CCB for registered care or CCB for more than 20 hours of approved care. In the matrix, the two parent one-earner cases are assumed to be making the full payment for the 30 hours over and above the 20 hours.

Education

Meals are not generally provided except that a few schools in particularly disadvantaged areas provide breakfasts for pupils. Whilst no formal books or material charges exist, 'voluntary' charges have become increasingly common.

A Youth Allowance (YA) is available mainly to full-time students aged 16-24, young unemployed people aged under 21 who are looking for work or combining study and part-time work, or independent 15 years olds above school leaving age (eg. homeless) who are in full-time study or undertaking some other approved activities. Both a parental and a personal income test applies if the youth is not independent. If YA is paid, the parents would not get the third child amount of Family Tax Benefit A. In the matrix a Youth Allowance has been included for the 3-child couple family with the 17 year old.

Health

Medicare entitles both children and adults to free public hospital treatment (for most types of treatment) and free or subsidised GP treatment. It is assumed that all visits to GPs are to doctors who ‘bulk bill’ to Medicare and therefore make no direct charge to patients for ordinary consultations. Prescriptions that are on an approved list are subsidised under the Pharmaceutical Benefits Scheme and carry a standard charge. Recipients of pensions, income support payments, and some other low-income people can get Pensioners Concession Cards or Health Care Cards, which give access to free basic dentistry and cheap prescriptions. In the matrix, it has been assumed that free dentistry is taken up even though there is evidence that many

health card recipients prefer to pay for private dentistry, because of long waiting lists and variable service/quality.

Social assistance

All income support payments are income-tested and most are asset-tested; it has been assumed that families in this study have only modest assets. The main social assistance and minimum schemes of which lone parents and couples with children are parenting Payment and Newstart Allowance.

Parenting Payment is available to sole parents and one member of couples. There are different maximum amounts and different income tests for sole parents and couples. Parenting Payment (partnered) has a complex dual income test on both partners' incomes. In lower income families, it is received by the care-providing partner where the other partner (normally the man) might be either a lower wage earner or unemployed - in the latter case he would normally be getting Newstart Allowance. Newstart Allowance is for people unemployed, aged 21 or over and under Age Pension age, registered as unemployed, capable of undertaking work and available for and actively seeking it. The income tests are integrated (though quite complex). There are no additions for children.

Those claiming Newstart must be prepared to enter a Preparing for Work Agreement, which might, depending on age and circumstances, involve some Mutual Obligation activity, including Work for the Dole. Lone parents would normally receive Parenting Payment (single), which does not (at present) involve a work or activity test. However, there will be a requirement from 1 September 2002 that recipients of Parenting Payment, both single and partnered, attend an annual interview once their youngest child starts secondary school to discuss future plans to participate in paid work. From 1 July 2003, this group will have to undertake some paid work, and parents whose youngest child turns 6 will have to start attending the annual planning interviews.

Other

Where appropriate, Parenting Payment has been included for low earners. In Case 1, where the one earner is in part-time work on low pay, they would be entitled to a partial Newstart unemployment payment – but only if the earner is available for and actively seeking full-time work.

Austria

Earnings

Average earnings of all employees for 1999 were obtained from the Income Tax Statistics (Statistik Austria). We updated these by last prognosis (2001) of the Austrian Institute for Economic Research (WIFO).

Minimum income

Austria does not have a minimum income guarantee.

Tax and social security contributions

The tax credit of $5000 a year for lone parents and one-earner-families have been considered in the matrix if applicable, but not for those households, which because of low income do not pay tax and may claim payment of this tax credit in the following year only. There is also a child tax credit (see universal cash benefits). Workers and employees are required to pay earnings-based contributions for social pension, health and unemployment insurance, a compulsory contribution to the Chamber of Labour as well as the public housing promotion fund. The contribution varies between white collar and blue collar workers up to a limit of S44.400 a month (14 times a year). For Health Insurance the martix assumes the contribution rate of 3.4 per cent for white-collar employees. Employees with income less than S4.756 do not pay compulsory contributions, but they may pay voluntary contributions to health and pension insurance; in case 1, it was assumed that the local authority pays all costs for medical treatments. Special regulations for workers and employees concerning taxation of 13th and 14th monthly salary at a low rate have been considered in the matrix calculations.

Cash benefits

Universal child benefits

Family allowance (Familienbeihilfe) exists in Austria. In principle the age limit for the above benefit is 18 years, however, it is extended to young adults under 26 in (secondary or tertiary) education meeting necessary requirements. The amount received varies by birth order and age of the child.

There is also a child tax credit which is a monthly tax credit of S700 for each dependent child. Since child tax credit (Kinderabsetzbetrag) and family allowance (Familienbeihilfe) are generally paid together, in the matrix, these have therefore been calculated together.

Income related child benefits

In Austria there exist three income related child benefits. In the matrix only the supplement for families with more than three children is considered since the children are too old to receive Infant Allowance. A supplement of S400 a month is paid to households which receive family allowance for at least three children, if the yearly family income is below S518.400.

Child support

Child maintenance is guaranteed; in the event that a parent fails to meet (or meet in time) his/her obligations to pay child support to under-aged children, an advance to

child-support payments may be granted from the family fund. The advance is basically equal to the level of child-support payment by the respective parent, subject to a ceiling of S5.599 per month. If it is not possible to decide on the level of child support payment, guaranteed child support advance payments are defined depending on the age of the child, namely S1.400 for a child under 6, S2.800 for a child from 6 to 14, and S4.200 for a child from 14 to 19 years. The child support is disregarded for income related benefits.

Housing

Both a supply side subsidy (Objektfoerderung) for bricks and mortar and a direct housing subsidy (Subjektfoerderung) exists in Upper Austria for the type of housing which couples with children and/ or lone parents are renting. The rent will be subsidised to the extent the claimant cannot be reasonably expected to pay the rent out of the family income. Subsidies are limited as to size and price of the dwelling. The size limits depend on the number of family members and are defined in square meters, namely 50 for one plus 20 for each additional person. In the matrix, it is assumed that the size of the dwellings (in square metres) are: single households at least 50, two persons at least 70, three persons at least 90, four persons at least 110, five persons exactly 110. The maximum subsidy per square meter is S 36. How much a family can be reasonably expected to pay as rent, is defined by the difference between the actual household income and a weighted standard income. This standard income is calculated on the basis of S7.400, multiplied by 1,35 for a single household and by 1,9 for a couple. For households with at least three persons the factor may be calculated by using the old OECD equivalence scale. In the matrix, it is assumed that the local tax, sewerage, water and garbage expenses are included in the rent.

Childcare provision

Childcare is not guaranteed for children below statutory school age. In public institutions, lone parents are usually given priority. Child care is predominantly a responsibility of the Länder as to legislation and of local authorities as to implementation. Therefore there are considerable variations within Austria. The monthly charge for full-time childcare in the matrix is for a public daycare centre in Linz. In Linz, the fee for fulltime care of a toddler ranges from 0 to 1.595S per month for a public crèche (Krabbelstube). S720 a month are charged for food and extras. Subsidies depend on family income, number of the family-members and size of the dwelling.

Education

School meals are not generally provided. Parents are charged ten per cent of the expenses for school books*; the costs are different for age-groups and schools*. The estimated average monthly charge around S25 for primary school, S35 for low grade secondary school and S80 for high grade secondary school.

Health

In this study, the model families or their members are covered by Oberösterreichische Gebietskrankenkassa, the regional health insurance for workers and employees in Upper Austria. In Austria a charge (S 50) has to be paid each quarter adults visit a doctor (children are free). For each prescription a fee of S 56 has to be paid. In the matrix, the calculated yearly health costs per adult for visits to a

doctor or dentist (S 150) and one prescription (S 56) = S 206 and S 56 for one prescription per child. Hospital patients are not charged for medical treatment. Persons with low family income are exempted for both charges. The income limits are for singles S 8.437 per month, for two adults S 12.037 and per child S 898.

Social assistance
Social Assistance is regulated at the level of the Laender and administered locally; the minimum income from social assistance is not uniform throughout Austria. Upper Austria was the reference in the matrix. Rates vary by family size and include additions for children which vary depending upon whether the child is under or over 10 years of age. There are additional benefits for housing and extraordinary expenses (eg. clothes and tickets); for Upper Austria the maximum housing supplement is S1.250.

There is not a work test for lone mothers if the child is baby-age (except Vienna: age limit is 2 years). In reality the practice is generous especially for mothers with young children before reaching the regular kindergarten-age (3 years). Usually there is also no work test if a place is not available in the local public kindergarten or if these places are not free. Mothers with children until the 30th month rarely receive social assistance because most parents (about 90%) receive parental leave benefit.

Other
Social assistance is included where applicable.

Belgium

Earnings

Average *net* earnings were calculated from the 1997 wave of the Socio-Economic Panel, which is conducted by the Centre for Social Policy (University of Antwerp, UFSIA). Net amounts were transformed into gross amounts using a net-to-gross model developed by the Centre for Social Policy. As the index for wages is at present only available up to 1998, the amounts were updated with the official index of consumer prices (average for first half of 2001 divided by the average for 1997).

Minimum income

Belgium has a minimum wage, which varies by age and experience. In the matrix the minimum wage assumed was for employees of at least 22 years with work experience of at least one year, which it is set at 47,829 BEF per month.

Tax and social security contributions

A tax credit is granted in the form of a tax free amount, whose level depends on the family situation. This means that part of the income in the lowest band(s) is not taxed. These basic amounts are increased for each dependent child under the age of three (on the condition that no day care expenses are deducted) and for lone parents.

Child-care costs for children under the age of three are deductible from the total taxable income, provided that there is an occupational income and the nursery concerned is a recognised institution. The maximum amount that may be deducted is BEF 452 per day, per child. This deduction cannot be combined with an increase of the tax free amount for children under the age of three.

Social security contributions are compulsory and are levied on monthly gross wages. Depending on the status of the employee concerned, employee contributions amount to13.07 per cent for private-sector employees. From 1 January 2000 until 31 December 2003, workers with a low wage get a reduction on their social security contributions. In addition to the standard contribution, there is a special contribution to social security, which (in contrast to other social security contributions) is levied on the total taxable income of the tax unit. Those with an income below 750,000 BEF per year are exempt.

Cash benefits

Belgium has a non income-related system of child benefits. It is called 'Gezinsbijslagen' and depends on the rank and age of the child. Extra allowances are paid for certain categories such as the long-term unemployed or those on social assistance. In principle, benefits are only paid if contributions have been paid by one of the parents or another relative. However, the rules are so generous and inclusive that almost every child qualifies. In any case, for those children who do not qualify for the employee or self-employed systems, the residual system takes over. Within the residual system, the amounts are higher than for normal employees, as they include the extra allowances paid to parents who are long-term unemployed.

Child support

Child support is not guaranteed. For means tested benefits like the subsistence minimum, child support is regarded as a source of income and consequently is taken into account in the decision whether or not the benefit is granted.

Housing

There is no general housing benefit scheme in Belgium. Some social assistance services provide housing benefits to their clients. Eligibility criteria and amounts are completely at the discretion of the local services. The rules in Wommelgem, a sub-urban municipality near Antwerp, are as follows: Single adults and lone parents can have a rent allowance of 2/3 of their rent, couples 1/2 of their rent. The maximum amount of rent that is taken into account is 12.000 BEF/month for a single adult and 13.000 for a couple. For every child, this amount is increased with 1000 BEF/month. The allowance is paid only if the amount of social assistance benefit plus child benefit is lower than the social assistance benefit + rent allowance.

Local taxes differ by place of residence. In Wommelgem they amount to six per cent of the personal income tax (surtax). Province taxes are 525 BEF a year for a single person and 950 BEF a year for a family. Persons or families on social assistance do not have to pay this tax. Normally, households are charged a fixed amount for garbage disposal. In Wommelgem, however, households are charged in proportion to the amount of refuse it produces. Given that the imputed rent is rather high in the Belgian context, especially for low-income households, the matrix assumes that water costs are included in the rent (as is actually the case for some tenants). There is a charge for water pollution, which is in proportion to water consumption. The persons on social assistance are exempt.

Childcare provision

The state provides, normally costless, childcare from the age of 2.5. For children up to 2.5 years the most prevalent full time form of formal childcare are day-care families supervised by 'Kind en Gezin', a semi-official organisation that co-ordinates daycare. 'Kind en Gezin' uses its own system of rates for the initiatives they coordinate. The charges are income related, starting from 64 BEF to 632 BEF a day. Reductions are only possible when there is more than one child in the family and also an additional reduction can be obtained when two or more children are simultaneously in day care. A system of tax deduction for childcare costs also exists for children up to the age of three; the deductable amount is limited to 50 BEF a child per day of care.

Education

Meals are sometimes provided by the school for a charge which varies by school and cannot be subsidised. In the majority of the cases families buy the child's school material and books. The average cost for books and material is about 1306 BEF a year for children at elementary school and 21270 BEF a year for secondary level. In the matrix, school costs are derived from a survey conducted by the HIVA into actual school related expenditure by parents in the school year 1998-1999. The amounts have been uprated to June 2001. For primary school children the amount is equal to the sum of the median expenditures on non-durable and durable school articles (including magazines), and on school-related clothing and school equipment for secondary school children.

Study grants for children in secondary education are provided by the Government of the Region of Flanders. They are strictly targeted at low-income households. The amounts depend on taxable income, marital status and the number of children of the parents; they are higher for children in the higher grades of secondary education (from 4th grade on) than for children in the lower grades. No study grants are paid if the imputed rent of the home (as assessed for tax purposes) exceeds 20 per cent of the joint taxable income of the parents. For the matrix, it was assumed that this is not the case. It was also assumed that the children meet the eligibility criteria.

Health

Health insurance is financed by social security contributions. Most households are a member of a Mutual Insurance Society, through which benefits and reimbursements are paid. Mutual Insurance Societies charge a membership fee, but there is the possibility to take a membership at the National Health Service, which is free. Therefore these membership fees are not included in the health costs in the matrix. The rates are as follows:

General practioner: 626 BEF per consultation, of which 448 BEF is reimbursed by through social security.
Standard antobiotic: 61 BEF.
Dentist: 492 BEF per consultation, with 373 BEF reimbursed.
Filled cavity: this varies by age:

- milk tooth : 1842 BEF, with 1746 BEF reimbursement
- between 12 and 18 years : 1382 BEF, with 1286 BEF reimbursement
- more then 18 years : 921 BEF, with 691 BEF reimbursement.

The health package costs, after subtraction of reimbursements is:

707 BEF a year for an adult
573 BEF a year for a child under 18 years

Social assistance

Belgium has the following forms of social assistance for families with children:

- subsistence minimum
- guaranteed child benefits – Within the system of universal child benefits there are extra allowances when the father or mother is long term unemployed and receiving the subsistence minimum. The guaranteed child benefits are the same as the universal child benefits, including those extra allowances.

Both are means tested. The subsistence minimum does not provide additions for children. The law stipulates that getting a subsistence minimum implies a willingness of accepting work. However, in the case of single parents, especially with young children, this requirement is probably not enforced very strongly. Indeed, most single parents who are not working are likely to be on the Unemployment Benefit Scheme (which is not means-tested), rather than Social Assistance.

Canada

Earnings

Average earnings from the May 1998 Survey of Labour Income and Dynamics were up-dated using an index of average weekly earnings from the Survey of Employment, Payrolls and Hours, through to May 2001. The average increase for each month from February 2001 through May 2001 was taken and the index applied to project to July 2001.

Minimum wage

The federal (central) government of Canada and each of the provinces and territories has a minimum wage. For the calculation of the matrix, the Ontario General minimum wage was used, which was $6.85 as of July 2001.

Tax and social security contributions

Income tax is collected by both federal and provincial governments. There are numerous tax allowances for lone parents and/ or couples with children. In this study, income tax is calculated less the following credits:

1. Equivalent to Spouse Credit: All one parents with taxable income qualify for the Spousal Equivalent Tax Credit (which is a deduction from tax payable and is not refundable). Couples, with or without children, also receive this credit if one of the spouses is not working.
2. *Canada Child Tax Benefit* is based on the number and age of the child. It is 'administered' through the tax system, in the sense that the calculation of the amount of benefit to which a family is entitled is calculated using tax information and the application is usually through the tax system, but the actual payment is fully refundable and the cheque is paid monthly outside of the tax system. Therefore, to be comparable with other country's systems this major benefit has been included under cash benefits.
3. *Ontario Child Care Supplement for Working Families,* for each child under 7 (regardless of whether there is any child care expense or not).
4. GST Tax Credit
5. non-refundable medical expense tax credit
6. refundable medical expense tax credit
1. child care expense deduction
2. Ontario's Property Tax Credit
3. Ontario's Sales Tax Credit

Employees, employers and the self employed pay national insurance contributions to the Canada and Quebec Pension Plan and contributions to Employment Insurance. The Employment Insurance Premium Rate in 2001 is 2.25 per cent per $100 of insurable earnings up to a maximum of £39, 000 for employees. The annual maximum contribution for employees is $ 878. The Canada/Quebec (C/QPP) Pension plan tax rate is 4.3 per cent for employees on earnings above $3,500 Years Basic Exemption (YBE) and up to Maximum Pensionable earnings of $36,900.

Cash benefits

Canada does not have any cash benefits but it does have tax benefits that can be paid directly.

Child support

Child maintenance is not guaranteed in Canada. It is disregarded in some provinces for some purposes, but in general this is an exception. In Ontario, it is fully included for purposes of calculating social assistance entitlement.

Housing

The tenure chosen for this study is a market rental, which is by far the most common form of rental, in Toronto, Ontario. Supply side subsidies for bricks and mortar do not consistently exist, except for programs from time to time to give tax preferences to multiple residence dwellings. Direct subsidies do not exist for the type of rented housing chosen above. Local taxation, however, does exist but this is paid only by owners. Services such as garbage and water are included in the tax.

Childcare provision

Childcare is organised provincially, but no province guarantees child care. However, individual child care centres give priority to lone parents. The most prevalent full time form of formal childcare for children below minimum statutory school age is centre based care. The median cost for child care for a three year old after subsidies is $603 per month.

Child care expenses of up to $7,000 for each child under 7 and $4,000 for each child from 7 to 15 may be deducted from income. This is worth up to $1,020 for tax payers with less than $30,004 taxable income; $1,500 for those between $30,0004 and $60,008 and $1,740 for those over $60,008. In the matrix, all families with child care claim the maximum child care expense deduction of $7,000. Ontario also has a Child Care Supplement for Working Families credit, which is not usually related to child care, despite its name. However, families may claim half of their childcare expense up to a maximum. Both have been included in the income tax line in the matrix.

Education

Meals are not generally provided except in a few schools in very deprived neighbourhoods in a few provinces. There are no formal book or material charges. There are no allowances for young people (16-18 year olds) who remain in full time education after the school leaving age.

Health

In Canada, doctors and hospitals are free at point of use, but drugs and dentists are not covered. The charges are set by the market or by the dental associations (although these are not negotiated fees). There are some programs to pay such costs for children on social assistance or, in some provinces, low income households. In the matrix, a charge of $60 for check up, including cleaning, and $120 for cavity was assumed (Ontario prices) and $14 for a prescription, including $8 for the prescription fee and $6 for the antibiotic (assuming a generic drug is available).

Social assistance

A last resort safety net exists in each province for people without sufficient cash income from other sources. In Ontario, lone parents and couples whose income and assets fall below a certain level rely on provincial social assistance, called *'Ontario Works'.* Eligibility is only after exhausting benefits from social insurance and requires

various intrusive tests. Social assistance includes additions for children and varies depending upon whether the child is over or under 13 years old.

In Ontario, a work test exists for lone parents. Sole support parents with children of school age (6 and older) are required to be actively engaged in search for employment. This is not necessarily the same in all other provinces. However, by about 1996 most other provinces excepting Quebec and Saskatchewan had also moved to require work for lone mothers with no children under 6 years of age.

Other

Although some programs that provide supplements to the working poor (e.g., case 1) through social assistance, in reality these are highly restricted programs and no one is automatically eligible. Thus 'take up' is extremely limited. Consequently we have decided that it would not be appropriate to include this program here.

Denmark

Earnings

The *'smalfortjeneste'* has been used in the matrix, which expresses the normal hourly pay excluding pension contributions. Latest available information concerning the private and the state sectors refer to 1999, and for the municipal sector to 1998. The average hourly wages are regulated to the level per May 2001 using the wage index for the private, state and municipal sectors respectively as issued by Statistics Denmark. In the matrix, an average wage for men and women has been calculated for all on the basis of number of employees, within the three sectors. The hourly pay was then transformed into yearly earnings by multiplying with 37 hours and 52 weeks (i.e. including holidays with pay). On the basis of the above, the average wage for men is DKK 25.750, for women is DKK of 21.000 and for both is DKK 23.500 in May 2001.

Minimum income

Denmark does not have a minimum wage in a legal sense. Wages are left to agreement between the social partners. However since most employees are members of trade union and most employers of their associations it has, in all practicality an equivalent of a minimum wage. In this study, this has been calculated as the minimum pay agreed by the trade union organising the lowest paid workers (supermarket check out personnel etc.) Currently (Oct. 2001) it amounts to DKK 83,20 per hour. The minimum wage is higher than half the wage for men and for women. Therefore, we have used the minimum wage in both cases 2 and 3, as well as in case 1.

Tax and social security contributions

In addition to state tax, municipal and church tax for the municipality of Copenhagen have been included in the matrix of 32,3 pct. and 0,75 pct. respectively for 2001. No tax allowance or credits exist for lone parents and/ or couples with children.

The Danish welfare state is primarily tax financed. The rate of the new labour market contribution is eight per cent of the gross salary or wage, the special pension contribution is one per cent of gross salary or wage and the flat rate contribution to labour market pension is DKK 894 yearly and the average (voluntary) contributions to unemployment insurance is DKK 3.904per annum. Wage earners employed 16 hours weekly are supposed to be insured as part-timers and contribute less to unemployment insurance early retirement and ATP.

Cash benefits

The universal child benefit is *Børnefamilieydelse,* which is paid to all mothers with children under the age of 18. There are three rates depending upon the age of the child:

0 – 2 year-olds	DKK 2.925 per quarter
3 – 7 year-olds	DKK 2.650 per quarter
8 - 17 year-olds	DKK 2.100 per quarter

In addition, lone parents with children under the age of 18 receive Børnetilskud (child supplement). It is split into ordinary child supplement (Ordinært børnetilskud) (DKK

3.916 yearly as of January 2002) paid per child and extra child supplement (Ekstra børnetilskud) (DKK 3.980 yearly as of January 2002) which is not paid per child.

Child support

Child maintenance is guaranteed in Denmark. The Act specifies that if the child maintenance supposed to be paid to a child is not paid on the day it can be forwarded by the state to the person who has the right to child maintenance. Payment of maintenance presupposes application. (i.e. you only get it if you apply for it, and meet the conditions specified). It is paid in advance. When paid in advance the state (public) has the right to try and have it reimbursed by the other parent. The amounts are: Normal maintenance as of January 2002: DKK 9.984 yearly; supplement: DKK 1.296 yearly. Child support is not disregarded for income related benefits.

Housing

Supply side subsidies exist for public housing. The demand side subsidy is called housing benefit ('boligsikring') and is granted to families with and without children living in rented accommodation. The amount of benefit depends on the families income, the amount of the rent, and the number of children. The average amount of housing benefit for families were (in December 2000) 955 DKK pr. household pr. month. It was 395 DKK for households without children, 1.368 DKK for households with one child, 1.593 DKK for households with two children, 1.688 DKK for households with three children and 2.015 DKK for households with four or more children. The housing benefit has been calculated in all cases in the matrix. In reality however, according to the regulation for housing subsidies, the families in question would not be eligible for help, but would be asked to seek cheaper accommodation. This especially applies to families in case 1 with an earning for 16 hours worked.

There are local income taxes paid to the municipalities and counties but these are only paid by home owners. Expenditures for water, sewerage, garbage collection, etc are included in the rent (or covered by local taxes).

Childcare provision

Eighty-six per cent of municipalities issue a child care guarantee. Priority is given to children that are most in need of child care. Lone parenthood could serve as such, but do not automatically. The fees vary from municipality to municipality. The child of 2 years and 11 months is in nursery (vuggestue) or with a child minder (dagpleje) in Copenhagen costs DKK 2.180 monthly (2001).

Low income people get reductions. Those with a yearly gross income of under DKK109.700, are exempt, those with an income of DKK 109.701-112.126 pay five per cent of the charges. Payment increases with one per cent for every income increase of 2.426 to a maximum of household income of DKK340.200 or more, who pay 100 per cent of the charges. If there is more than one child under 18 in the home the income threshold is raised by DKK 7.000 per child.

Education

Meals are provided only on an experimental basis in a few schools. In the few cases that school meals have been provided, they have been free of charge. There are no expenses for books and materials used during the regular school day. No

allowances exist for young people (16-18 year olds) who remain in full time education after the school leaving age.

Health

Dental care is free for children. For adults, a diagnostic check is DKK 102 and DKK 134 for a non combined amalgam filling. Visits to GPs are free of charge in Denmark. Treatment with a regular antibiotic, Calcipin, 20 units costs DKK 61,70. For adults there is no subsidy for pharmaceutical expenditure under DKK 510 per year. For children there is a subsidy of 50 pct. Of pharmaceutical expenses between DKK 0 and 510. The subsidy refers to the so-called reference price which is DKK 55,65.

Social assistance

The social assistance scheme which lone parents and couples with children are likely to be claimants is called *Lov om aktiv socialpolitik* (Act on active social policy). One has to have experienced what Danish social policy legislation calls a 'social event' such as unemployment, sickness or divorce to receive social assistance. The social event should have caused the individual not to be able to provide for him or herself and there is no other coverage for provision. The amount paid includes additions for children and varies by age.

In the matrix, recipients are assumed to have received help for at least six months and hence pay contributions to ATP and the special pension saving. The single recipient without children receives a special assistance up to the ceiling of the level for providers *(forsørgerloftet)*.

A work test operates for lone parents - all recipients have to be active in sheltered or subsidised employment or in training or education – but this depends on the availability of child care. In cases where childcare is not available, the parent does not have to do 'activation'.

FINLAND

Earnings

Average earnings were obtained for 1999 from the Structure of Earnings, Statistics Finland and updated to July 2001 using the Index of wage and salary earnings, Statistics Finland

Minimum income

Finland does not have a minimum wage.

Tax and social security contributions

State and Municipal taxes are imposed on income. No particular tax allowance exist for lone parents or couples with children. A sickness insurance premium of 1.5 per cent is collected from the taxpayer on his/her earned income. Pension and unemployment insurance premiums are usually withheld from the employee's salary at a rate of 5.7 per cent (2000). Statutory pension insurance premiums are deductible in full. The deductibility of voluntary pension insurance premiums is limited to an amount depending on the nature of the insurance (FIM 50,000 or 30,000).

Cash benefits

In Finland, universal child benefit is the main means of evening out the expenses of families with children and families without children. It is paid for every child under 17. The amount received depends on the number of children in the family. There is an additional benefit for single parents of FIM 200 for every child.

Child support

Child maintenance is guaranteed in Finland. In cases where a non resident parent doesn't pay child support, local authorities pay child maintenance for the under 18 year old child. In 2001 the amount of flat rate child maintenance is 669 FIM/month/child. Child support and child maintenance payments are not taxable benefits. They are considered as income in last resort social assistance scheme, which means that in cases where the household has right to last resort means tested social assistance, child support/maintenance reduces the amount paid by local authorities.

Housing

In the matrix, all cases are living in a modern flat built after 1995. The size of the flat is: for singles 30 m2; couples without children 48 m2; lone parents with one child 48 m2; lone parents with two children 60 m2; couple with one child 60 m2; couple with two children 72 m2; and couple with three children 90 m2. No supply side subsidies exist but there are demand side subsidies. The general housing allowance is the most important of Finland's three housing allowance schemes and is the allowance applicable for this study. It is an income tested benefit which can be paid to low income households independently of the tenure.

Childcare provision
In Finland, every child under school age has the right to municipal day-care once the parental allowance period ends, regardless of the income level of the parents or whether the parent works. The most prevalent full time form of formal childcare for children below minimum statutory school age is municipal day-care centre or a familycare. Municipalities charge fees for daycare as percentages based on the size of families and their income level. The maximum fee is FIM 1,000 per child per month (1999). No fee is charged for those families with the lowest incomes.

Municipalities can pay private child-care allowance for the care of a child under school age living in Finland to a private child minder or daycare centre of the parents' choice. The support can be paid from the end of the parental allowance period until the child reaches school age. The support ends if the child is transferred to municipal daycare. Private child-care allowance is made up of a basic care allowance, which is FIM 700 per child per month, and a supplement which the family may be entitled to depending on its size and income. The supplement is paid to a maximum of FIM 800 a month per child.

Education
School in Finland provide free school meals and there are no additional books or material charges.

Health
Children up to 19 are free from general practitioner and dental charges in public health care centres. Charges for adults varies between municipalities. In Turku there is no GP prescription charges in public health care centres in 2001. In Turku only citizens born after 1945 born are entitled to the public dental care. For adults it is not free but is much below the market prices. In 2001 dental prescription charge starts from 35 FIM and special operations are charged separately. Those born after 1946 who use private dentists are entitled to exemptions, which is 60 per cent of the charge. Daily charge in hospital care for inpatients is (2001) 135,-FIM for both adults and children.

Social assistance
Income support exists as the last resort benefit in Finland with additions for children. It also varies by age of the child. There is a work test in all cases without exceptions.

Other
Social assistance is included if applicable.

France

Earnings

The data chosen for France comes from the collection of annual and compulsory declarations of social data by enterprises (Déclarations Annuelles des Données Sociales – DADS) published for the year 1999 by national statistical institute INSEE. The data correspond to the annual average earnings of full time employees working in the private and semi public sectors (excluding employees in agriculture, in domestic services and employees in public functions). The indexes used to update earnings data to March 2001 come from a quarterly survey on firms of 10 + employees. There is no separate index for men and women. The evolution for April-July of 2001/first trimester of 2001 is estimated assuming that earnings move each month of the next four months up to July 2001 at the average monthly rate that they moved in the previous 12 months (+2.4%). The assumed increase second trimester 2001/first trimester 2000 is 0.8 per cent.

Minimum income

The minimum wage is known as SMIC (salaire minimum interprofessionnel de croissance). The hourly gross minimum wage is 43,72 F in July 2001. This is the rate for employees still under the '39 hour' regulation. This applies to 70 to 75 per cent of minimum wage earners. This earnings is the one considered in CASE 1 and CASE 3 since it is superior by around 20 per cent to half national average female full-time earnings, but not in CASE 2 because it is inferior by around for per cent to half national average male full-time earnings.

Tax and social security contributions

There is a 'quotient familial' built in the income tax system which varies tax payable with the number of dependent children:
In the matrix, the following credits have been accounted for:

1. The tax credit for each child at school over 11 years old, an annual tax credit of 400 F for the 14 years old child and 1000 for the 17 years old child. The childcare tax credit. In the matrix, it concerns only families with a child under 3 (and those where all parents work).
2. The childcare tax credit is equal to 25 per cent of expenditure on childcare in the limitation of 15000 F of expenditure per year, that is a maximum childcare tax credit equal to 3750 francs per year (312,5 francs per month). This tax credit may NOT be refunded to the household.
3. The working tax credit 'prime pour l'emploi' (PPE) is a special tax credit introduced in 2001 which includes supplements for children. Contrarily to other tax credits in the tax legislation, but like the WFTC in UK, it may lead to a sum of money refunded to the household if it is superior to the income tax to be paid (negative taxation). In the calculation for the 'prime pour l'emploi' (working tax credit), the total income of the household, the total earnings of each adult, the number of hours worked by each adult, the number of children and the type of family (lone parent, one earner couple, two earner couple) are taken into account.

Employee social security contributions represent around 20.9 per cent of the gross earnings. Contributions refer to different social protection funds (social security for

family, health, sickness, work injuries, old age, unemployment insurance, compulsory supplementary pensions, etc.). The figure in the matrix includes employees social contributions, « Contribution sociale généralisée » (CSG) and « Contribution de remboursement de la dette sociale » (CRDS). There are several rates according to the social security funds (health, pension, family, supplementary pensions, etc.). Some social contributions apply up to a social security ceiling ('plafond de la sécurité sociale'), others apply only for the part of earnings above this ceiling. CSG and CRDS apply to 95 per cent of gross earnings while social contributions apply to 100 per cent. Not all these contributions are exempted for the calculation of the personal tax income. Part of CSG is considered as taxable.

Cash benefits

Non income related child benefit

Allocations familiales: AF (family allowances) for families with two or more children under the age of 16 or from 16 to 20, in education, training, unemployed or even employed provided the child does not earn more than 55 per cent of the monthly minimum wage. The amount varies by number of children. There are also age supplements for each child above 11 years and 16 years old (except for the eldest child of a two children family). A small contribution of 0.5 per cent ('contribution de remboursement de la dette sociale' - CRDS) is paid on most family benefits.

Income related child benefits

Complement familial (CF): for families with three or more children – 910,43 F per month (net amount – net of CRDS contribution). The income must be under a threshold that increases with the number of children. For a given number of children, the threshold is higher for lone parents and two working parents. All couples with three children receive it in the matrix: the means-test of benefits such as CF only exclude the higher part of the income distribution and CASES chosen for this study do not include any well-off households.

Allocation pour jeune enfant (APJE): for families with child(ren) under 3 – 1003,96 F per month (net amount– net of CRDS contribution). The ceiling for a lone parent with one child and for a couple with one child where both parents work is 147761 F. The ceiling for a couple with one child where both parents do not work is 111810 F. (ceiling increases with more children). The 'base resource' is the same as for CF, except a possible further deduction of 5000 F if the following conditions are fulfilled: all parents work (i.e., lone parents in cases 1, 2, 3, 4 and 5 and couples in cases 6 and 7) and if there are childcare costs (in the matrix, only lone parents and couples with a child of 2 years 11 months). In the matrix all lone parents with a child under 3 receive APJE. Couples with a child under 3 receive APJE in CASES 1, 2, 3, 4, 5 and 8. In CASE 6, the amount is a partial one ('APJE différentielle'). CASE 7 is not eligible.

Allocation de rentrée scolaire (ARS): Paid once a year in September. 1600 F per year (net of CRDS in September 2001) for each child between 6 and 18. The 'base resource' is the same as for CF and APJE. The ceilings are 104199 F for a family with one child, 128245 if two children and 152291 if three children. In the matrix, lone parents with two, couples with two and couples with three receive ARS in cases 1, 2, 3, 4, 5 and 8. Lone parents and couples with one child (7 years) receive ARS in cases 1, 2, 3, 5 and 8.

Child support

Child support is not guaranteed for *divorced* parents, which is assumed in the matrix. Child maintenance received is included in taxable income which is the basis of calculation of income related benefits

Housing

The chosen location and tenure for France a rented flat in Draveil, a commune in the 'département' of Essonnes and the 'region' of Ile-de-France. However, the type of tenure has no incidence in the matrix. Supply side subsidies for bricks and mortar exist as do demand side subsidies. The demand side subsidy is either 'aides au logement' or 'allocations logement' (housing benefit); families are only entitled to one of these. Housing benefit varies with the income, the size, the level of the rent and the geographical zone. Housing benefit cannot pay 100 per cent of total housing costs, but housing benefit may be superior to the tenant's rent liability, since it is calculated according to the level of the sum of the rent + a lump sum (varying with number of people) supposed to reflect other housing costs. Housing benefit is paid to households who have 'housing costs', that is both to those that rent a flat/house (and to those with a mortgage).

The local tax is the 'taxe d'habitation'. The local tax is based on the relative value of the property (reflected in the annual rent). The number of children is also taken into account. For a given family size, the tax is the same whatever the income over a certain income threshold. But, under this threshold, the local tax is income related through rather complex calculations. "Taxe d'habitation" serves for the budget of local authorities (Commune, Département and Région). Water and sewerage charges, and garbage charges, are extra. Social assistance recipients are exempted from local tax. Furthermore, the amount of the local tax is limited as a proportion of the taxable income.

Childcare provision

School is guaranteed for all children from three years old but not for two year olds. However, children are not guaranteed childcare and priority is not given to lone parents. The most prevalent full time form of formal childcare for children below minimum statutory school age is childcare at a registered childminders' home for children under 3. According to CNAF, the average is around 2,5 hourly SMIC and around 1873 F per month. A supplementary payment (frais d'entretien), not considered as wage/earnings but aimed at covering other costs (food, heating, etc.) for the childminder, is also paid by parents. The recommended amount is around 40 F per 'care' day or 767 F per month.

Parents can receive AFEAMA ('aide à l'emploi d'une assistante maternelle agréée'), a family benefit covering part of the childcare costs for childminders. AFEAMA is for each child. AFEAMA includes two components:

- The payment of all employee's and employer's social contributions in the limit of a wage equal to five times the hourly minimum wage per day.
- A supplementary benefit which is income related. All parents receive it, but there are three amounts differing according to the income level of the family:

Maximum AFEAMA amount is paid to LP+ 1(3) in cases 1, 2, 3 and 5 and C + 1 (3) in cases 1, 2 and 3. Their net cost is 2640 – 1283.55 = 1356 F per month (rounded figure)
Intermediate AFEAMA amount is paid to LP + 1(3) in case 4 and CP + 1 (3) in cases 4 and 5. Their net cost is 2640 – 1014.90 = 1625 F per month (rounded figure)
Minimum AFEAMA amount is paid to C+1(3) in cases 6 and 7. Their net cost is 2640 – 840.78 = 1799 F per month (rounded figure)

There is also a childcare tax credit for formal expenditure in a childcare outside the parents' home, that is basically for collective institutions (crèches collective, crèches familiales, kindergarten, haltes garderies) other formal arrangements such as registered childminders or 'centre de loisirs sans hébergement' (before and after school facilities). This is included under income tax in the matrix.

Education

School meals exist for a charge but there are several types of meal subsidies. The following have been included in the matrix:

1) There exists a local benefit provided by the 'département' of Essonne (where Draveil is located) for helping low income families to pay the school meals. Everything is paid for social assistance recipients.
2) For the 17 year old child in the second degree of secondary school ('lycée'), there is a regional ('Ile-de-France') means-tested grant for meals that is deducted of the payment of school meals. The grant is 1000 F per year.

Books are free for primary and first degree of secondary in France. For second degree of secondary, most regions provide books (or grants to pay for the books) to all or most of children. There are national means-tested grants for children over 11 and remaining at school.

- 'bourse des lycées' (lycées grant) for children in the second degree of secondary school ("lycée"), i.e. in the matrix, for the 17 year old child in the couple with three children. The grant is means-tested and income related.
- 'bourse des colleges' (colleges grant) for children in the first degree of secondary school ('college'). Means-tested and income related grant.

For all children at school between six and 18, there also exist a family benefit for school served once in September: 'allocation de rentrée scolaire'. This has been included under income related benefits in the matrix. There is a tax credit for each child over 11 at school. This has been included under income rax.

Health

For health charges, there is no difference between children and adults. All legally resident households are covered by social security health insurance. The health insurance covers only a part of the cost, there are charges remaining for the patients (co-payment system). It has been assumed that household have to pay all the premiums. However, households with low income, including all API and RMI social assistance recipients are also automatically covered for the remaining charges (Couverture Maladie Universelle complémentaire). They pay nothing.

Social assistance
The main social assistance and minimum schemes are 'revenu minimum d'insertion' (RMI) for all households, except lone parents with one child under three and 'allocation de parent isolé' (API) for the lone parent with one child under three.

API: paid to lone parents for a maximum duration period of 12 months after the event creating the lone parenthood (death of the spouse, separation, divorce, pregnancy) and/or till the youngest child is 3 with an income under a threshold. Maximum monthly amount: 4393 for a lone parent with one child, + 1098 F per subsequent child. For API recipients there is no work test.

RMI: all remaining situations with an income under a threshold. Adults below 25 and without any dependent children are not eligible. Amounts vary by family type. There are additions for children. For the RMI recipient there is no work test, but there is an obligation to sign an 'insertion' contract, that most often refer to activities such as work or training, but which may also only refer to more 'social insertion' activities such as health or housing.

Other
The income for case one is so low that the households also receive social assistance.

Germany

Earnings

Average earnings of all full-time adult male and female employees for 1997 – for West and East Germany separately – were obtained from the Employee Survey conducted by the Institute for Labour Market and Occupational Research of the Federal Agency for Labour. The averages for adult men and women in West Germany were calculated by the Institute of Economics and Social Sciences. Earnings for West Germany were used. West German earnings are updated by movements in the yearly official index of average earnings for West Germany, base year 1995, by the Federal Agency of Statistics from 1997 to 2000. In Germany there is no separate index for men and women. The updated earnings 2000 are updated then to July 2001 by using the latest available index for West Germany (January 2000 to January 2001). It was assumed that earnings move for each of the seven months in 2001 (January to July 2001) at the average monthly rate that they moved from January 2000 to January 2001.

Minimum wage

No minimum wage exists in Germany.

Tax and social security contributions

The German system of tax allowances/tax credits for children is called an option model: Up to a certain income parents can make use of a children's tax credit ('Kindergeld'); it is deducted from income tax liability. For low incomes with no or low tax liability the Kindergeld is paid as a child benefit. Above a certain income threshold (which is dependent on the number of children) it is more favourable to apply the children's tax allowances ('Kinderfreibetraege') which reduce taxable income. Additionally, there are special tax allowances for lone parents. Regardless of income lone parents are granted a tax allowance of DM 468 per month for lone parents ('Haushalts-Freibetrag'). Regardless of income and family type all parents can use an education tax allowance ('Ausbildungs-Freibetrag') for children who are in formal education: DM 150 per month for children under 18 years not living with parent(s)

Employees are required to pay Social Security Contributions (SSC) at a fixed percentage of their gross earnings. There are four branches of Social Security: Unemployment Insurance, Pension Insurance, Health Insurance and Care Insurance, which amount to 20.4 per cent of gross earnings for earnings between the lower and upper limits. In the matrix, it is assumed that the social security contributions by employees with earnings below the lower earnings limit are zero as employees' contributions to pension insurance are not mandatory.

Cash benefits

These no longer exist in Germany, except cash benefits for low income families ('Kindergeld').

Child support

Child maintenance is guaranteed by the state in Germany for children under 12 but only if child support is not paid by the absent parent. It is paid for 72 months at

maximum ('Unterhaltsvorschuss'). In 2001, the payments were: for children below 6: DM 231 (West Germany), for children aged 7 – 11: DM 309 (West Germany). Child support is not disregarded for income related benefits.

Housing

No supply side subsidies for bricks and mortar exist for this type of housing but there are demand side subsidies. In West Germany the proportion of the rent that can be subsidised depends on the average level of rents in the community where the claimant is living (there are 6 classes: I to VI) and on the age of the rented property. The model families are living in an apartment rented on the private housing market in a community where rents are at a medium level (class III) and in a flat used the first time between 1 January, 1966 and 31 December 1991. The apartment is assumed to have 75 square metres and to be located close to the centre.

The household income on which the amount of housing benefit is dependent is gross income reduced by 30 per cent for each household member paying social security contributions and taxes; child benefits ('Kindergeld') are disregarded from the household income. Additionally the household income is reduced for each child between 16 and 25 years with their own income; for lone parents with children below 12 years if the lone parents are employed or in education and for each family member above 62 years. Households receiving social assistance are paid a lump-sum housing benefit calculated on the basis of a standardised income and differentiated according to household size. For the matrix we assume that total housing costs are covered by the benefit.

There is local taxation; real estate tax ('Grundsteuer B'). Tax levels are determined on the local level by the local authority. The tax is based on the taxation value of the property which on average is about 30 per cent of its market value. The amount of the tax also depends on the type of the taxed building. In the matrix, we assume a 3-bedroom-flat with 75 square metres in Giessen (Hessen) with a tax value of DM 90,000. The real estate tax then amounts to DM 94,50 per month. It is not possible to get a rebate on these taxes. Service charges are extra. There are charges for sewerage, refuse collection and street cleaning. These local taxes and charges differ widely by community.). Charges and real estate tax total: DM 204.25 per month.

Childcare provision

The state does not guarantee childcare for all children below the minimum school statutory school age but since August, 1996, every child between 3 and 6 years is entitled to a place at the kindergarten for 4 hours per day. Priority is given to lone parents. The most prevalent full time form of formal childcare for children below minimum statutory school age, chosen for the matrix is day nurdery (for children aged 3–6). Non-profit childcare provision (by churches and welfare organisations) is subsidised: up to 90 per cent of total costs are financed by the local and the federal level. Childcare costs for parents vary between the states (Bundeslaender). Detailed representative data on childcare costs are not available. In Giessen a day nursery for one child costs 640 DM per month (5days per week, 8 hours a day). For couples with low incomes and both parents working or for working lone parents the local youth welfare department ("Jugendamt") pays the day mother. There are no uniform income limits, but the decision of the local youth welfare department on subsidizing the costs for the day mother depends on the rent the parent(s) has/have to pay, the

number of children living in the household etc. Otherwise the parents have to bear the costs.

Education
School meals are not generally provided and there are no meal subsidies. There are no books or material charges. Whilst no allowances exist specifically for young people (16-18 year olds) who remain in full time education after the school leaving age, there is an education tax allowance ('Ausbildungs-Freibetrag') which can be used by all parents, regardless of income and family type. This has been included under income tax in the matrix.

Health
Children are exempted from health charges. There are charges for adults: Prescriptions: In the matrix, we assume a standard charge of DM 9 for prescriptions per year for each adult; eg. DM 0,75 per month.

Income related exemptions exist: for a family member paying contributions with an income below DM 1,792, DM 2,464 for the member and one family member insured together with the member, DM 2,912 for the member and two family members, DM 448 for further family members. People on welfare and people receiving unemployment assistance are also exempt from charges. In addition, children and non-employed partners (the couple has to be married) do not pay contributions to health insurance but receive all necessary health services.

Social assistance
In Germany, there is a general all-inclusive Social assistance scheme (‚Sozialhilfe'). Everybody whose financial means are not sufficient to live on minimum standards are eligible. The amount granted differs between the states (Bundeslaender); in West Germany there are additions for children and the amount paid increases with the age of the child. Lone parents receive an additional amount of DM 224 per month if their child is younger than 7 or if they have two or more children under 16 and DM 336 per month if they have four or more children under 16.

Adult recipients are expected to participate in the labour market. They are obliged to take up work if possible. If they refuse to do so benefits can and will be cut by 25 per cent in a first step and can be reduced further. Lone parents are exempted from work obligations until the third birthday of the youngest child. In the case of couples with young children it might also be the case that the mother is given a job offer and the father would be exempted; but one of the parents will be exempted in any case until the third birthday of the youngest child. Thereafter it depends on the number and age of children and on the availability of childcare if mother are obliged to work (a 'decent' education of the children has to be guaranteed).

Other
Employees with low earnings are also entitled to additional social assistance.

Greece

Earnings

The data we used as the starting point for our calculations refer to 1998. The data was taken from the comparative Eurostat's New Cronos database.[1] Our method of updating the data to 2001 was to add to the 1998 amounts a series of increments that represented the annual rate of change in the index of consumer prices. Eurostat data on Harmonised Indices of Consumer Prices was used for this purpose[2]. By following this procedure we updated the data by simply taking into account inflation.

Earnings data for manual workers only was used because:

- the figure for all full time employees can be misleading given the extreme variations that exist between different professional groups with regards to their average earnings.
- Eurostat's New Cronos database did not contain data that allowed a gender-specific breakdown of the figure of average monthly earnings for all full time employees.
- all manual workers pay contributions that entitles them the right to a set of benefits like rent subsidy and child benefit. Other professional groups can not access these benefits

Minimum wage

The national agreements on minimum wages of remuneration make a distinction between manual and non-manual workers. The minimum wage used in the matrix refers to the category of manual workers aged 18 or over. On 31st July 2001 the monthly amount of the minimum wage was 161,136 GDR per month. However, in Greece, the annual amount of earnings also includes extra payments as bonuses for Christmas ad other holidays. Our calculations took these extras into consideration when calculating the monthly minimum wage: "Real" minimum wage = 161136 GDR (nominal minimum wage) x 13 / 12 = 174600 GDR.

Income tax and social security contributions

Family policy in Greece is exercised predominantly via the taxation system, rather than the benefit system. Thus, the formula of calculating tax includes a large number of tax allowances and credits that vary according to the family size and the characteristics of the household of the taxpayers.

In particular, the most relevant *tax allowanc*es to this study are:

- rent expenses related to taxpayer's main house of residence: 30 per cent of annual expenses up to a maximum amount of GDR 240,000
- rent expenses payed by the taxpayer's family members who reside elsewhere (e.g. students): 30 per cent of annual expenses up to a maximum of GDR 180,000
- expenses related to education of members of the family (including child care, private tuition etc.) up to a maximum annual amount of GDR 150,000 per member
- all medical expenses and costs of health treatment

[1] Eurostat (2001) New Cronos database, http://reads.dur.ac.uk/newcronos/
[2] Eurostat (2001) Statistics in Focus, Theme 2, No 34, Table III

- expenses for life insurance, up to four per cent of taxable income
- expenses for goods and services bought by family members: 30 per cent of annual expenses - these expenses can not exceed a maximum of GDR 300,000

The *tax credits* vary according to the number of children and the relevant amounts were used.

Further, in the cases of two earners, tax is calculated separately for each earner. However, according to the relevant Greek tax system regulations, only one earner's income (normally the highest earner) can be considered for deductions and allowances.

There is a plethora of occupational social insurance funds and levels of contributions vary across different professional categories. Our choice of manual workers lead us to adopt the standard set of contributions that apply to this professional category; those collected by the Greek Social Security Institute (IKA) which is the largest social insurance institution in Greece. A significant part of these contributions are collected on behalf of other organisations. In particular, IKA collects contributions regarding unemployment and a series of other functions on behalf of OAED (Manpower Employment Organisation) and also collects contributions on behalf of Workers' Housing Organisation (OEK) and the Worker's Foundation (EE). Payment of contributions other than IKA's is a prerequisite for entitlement to various benefits.

In the matrix, we assumed that the model families have been insured after 1 January 1993. This is because a set of slightly different rules apply for the calculation of a number of the social insurance contributions of people insured before this date. Overall, both groups pay the same level of contributions and the only substantial difference is that after 1 January 1993 - and for the first time in the history of the Greek social insurance system- state contributions were institutionalised.

Cash benefits

Non income related child benefit

All parents in or out of work who are insured with IKA, including manual workers, will be entitled DLOEM[3] child benefits. Those who are lone parents will have access to an additional child benefit for lone parents. It is paid at an increase of the previous benefit [an extra GRD 1,250 for each child].

Income related child benefit

Child benefit for 'unprotected' children

Lone parents on very low incomes will also have access to the so-called benefit for the 'unprotected' child. This is a means tested benefit provided by the Greek Welfare Organisation (EOP). The benefit is GRD 15,000 per child and the beneficiary's monthly income should not exceed GRD 80,000.

Marriage allowance

Married employees will be entitled to marriage allowance.[4] In case of two earners only one partner can claim this allowance.

[3] In Greek: ? ????e?e?a?? ?p?d?µa ?????
[4] In Greek: ? p ?d?µa Gaµ??

Child support
Child support is not guaranteed in Greece.

Housing
The model families are assumed to live in Peristeri, a suburb of Athens, in a very modest one bedroom flat in this locality. Employed or unemployed persons who have contributed to the Worker's Housing Organisation fund (OEK) can claim a rent subsidy. Basically the subsidy varies according to

- family status,
- type of employment (seasonal or full time),
- health status (partially disabled or able bodied)
- the beneficiary's contributions record,
- level of earnings and
- level of rent.

Local tax exists in Greece and varies depending upon the Municipality in which someone resides, and usually correspond to the size of the property, rather than its value or the number of people residing in them. Generally, local taxes in Greece are low and the amount used in the Greek matrix (GDR 1,500) corresponds to the tax amount that occupiers of one bedroom flats are expected to pay in Peristeri in July 2001[5]. The tax does not include water rates; these have to be paid separately.

Childcare provision
Public provision for child-care facilities for children below 3 years of age is still underdeveloped in Greece. However, public provision for child-care facilities for children between 3 and 5, is more extensive. In the matrix various assumptions were made about costs. For the low income cases (cases 1,2,3,8) we did not include any child care expenses regarding households with children aged 2 years and 11 months. This is because in these cases, due to their very low incomes, parents will have priority in the publicly run child care centres. The latter are in principle free but, due to high demand, they often operate a system of waiting lists were spaces are allocated to children according to mother's employment status (employed mothers have priority) and income. In some cases high-income families may be asked to pay a low monthly fee. However, more than often, a combination of large demand and limited supply results in the places being filled quickly by children who come from low-income families with employed mothers.

Against this background, we decided to include a monthly amount for a standard private child-care facility (GRD 70,000) for children aged 2 years and 11 months in cases 4,5,6,7. This decision was based on three premises. First, it would be very difficult for parents on these levels of income to 'qualify' for free publicly run child care centres. Second, parents on these incomes would most probably seek better quality private child care facilities. Third, an amount of expenses for child-care (GRD 150,000 per child per year) is deducted from the taxable income. This deduction was taken into account when we calculated the tax for these households.

[5] Amount calculated by the relevant authorities of the Municipality of Peristeri

Education

Although education is, in theory, free in Greece, a large proportion of Greek families with children spent substantial amounts for private tuition,[6] either to help their children to cope with the inadequacies of the publicly run system or to give them extra-curricula education. Further, as found by a recent Greek study[7], when children are preparing for the national exams to gain entry to a University, the amounts spent on private tuition can reach extremely high levels. Spending on preparatory lessons for the exams can reach as much as GDR 1,000,000 per child per year. In our calculations we wanted to take into account this important cost for Greek households. Thus, we included modest amounts for private tuition which differed according to the age of the child. Thus, for a child aged 7 we allocated an amount of GDR 15,000 per month and for children aged 14 and 17, we allocated an amount of GRD 20,000 and GRD 30,000 respectively. An additional reason to include this costs was that an amount of expenses for educational purposes (GRD 150000 per person per year) is deducted from the taxable income. This was also taken into account when we calculated the tax for these households.

Health

Health costs are the same for children and adults and no exemptions or reductions exist. We assumed that earners were insured with IKA (Social Security Institute)[8]. Persons covered by IKA are expected to participate towards the costs of pharmaceutical care by meeting 25 per cent of the total cost. We estimated the amount per person per month to be approximately GDR 600. All other costs are covered by IKA.

Social assistance

No general system of social assistance, minimum income or 'safety net' exists in Greece. Instead there is a series of very low cash benefits and a number of benefits in kind for different social groups, including families and children facing economic hardship. Lone parents on very low incomes have access to the so-called benefit for the 'unprotected' child. This is a means-tested benefit of GDR 15,000 per child per month (used to be GDR 12,000). The beneficiary's monthly income should not exceed GDR 80,000. Approximately 34,500 lone parents received the benefit in 2000-1.[9]

From 1 January 2002, low income families (lone parents and couples) with children will be eligible to the so-called 'pre-school/school benefit'. The level of benefit is GDR 100,000 per year for each child up to 16 years of age and is means-tested, household income should not exceed GDR 1,000,000 annually. Approximately 135,000 families are expected to take up this benefit.

There is no work test for lone parents and cohabiting/married mothers with children. Given the low levels of the amounts of available benefits and the income 'floor' applied in the mean test, it can be argued that there are no 'incentives' for any lone parent to stay on social assistance benefits in Greece.

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[6] In Greek: Φροντιστηριον

[7] Results of a survey by the Institute of Consumer Research, reported in the newspaper *Kathimerini* (?a??µe????), 9 Sept. 2001

[8] IKA (2001), Benefits website, http://www.ika.gr/en/benefits-gb.html

[9] Reported in the newspaper *Kathimerini* (?a??µe????), 26 August 2001

Ireland

Earnings

Earnings were taken from CSO, Industrial Earnings and Hours Worked, June 2001.

Minimum wage

The National minimum wage was introduced in April 2000 at an hourly gross rate of £4.70.

Income tax and social security contributions

In Ireland, there are no allowances or credits for children but the number of children affects exemption limits. The exemption limits are £450 each for first and second child, and £650 for each subsequent child. A one parent family receives and additional tax allowance, currently £5500.

Employees pay National Insurance contribution at a rate of four per cent up to an annual income of £28,250. There is also a health levy paid at the rate of two per cent. Exemptions exist for employees who earn up to £226 per week and there is no health levy for earnings up to £280 per week. Recipients of One parent Family Payment are also exempt from health levy.

Cash benefits

Non income related child benefit

This is paid to parents or guardians of children under 16 years of age, or under 19 years of age if the child is in full-time education or has a disability. Payment varies by number of children: The payment in respect of the first and second child is £67.50 per month and for each subsequent child £86.00 per month.

Income related child benefit

The following are included in the matrix:

Family Income Supplement (FIS): This is a weekly payment for families, including lone parent families, at work on low pay. Criteria includes full time employment and varies by number of children and income up to a threshold.

One Parent Family Payment: Paid to lone parent who earns less than £230.76 per week and satisfy a means test. Payment ranges from £5.50 to £85.50 for those aged under 66. An extra payment of £15.50 is given for each additional child dependent. One parent family payment is only income related if the parent working. Otherwise, the lone parent receives full entitlement.

Child support

Child support is not guaranteed in Ireland.

Housing

The tenure chosen for the matrix is Local Authority renting in Dublin. Supply side subsidies for bricks and mortar do not exist in Dublin and whilst there are no demand side subsidies, differential rents exist. Rent payable is 15 per cent of assessable earnings. There is no local taxation in Dublin but there are Local Authority Bin Charges of £95 per year. These however have not been included in the matrix.

Childcare provision

Whilst childcare is not guaranteed, the Early Start Pre-school Programme was set up in October 1994. The programme is targeted on areas of particular disadvantage. Priority is not given to lone parents. The most prevalent full time form of formal childcare for children below minimum statutory school age is presumed to be mainly a childminder in a crèche. There are charges at an average estimated cost for a child minder in a crèche etc at £2.50 per hour (40 hour week) =£100 per week. No subsidies, reductions or tax credits exist to help parents with this cost.

Education

County Borough Councils, Urban District Councils and Town Commissioners can in certain circumstances, arrange to provide meals for children attending national schools, at schools where at least half the children live in or in housing provided or owned by that authority. There is no legal obligation on the local authorities to provide this service. However, meal subsidies do not exist. Books are charged at an amount which varies by class. In the matrix these are £150 per year (12.46 per month).

No allowances exist for young people (16-18 year olds) who remain in full time education after the school leaving age. However, there is a Back to School Allowance, which provides assistance in respect of school-going children for whom a Child Dependant Allowance is payable. The scheme operates from 1st June to 30th September. Back to school allowance (BTS) varies by age of the child and is paid to those below certain income limits which vary by family type and number of children. The rates are 5.25 per month for ages 2-11 and 6.50 per month for ages 12-17

Health

For those above a means test and not entitled to a medical card, both adults and children will be charged £25-£30 for a GP visit depending on location. If the parents are not on a medical card, the children will have roughly the same costs as an adult for dental, hospital and prescription charges. Hospital charges for adults are £26 per day with a maximum of £260 in 12 months. The total costs used in the matrix are £125 per year (private costs) - £10.40 a month per adult.

The Medical Card Scheme, which is administered by the regional Health Boards, provides a range of health services for the card holder and his/her dependants -Free GP and prescribed drugs and hospital services. Full time students aged 16-25 receive benefits on their parents medical cards. Lone parents with dependent children are assessed under the same income limits as for married couples. Medical cards are provided for those under weekly income limits that vary by family type and presence of dependants.

Social assistance

The main social assistance and minimum schemes of which lone parents and couples with children are likely to be claimants are:

Supplementary Welfare Allowance: 1. Basic Payment, 2. Supplement, 3. Exceptional Needs, 4. Urgent Needs Supplements include: Rent and Mortgage Interest, Back to school and footwear, and national fuel scheme.

One Parent Family Payment is paid to lone parents who earn less than £230.76 per week and satisfy a means test. Payment ranges from £5.50 to £85.50 for those aged under 66. An extra payment of £15.50 is given for each additional child dependent.

Unemployment Assistance: Paid to persons seeking work and satisfy a means test, and are not in receipt of unemployment benefit. Additional amounts are given for child dependents.

Persons receiving Supplementary Welfare Allowance and Unemployment Assistance should be available for work. This does not vary by age of children. However, there is no work test for lone parents on One Parent Family Payment.

Israel

Earnings

Average earnings of all full-time adult male and female and all employees from the 1999 national income survey were updated for July 2001 by the rate of income growth calculated by the Israeli Central Bureau of statistics.

Minimum wage

Israel has a minimum wage that varies only by age. The adult minimum wage is 47.5 per cent of the gross average wage: 3,266.58 NIS per month, 18.88 NIS per hour.

Income tax and social security contributions

There is a tax credit for families with children. Two credit points are received for each child under 18. Each credit point is worth 168 NIS. The credit varies by number of children and the type of family (lone parents get an extra credit point). Working mothers also get an extra credit point. It is credited to both (working) parents through the tax system.

Employees are required to pay the National Insurance Institute by the following:

5.76 per cent from the first NIS earned to the limit of 3,482 NIS (50% of the gross average wage).

9.7 per cent for earnings between 3,483 and 34,820 NIS (5 times the gross average wage)

A flat rate of 3,377 NIS for earning above 34,820 NIS

Cash benefits

Israel has a non-income related child benefit which varies only by number of children and includes all children aged 0-18. The first child and second child is paid 171 NIS and the third child is paid 343 NIS.

Child support

Child maintenance is not guaranteed but child support is disregarded for income related benefits.

Housing

Jerusalem was chosen as the location for the matrix. Families were specified to live in a type 2 residence (apartments of less than 120 square meters) and that they live in the most common location in the city. Supply side subsidies for bricks and mortar do not exist for the type of housing which couples with children and/ or lone parents are renting. There are subsidies for rented housing, which are contingent upon a large number of specific demographic and socio-economic characteristics. Moreover, the support is dependent upon the availability of funds. In the matrix, the subsidy varies by family type and presence of children.

Local taxation exists in the form of council Tax. Water and sewerage is paid separately. Council tax is calculated by the size, type and location of the home. In the matrix, different size houses have been assumed for different family types.

In Israel there are reductions in local taxes for single parents and income support recipients. Single parent families receive a 20 per cent discount on local tax. Income

support recipients and or low income earners receive between 40-90 per cent discount according to family size. In matrix all cases receive an 80 per cent discount.

Childcare provision

Childcare is not guaranteed for children below the minimum school statutory school age but priority is given to lone parents in welfare and voluntary settings. The most prevalent full time form of formal childcare for children below minimum statutory school age, as used in the matrix is local government and public NGO's. The charge for childcare is 1517 NIS. However, there are income related reductions. These, however, were not included in the matrix because funding is limited to a few cases each year.

Education

School meals are not provided and no meal subsidies exist. There is an obligatory payment of 22 NIS per child per year for education. Books are not supplied by school but are paid for directly by parents. There is no obligatory charge for material or outings but all schools can demand a 'voluntary' payment for this from parents. Only the obligatory charge has been included in the matrix. Lone parents receive an annual benefit for school costs of their children. No allowances etc. exist for young people (16-18 year olds) you who remain in full time education after the school leaving age.

Health

All health costs are covered by the national health insurance (payment is income related) expect dental cares and a small fee for prescriptions. Children are exempt from the national health insurance payment. Average spending on dental care and prescriptions as calculated by the Central Bureau of Statistic is 133 NIS per month. There are no exemptions for both children and adults.

Social assistance

The main social assistance and minimum schemes of which lone parents and couples with children are likely to be claimants is Income Support. The benefit varies by family type and the level rises according to the number of children, but the limit is two children. The lone parent scheme provides financial support for covering school costs of children in lone parent families.

The social assistance scheme is selective and depends upon means and work tests. There is currently no work test for lone mothers and cohabiting/married mothers with children under the age of 7.

Other

In Israel social assistance is paid to low earners in employment.

Italy

Earnings

These were up-rated to July 2001 using the consumption price index and the provisional consumption price index between July 2001-june 2001.

Minimum income

The minimum level of wages varies by production sector, type of work, career level. For the matrix, we assumed the contractual minimum wage for the big factories of the mechanic sector: lit. 703.000/month.

Tax and social security contributions

For each household composition and income level, we calculated the yearly IRPEF tax (taking into account the various tax credits for subordinated workers, dependent spouses and children). The regional additional IRPEF tax is 0.9 per cent. Subordinated workers (and pensioners) are totally exempted from paying the IRPEF income tax if their yearly taxable income is below the certain levels, which vary by number of dependent children. There are also income tax deductions for dependent spouse and children (*Detrazioni IRPEF per coniuge e figli a carico*). All tax-payers are qualified. There is a further tax credit (lit 240.000) for each child below three years of age. Tax-payers get a tax rebate. If both parents are working, they will share the tax credit for dependent children (50% each).

National Insurance contribution vary by activity sector and firm's size. In the matrix the rate for subordinated workers in factories with more than 15 workers and commercial firms with more than 50 workers was used – 9.19 per cent of the monthly gross earnings.

Cash benefits

Income related cash benefits

There is a means-tested benefit for households with three or more minor children, with an income below a given threshold: *Assegno ai Nuclei Familiari con almeno Tre Figli Minor*). At least three of the children must be under 18 years of age. The basic monthly amount is lit. 203.000 for a household with five members and an income below lit. 36.000.000, increased according to the household's size and income level.

Another income related benefit is *Assegni per il nucleo familiare* (Households' cheques). It is not strictly support for children, but for the members of a household. The monthly amount varies by household size. It can therefore also be paid to households without dependent children. It is paid to subordinated workers, unemployed on benefit, retired former subordinated workers. People working less than 24 hours a week receive the household cheques only for the effective working days. Therefore, for case 1 in the matrix (1 earner, working 16 hours/week), we calculated 2/5 of the full amount he/she should be entitled to according to his/her yearly income level.

Child support

Child maintenance is not guaranteed in Italy and it is not disregarded from income related benefits.

Housing

The chosen tenure is a rented dwelling of 60 mq (3 small or 2 medium rooms) + a 6 mq cellar in the municipality of Milan. No supply side subsidies exist for this kind of tenure. Whilst demand side subsidies do exist for rent expenses, these were not calculated in the matrix, because they cover a negligible part of the low-income households living in rented dwellings. Moreover, very few households apply for them.

There is local taxation. In Milan this is the *TARSU* (local tax on solid urban garbage collection) : In the matrix, we calculated the full charge for a 60 mq dwelling + a 6 mq cellar (Lit. 12,750 = per month) for all household types. For the singles living alone and the very low income households (living on social assistance or on minimum wage 16 hours a week), there is a 1/3 rebate (Lit. 18.58 per month). Water rates are additional. The average cost for a medium size household (n=3) in a small-medium size flat (60 mq) is lit. 10.000/month.

Childcare provision

The state does not guarantee childcare for children below the minimum school statutory school age. Lone parents are usually given priority but it depends on local arrangements. The most prevalent *full time* form of *formal* childcare for 0-3 year olds, as used in the matrix is day Nursery. Charges vary according to local arrangements. Household's income level and family size are taken into account.

Education

Meals are provided according to the specific school hours and to the local arrangements.

Meal charges vary according to local arrangements. The household's income level is generally taken into account. It is very rare to have meals at school in secondary school, so only the seven year old child has meals at school. As the most prevalent school time in the primary school is the *modulo* one (5 mornings and 3 afternoons a week), in the matrix the monthly charge for a child eating three times a week was used, according to the household income.

Books and material charges have recently been introduced (since school year 2000-2001). They are free of charge for the 7 year old; for the14 year old we used the average maximum level of the 22 different school specializations (lit. 39250/month); for the17 year old (lit. 76.800 /month).

Health

GP visits and antibiotic prescriptions are free of charge for everybody; public dentist visit + cavity filling is LIT. 2.92 + 2.67= LIT 5.58/month for each member of the family. Income related subsidies and exemptions exist. For each household member younger than 6 lit. 5.000.000 are deducted from the countable household income. Households with a yearly income below lit. 18.000.000 are exempt. Partial exemption is acknowledged to households with an income between lit. 18.000.000 and 36.000.000.

Social assistance
There are currently two social assistance schemes; the *Minimo Vitale* (*MV*, Minimum Life Income) and *Reddito Minimo di Inserimento* (*RMI*, Minimum Insertion Income). RMI is a national scheme but it is currently in a pilot phase. Therefore the MV has been included in the matrix.

Minimo Vitale (MV): Many Regions – but not all – have approved a Regional Law on social assistance which involves a means-tested last resort measure called *Minimo Vitale* (*MV*, Minimum Life Income), paid by the Municipalities but heavily conditioned by budgetary constraints. The measure has different eligibility criteria and payment levels in the different Municipalities according to the different regional law and to local arrangements. The MV includes additions for children.

The work test for MV is part of the discretion power of social workers. The test is much stricter for the able-bodied without children. Work is not compulsory if child care is not available. Whilst it depends on the discretional evaluation of social workers, generally speaking, mothers with children younger than three years are *not* requested to be available for work, but no clear regulation exists on the matter.

Japan

Earnings

There are several important features in the Japanese wage structure:
First, it contains a seniority aspect - wage increase with age. Despite the seniority system, it was decided that the average of all age groups should be used in the matrix. Second, the wage system includes certain occupational allowances, which vary depending on the size of company and its financial conditions. The two allowances included in the matrix were:
'*Occupational family allowance*': This takes accounts of family structure – a higher wage is given for the presence of a spouse and/or dependant. Whilst this is part of earnings, it has been included under cash benefits for comparative purposes.
'*Occupational housing allowance*': This is a rent subsidy. In addition, companies often provide housing. For comparative purposes, this has been included under housing.

It is important to stress that whilst we have included the above allowances as a cash benefit and housing subsidy, these occupational allowances are, in reality, provided as a part of wages (not social security benefits), and are therefore reflected in the amount of social security contribution, income tax and local tax payable.

Finally, a 'bonus' makes up a huge proportion of the average worker's annual income.

To calculate earnings at July 2001, earnings from June 1999, as published in The ministry of Health and Welfare (2000) *The Chingin Kozo Kihon Tokei Chosa (the Earning Structure Survey on Financial year 1999),* were updated using the provisional data index. The bonus was then added. The earnings data in the matrix has therefore been calculated as follows: All worker's monthly earnings is Y326040(monthly basic) + Y1006500/12 (annual bonus payment / 12) = Y409900

<u>Minimum wage</u>
Minimum wages are set by the main industries and by local authorities and so there is much variation. Japanese data for the matrix is based on the locally set one. The average local minimum wage (average of 47 local authorities) is 659 yen (hourly).

Tax and social security contributions

Certain groups are eligible for tax allowances whereby the amount of tax payment is reduced. The Tax allowances are as follows:

1. *Allowance for spouse* who is economically inactive: 380000 yen
2. *Special allowance for spouse* whose income is below certain level: up to 380000 yen
3. Allowance for Dependant (for each child)
   - under 16 or over 23 380000 yen
   - between 16 to 22 630000 yen
4. *Allowance for Lone parent and widow*

Lone father whose annual income is below 5,000,000 yen: 270000 yen
Lone mother whose income is below 500000 yen: 350000 yen
Other Lone mother: 270000 yen

Social Insurance contributions vary depending on workers employment type (ie whether he/ she work for private sector, public sector, or self-employment including small firms). Japanese data is based on a case of medium size private company.
Pension: 17.35 % of monthly salary / 2 = 8.675 %
Medical + Social Care Insurance: 9.1 % of monthly salary / 2 = 4.05 %
Employment: 0.6% of monthly salary
Special contributions: 1 % from bonus and other extra payment

Cash benefits

Non-income related benefit

Occupational allowance: The rate is based on the official survey of occupational welfare. The level of allowance is different depends of the size of corporation. In the matrix, large company's data is used for a family with average earnings (matrix Case 4, Case 5, Case 6, Case 7) and small company's data for those on half- average earnings (Case 2, and Case 3). Allowance for spouse is usually not given to family on dual income from both full-time job.

Income related cash benefits

The child benefit (Jido Teate): This is provided for pre-school children only. It varies by number of children, and is paid 3 times in a year (4 month's payment in each time).

Child Support Allowance (*Jido Fuyo Teate*): This is for lone mothers and varies depending on the number of children and income level. It is paid three times a year (4 month's payment in each time).

Child support

Child maintenance is not guaranteed and child support is not disregarded for income related benefits.

Housing

The amounts assumed in the matrix were based on the assumption that the model families live in large cities. The assumed tenure is a private rented flat (and the model family receive an extra wage for housing). No supply side subsidies exist. A demand side subsidy exists in the form of *Occupational housing allowance.* This is paid via the wage by employers although in the matrix it has been treated separately in the housing line. This varies significantly between companies.

Two types of local taxation exist - flat rate tax and income related tax – and residents pay both unless they are on low income. Flat rate local tax varies between local authorities – the amount usually reflects the population size – and the metropolitan authorities use higher rates. Income related local tax is a very similar to the system of national income tax.

No service charges are part of the local tax but residents pay the local services/public utilities such as water. Most utilities charges, including water, depend on the amount consumed rather than flat rate. Some local authorities charge for collecting garbage. Again there is great variation.

Childcare provision

The state does not guarantee childcare for children below the minimum school statutory school age but priority is given to lone parents. The most prevalent full time form of formal childcare for children below minimum statutory school age assumed in the matrix are public sector nurseries (including those run by the non-profit sector under contract with local authority). These, however, are only available for children when both parents work. Charge scales for public sector nurseries are based on income, number of children, age of children, and time arrangement. Scales vary depends on local authorities but usually the scales vary from free of charge to 80000 yen per month. The remaining cost of childcare is covered by a public fund based on general taxation. No other benefits or subsidies exist.

Education

Whilst education is free in Japan, private tuition is important and therefore the cost of this has been included in the matrix. School meals are usually provided for children in elementary school but this is not always the case for those in secondary school. It depends on local authorities. Meal subsidies exist. There are books and material charges at school which vary depending on the local authority. Usually parents pay for books, school trips, uniform, materials for science class experiences and a fee for Parent and Teachers Association(PTA). No allowances exist for young people (16-18 year olds) who remain in full time education after the school leaving age.

Health

Most medical practitioners are private and public medical insurance covers the cost of treatment. The costs vary depending on the practitioner who decides the types of treatment, drugs, and materials. It is also very important to note that the charge is different depending on the type of public health insurance; the charge for the same treatment can be different depending on workers status. Charges for children and dependant members are based on the main earner's insurance scheme. Hospital/ General practitioner (GP) dental/prescription charges exist for children and adults in Japan. However, children under 6 are exempt from paying for medicine that is given directly by a practitioner on the visit. In addition, many local authorities have their own measures to cover the charge for children under 3. For adults, private sector employees pay for 20 per cent of treatment cost (the remaining 80 per cent is covered by the insurance). His/ her dependant pay for 30 per cent of treatment cost (70% is covered by the insurance).

Social assistance

The form of last resort ‘safety net’ benefits for people without sufficient cash income from other sources of which lone parents and couples with children are likely to be claimants is Public Assistance (*Seikatsu Hogo* system). This includes additions for children. The Minimum living cost of each member of family are calculated on the basis of age and extra additions are given on the basis of family size.

The law states that 'public assistance is only available after using all assets and capabilities'. It is usually interpreted that this includes the abilities to work in practice and no specific treatment for lone parents is defined in the law. Furthermore, the Japanese system is combined with social work practices which aim to support the independence from public help. Indeed, the officers' discretion is usually the deciding

factor in the Japanese social assistance system. It is highly unlikely that those of working age can receive benefit, if not impossible by law. Officers (social case workers) visit all those receiving benefits on regular basis, and suggest (help or order) them to work. Therefore, whether a 'work test' is applied varies from case to case and depends on the officer's judgement of how to run the system, rather than the system itself.

Luxembourg

Earnings

The average earnings have been calculated from the "Inspection Générale de la Sécurité Sociale - IGSS » dataset. This dataset collects the gross salaries of those affiliated to the national social security system each month with the aim to calculate and collect the social contributions. The average and median earnings given by this institution are for March 2001. These earnings were updated (2.5 %) because an increase of the revenue was made in April 2001 as a result of the adaptation of the salaries to the consumer price.

Minimum wage

The minimum wage, called 'Salaire Social Minimum', is 52 047 LUF/month for a full-time non-qualified worker over 18 years old. For a full-time qualified worker over 18 years old the minimum wage is equal 62 457 LUF/month (120% of the amount of a non-qualified worker).

Tax and social security contributions

If taxable income is less than 300 LUF then no tax is payable. The following tax credits and allowances are included in the matrix:
A Tax credit for dependent children (modération d'impôt pour enfant): A tax credit of 36 000 LUF/year multiplied by the number of dependent children. It is only accorded to families with an income tax higher than nil, which means that families with an income tax equal to nil do not take advantage of this tax credit (income tax is never negative) and families with a low income tax (between 1 and 35999 for a family with one child) take partial advantage of this tax credit.
Childcare allowance: A flat amount of 144 000 LUF/year is granted for childcare expenditures. This flat amount can not exceed the real cost of the childcare expenditures.
Lone parents allowance: A deduction for lone parent is granted if the taxpayer is to supporting the child alone and if the child receives no maintenance payments. The flat amount of this deduction is 77 400 LUF/year.

Employees are required to pay national insurance contributions on gross wages:
The health care contribution rate differs for blue-collar employees (4.95 % of the gross wage) and white-collar employees (2.72%). For both the maximum base is 5 times the minimum monthly wage (5*52047 = 260 235 LUF/month).
The pension contribution rate is equal 8 % of the gross wage. The maximum base is 5 times the minimum monthly wage (5*52047 = 260 235 LUF/month).
The dependent or long term care contribution is equal one per cent of the gross wage minus 25 % of the minimum monthly wage (gross wage minus 13 012 LUF/month).

Cash benefits

Child benefit in Luxembourg. called 'Allocations familiales', is universally available for children aged 18, or over 18 and under 27 if in vocational training / further education. It varies by number of children and age. Supplements are given for each child over the age of six, with increased amounts for each child over the age of 12. At 18 years old, the benefit can be paid directly to the child.

Child support

Child maintenance is guaranteed in certain cases. Due to the fact that the child support is estimated by a legal decision, this has not been included in the matrix. The child support is disregarded for income related benefits.

Housing

A private three-room dwelling, regardless of family type, in Luxembourg City was chosen for the matrix. Many different supply side subsidies exist for bricks and mortar but these do not depend on the type of family renting the accommodation. A demand side subsidy exists for recipients of social assistance. Where rent is due for an occupied flat the difference between the rent paid and the amount corresponding to ten per cent of the guaranteed minimum income (social assistance) is guaranteed additionally. The maximum is 5 000 LUF/month.

Households who rent an accommodation do not pay local property taxes. However, there are additional charges for water and refuse collection. For water, it is assumed that consumption depends on the number of persons of the household. At 1 July 2001, the price of one cubic meter of water was 57,39 LUF plus 15 LUF per cubic meter for sewerage plus 130 LUF for the rent of the water meter plus VAT three per cent. For garbage collection, it is assumed that the price depend on the number of persons of the households. These prices have been estimated from the price of a 'garbage bag' sold by the Luxembourg-City authorities. One garbage bag cost 60 LUF.

Childcare provision

Child care is not guaranteed in Luxembourg but more and more cities guarantee what is called the precocious education 'éducation précoce' for three year olds. Otherwise, priority is not given to lone parents. The most prevalent full time form of formal childcare assumed in the matrix is a childminder. Full time in this case has been defined as 25 hours per week or more. No official charges exists (they are negotiated between the parent and the childminder). The charge made for a public nursery was used to calculate the net childcare costs: 38 726 LUF/month for a full-time childcare (10 hours per day and five days per week). The price that parents must pay depends on the semi-net income (household income minus social contributions) and the number of dependent children (children with child benefit).

A tax credit exists for every parent who with childcare expenses. This tax credit relief is equal at maximum 144 000 LUF/year per family. This is included under income tax in the matrix.

Education

School meals are provided in some but not all schools. Meal subsidies exist which are directly deducted from the price of the meal, which means that the students pay less than the real price of the meal. The meal price in Luxembourg-City is 1280 LUF/month for a child who is attending a primary school and 1600 LUF/month for a child who is attending a secondary school. Books are free in the public primary school. It has been estimated that the costs for equipment are 250 LUF/month for all children and the costs for books are 500 LUF/month for children who are attending a public secondary school.

A school allowance is guaranteed to children who are attending a school. This allowance is guaranteed for children aged six and above. This allowance varies with the age and the size of the family.

Health

In Luxembourg, children and adults are treated in a similar manner in regards to charges for medical treatment, dental care and prescriptions:

For medical treatment, the patient is charged 20 per cent of the ordinary tariff for visits for the first medical visit in any 28 day period; five per cent for other visits or consultations. The share borne by an insured person is five per cent for medical treatment expenses (maximum of 1 536 LUF per visit). In terms of dental care: 80 per cent reimbursement in excess of an annual sum of 1 435 LUF which is fully covered. Prostheses are 100 per cent covered. For pharmaceutical products; reimbursement is according classification of drugs: normal reimbursement: 78 per cent.

In regards to hospitalisation, there are no charges for children. For adults, there are participation in maintenance costs: 384 LUF per day of hospitalisation. However, in a whole year, participation cannot exceed three per cent of the yearly contribution income.

Social assistance

The main social assistance and minimum schemes claimed by lone parents and couples with children is the 'Revenu Minimum Garanti'. Persons resident on Luxembourg territory and having resided in the country for at least two years during the last 20 years are eligible to claim this benefit. The amount (a differential amount) paid varies with household size, which includes additions for each child. Claimers to social assistance have to follow professional insertion measures. Lone parents with a child who is less than 6 years old do not have to be available for work in order to claim social assistance.

Other

Social assistance called Revenu Minimum Garanti (RMG) is paid to low earners in employment.

The Netherlands

Earnings

The average wages for the 1st quarter of 2001 were available (Date: 2001 Source: Sociaal-Economische Maandstatistiek), which we then updated to July 2001 by assuming that earnings move each month of the next four months at the average monthly rate that they moved in the last year.

Minimum income

The minimum wage varies by age and working hours per week. For those aged 23-65 the amount is: 40 h/w:15.01p/h; 38 h/w:15.80p/h; 36 h/w: 16.68p/h.

Tax and social security contributions

Several tax credits exist:

Children's tax credit: under 65 years: fl 84 (child that was younger than 16 years old at January 1st 2001 and s/he and (plus his/her partner) has an income under fl 120.104). Those with low income (below fl 60.053) are eligible for the additional children's tax credit: under 65 years: fl 423

Lone parents tax credit: under 65 years: fl 2.779 (children under 27). If a child was younger than 12 years old at 1 January 2001 and the claimant has a paid job, then lone parents can claim the additional lone parent tax credit: fl 2.779 for those under 65 years

Combination tax credit (for couples): under 65 years: fl 304 (child that was younger than 12 years old at January 1st 2001 and claimant has earnings from a paid job above fl 8.678).

The National Insurance contribution for social security is included in the income tax for incomes under fl 59.520. Of the total income tax 17.9 per cent is contribution for AOW (old age benefits) and 11.5 per cent is contribution for ANW (General Next of Kin pension) and AWBZ (national insurance for specific health costs). Above this annual income threshold of fl 59.520 social security insurances are arranged privately. Health insurance is not included.

Cash benefits

Child benefit is universal and is paid per child under the age of 18 per quarter. The amount received varies by number of children and age. Children between 16-17 only receive child benefit when they are following (part-time) education or are not able to work.

Child support

Child maintenance is not guaranteed and is not disregarded for income related benefits.

Housing

The location chosen is Utrecht and the tenure is a three bedroom dwelling, regardless of family type. No supply side subsidies for bricks and mortar exist for this type of tenure but there is a rent subsidy (huursubsidie). The maximum level of the benefit is fl 555. Depending on their annual income, age, assets, and size of household claimants with a rent between fl 358 -1193 can be entitled to the housing

benefit. Singles between 18-65 years with an annual income above fl 37.350 are excluded. The sum of the household annual income should not exceed fl 50.020 for households with more then one person.

There is local taxation in the form of a property tax and waste products. The Onroerende-zaak (property- tax) depends on the value of the tenure: fl 5.42 per fl 5000. In the family matrix an average value of fl 300.000 for the three bedroom dwelling has been assumed. The Afvalstoffenheffing (waste products levy) is fl 240. Exemption from local taxes is possible, at the discretion of the local government, when income is of the social assistance level (or lower). There are no additional service charges.

Childcare provision

The state does not guarantee childcare for children below the minimum school statutory school age, but children of four get entrance to schools for a limited number of hours. However, priority is given to lone parents. Subsidized care is the most prevalent full time form of formal childcare for children below minimum statutory school age and has been used in the matrix. The charges for subsidized childcare are based on the income of the parents. Free childcare can be available for lone parents if they have a paid job or are in training. Everybody using childcare is entitled to tax credit relief. This has been included in the income tax line in the matrix.

Education

School meals are not provided. There are books and material charges from the secondary school onwards which have to be paid by the caretakers. The family matrix included the average monthly amount of (640:12=) fl 53 for these school costs. In addition, educational costs and parental contribution (income dependent) have to be paid for students above 16 years of age. In the family matrix an average amount of (1.878:12=) fl 156 was included for these expenses.

Parents can receive an allowance for young people (16-18 year olds) who remain in full time education after the school leaving age and can be exempted from their parental contribution by the school for children of 9-17 years of age. These depend on the income of the claimant(s), the type of education, and the number of children in full time education in the household. There is a maximum amount payable which decreases above the annual income of fl 54.982.

Health

There are health charges for children in households with a total annual income above the threshold of fl 65.700. They are not automatically included in the public health insurance and these households have to arrange their health insurance privately. Hospital, GP and prescription charges are free for adults in all types of insurance. However, there are charges for dental treatment. It costs fl 41.20 for a filling.

Social assistance

The main ‘safety net’ benefit for lone parents and couples with children is social assistance. This varies by family type. Singles and lone parents can get an extra monthly allowance on request. There are no additions for children. Claimants are

obliged to apply for jobs but are exempt if they take care of child(ren) under age five. For mothers with children over five, social assistance workers decide they should be obliged to find work. In practice 60 per cent of lone mothers on welfare with a child over the age of five are exempt from the full obligation to find work.

New Zealand

Earnings

Average male and female earnings were uprated from May 2001. The estimated quarterly increase to August 2001 was 0.6 per cent, adjusted down to July to 0.4 per cent, giving average weekly male earnings of $3432 and average female earnings of $2596 per month for July 2001. Average earnings for all employees is a weighted composite of male and female earnings, with the weight based on relative total hours of work: Average Gross (Male +female) earnings $698.11 + update = $700.90 per week OR $3037 per month.

Minimum income

The Minimum Wage for adults (18 years and over) is $NZ7.70 per hour.

Tax and social security contributions

There are three tax credits:

Family Support Tax Credit (FSTC): This reduces tax liability for low-income families and beneficiary families with dependent children under age 18. The allowance varies by income, age of child and number of children. The maximum amount of Family Support applies up to the income of $20000 per annum. Family Support is abated against income, including benefit income.

Child Tax Credit: This is an in-work benefit which reduces tax liabilities for low-income families with dependent children under age 18. One parent must be in work. Recipients must not receive an income-tested benefit. This allowance varies with number of children and income. The amount is $15 per week per child. The child tax credit is added to family support and both are abated against income, including benefit.

Family Tax Credit: This is available to low-income families (with dependent children) who work more than 20 hours, for a lone parent and 30 hours, for a couple. It varies by hours of work and income level and is designed to bring family income, including family assistance, up to a gross of $18638 or net of $286 per week.

Employees pay an Accident Compensation Levy of 1.3 per cent of income. This levy applies to all gross earnings, but not social security benefits or family assistance.

Cash benefits

There are no cash child benefits, only refundable tax credits.

Child support

Child maintenance is not guaranteed. Child support is not disregarded for income related benefits.

Housing

A public rental, three bedroom dwelling, regardless of family type in Wellington has been chosen for the matrix. No supply side subsidies for bricks and mortar exist for this type of tenure but there are demand side subsidies. There are two alternative benefits which people can claim:

Income-related rents for state housing: Tenants pay up to 25 per cent of their income, up to the market rent for the property. Income includes income-tested benefits and pensions, family assistance for the first child, and is net of taxes. Market rents vary with size of dwelling, its location, quality and rents of surrounding properties.
Accommodation Supplement: This is open to low-income households in private rental situations and those paying a mortgage. The Supplement varies with location. The formula is AS = 0.7(R-0.25Y) Income is measured in the same manner as income related rents.

Tenants in both the private and public sector do not pay local taxes (at least directly as it is legally paid by the landlord). There are no additional charges.

Childcare provision

The state does not guarantee childcare for children below the minimum school statutory school age but a free part time nursery school education place is technically guaranteed for all four year olds whose parents want one, but shortages in some areas mean that this is not met. Priority is not given to lone parents. The most prevalent full time form of formal childcare for children below minimum statutory school age, as used in the matrix is the crèche. The average full-time cost for a child at crèche 2.5 years to 5 years is $196 per week or $850 per month.

There is a low-income child-care subsidy, and the rate varies with income levels and length of time that child care is used. The maximum subsidy for a one child family is $69 per week if income is less than $520 per week and over 30 hours of child care per week are used. There is no subsidy for income above $620 income per week. For a two-child family, both at crèche, the maximum subsidy remains at $69 but the income level before the subsidy is cut rises to $640 per week. From $741 per week income there is no subsidy. In Case 1, where they are only working 16 hours per week, full subsidy eligibility is not obtained. If they took out crèche for only the hours of work per week, then the gross cost would be $347, and the net cost $257 per month. Here the maximum subsidy is for nine hours totaling $20.70 per week or $90 per month Cases 2 and 3 receive the full subsidy whereas Case 5 receives the $26.50 per week subsidy.

There is also tax relief. Childcare receives a maximum Tax Rebate of $310 per annum for child care expenses of $940 per annum. The tax rebate applies at 33 per cent for child care expenses up to $940 per annum. This has been included in the income tax line in the matrix.

Education

School meals are not provided but some low-income schools use part of their grant to pay for breakfasts for 'needy' students. There are no direct books or material charges. However, all schools charge a 'voluntary' donation that varies between schools based on wealth of population and school desire to provide additional equipment, facilities etc. Pupils are usually excluded from a range of benefits if their parents cannot/do not pay. Some schools are willing to subsidise low income pupils. There is no specific financial assistance given to students to stay on at school beyond school leaving age.

Health

All public hospital services are free for all patients. In general, there are charges for GP services, though low income people pay a reduce price through the Community Services card (CSC). The average charge is $35, and with the CSC this is reduced to $20. For children under 6, the GP charge is technically free, but in practice there is a large reduction, and where doctors charge a higher price than average, a fee is still paid. All dental services (except orthodontists) are free while children are at school. For adults, the cost of dentist check up and filling is $70, though dentists are free to set their own price. In low income areas, dentists fees tend to be lower. Prescription charges are levied, with a maximum of $15 if the prescription is on Pharmacy's (the agency concerned with prescriptions) or less if the cost is less, otherwise, if the drug is not on the controlled list, the full fee is paid. With the Community Services card, prescription costs are lowered to $3.

Eligibility for the Community Services card is based on receipt of an income-tested benefit, including Family Support for those in the full-time work force. Pensioners and full-time tertiary students are also eligible for the Community Services card, as are high users of medical services.

Social assistance

There are two social assistance schemes of which lone parents and couples with children are likely to be claimants. Lone parents can receive the Domestic Purposes Benefit, or if Widows, the Widows Benefit. Couples with Children are most likely to receive the Community Wage, formerly the Unemployment Benefit and Sickness Benefit. People forming one of the categories such as unemployed, lone parent, sick, invalid or widow are eligible. The actual receipt of a benefit depends upon the size of the income (of the couple where appropriate), with benefits abated away against (couple) income. At 30 hours work per week for a couple and 20 hours for a single person (both with dependent children) the guaranteed minimum family income takes over from the benefit system. There is also a six month residency requirement, though this is waived for refugees. The scheme varies by family type and includes additions for children.

Partners of Job Seekers (unemployed) became eligible for work-tests in 1996, with the work tests being similar to lone parents receiving the Domestic Purposes Benefit. For the Domestic Purposes Benefit the work-test was for those whose youngest child is 14 years and over, full-time work was the obligation. For those with a child aged 6-13, the custodial parent is subject to a part-time work-test [up to 20 hours per week], and for those with a child under 6 there was a requirement for an annual interview. In June 2001, the work-test for partners was abolished, but the tests for lone parents remained, though the current plan is that they are abolished next year (originally the lone parent work test was meant to be abolished in June 2001 as well).

Norway

Earnings

October 2000 earnings figures were updated using the index for monthly earnings in manufacturing, which was 112,8 for 3rd quarter of 2000 and 116,5 for 2nd quarter of 2001, which gives a growth rate of: 3,28.

Minimum income

Norway does not have a statutory minimum wage.

Tax and social security contributions

Incomes below NKr 22.599 are not taxable. The Norwegian tax system includes two tax groups, which take into account family type. Spouses with joint taxation, and lone parents with at least one dependent child are in group II and for this group incomes below NKr 45 200 are not taxable. In addition, there is a deduction for documented expenses towards childcare (foreldrefradrag, 'parent's deduction'). This is worth NK 25.000 for one child and NK 30.000 for two or more children, and is available to lone parents and couples with children under 12. The parent's tax credit is credited to the parent with the highest income. The tax credit is lost to families with incomes below the tax threshold.

All employees with incomes exceeding NKr 22 599 pay National Insurance contributions, 7.8 per cent of gross incomes, which do not vary with number or ages of children and/or family type. There are no exemptions or rebates, except for those with incomes below the threshold.

Cash benefits

Child benefit *barnetrygd* is a non-income related benefit payable to all mothers (or lone fathers) with children under 18. It is paid at a higher rate for children under 3, and to families living in Northern Troms and Finnmark. In 2001, the standard rate is NK 972 per child per month. The addition for under-3s is NK 657 per child per month, the addition for the northern region is NK 316 per child per month. Lone parents receive child benefit for one child more than they actually have. For the purposes of child benefit, a lone parent is defined as a parent who lives alone.

Child support

Child maintenance is guaranteed in Norway. It is forwarded by the National Insurance. It will only be forwarded if the non-resident parent does not pay regularly on time, or if he pays less than the forwarded amount. If the child's father is unknown, forwarded maintenance may still be paid. Forwarded maintenance is NKr 1160 per child per month. However, child support is not disregarded for income related benefits. It is to be taken fully into account for social assistance purposes, following a new directive from the Ministry. Transitional allowance (see below) is reduced by 70 per cent for child maintenance received *above the forwarded amount*. The forwarded amount is disregarded. For all other benefits targeted at lone parents, child maintenance is disregarded entirely.

Housing

The tenure chosen for the model matrix family was a rented apartment with three rooms on the outskirts of Oslo. There are no indirect subsidies for bricks and mortar but there is a housing subsidies program, *bostøtte*, co-administered by the State Housing Bank and the municipalities. *Bostøtte* is available only to families with children and families including old age pensioners. It is paid only when incomes are very low; the minimum threshold increases with the number of people in the household. Bostøtte is estimated as 70 per cent of the difference between 'actual housing costs' and 'reasonable housing costs'. 'Actual costs' are actual costs up to a maximum that varies with the number of people in the household. 'Reasonable housing costs' is estimated as a proportion of the household income. This proportion *increases* for higher household incomes and *decreases* for households with many residents. For renters, the rent (excluding electricity) is taken into account.

There is a local tax on home ownership, but this is only payable for those who actually own their homes. For renters, this tax is almost always included in the rent. Normally garbage disposal, water and sewer charges are part of the local tax and it is not possible to get a rebate on these taxes, although these expenses are taken into account in the calculation of the Bostøtte. There are no additional charges.

Childcare provision

The state does not guarantee childcare for children below the minimum school statutory school age. The most prevalent full time form of formal childcare for children below minimum statutory school age, as used in the matrix, is the public (municipal) nursery. Rates vary between municipalities. In the matrix, data from Oslo was used. Income related subsidies also vary. Many municipalities have reduced rates for low-income families and siblings, but there are no national regulations. The running of public nurseries is subsidised but there are only public transfers to alleviate the parental fees for lone parents under 10, who are entitled to child-care benefit. This covers 70 per cent of documented child-care expenses up to a ceiling. Lone parents whose incomes are between 6 and 8 times the National Insurance base amount (NKr 51370 from 1 May 2001) may have 35 per cent of their expenses covered. Lone parents with incomes above this level are not eligible for benefit.

In addition, all parents with children under 12 are eligible for the 'parental tax credit', that is, a reduction for documented expenses to childminding and child-care. For 2001, the maximum amount is NKr 25.000 for one child and 30.000 for two or more children. This has been included under income tax in the matrix.

Education

School meals are not provided in Norway and there are no additional books or material charges. The State Education Loan Fund provide grants and loans to all students. Conditions are more favourable for students under 19, whether in secondary school or college/ university. How much a young student can receive depends on family income, the number of siblings under 19 and on whether or not the student lives away from home.

Health

Children under 7 are exempt from hospital, GP, dental and prescription charges.

The health charges for adults and children over seven are:
General practitioner, (including policlinic): 110 per consultation
Specialist, (including policlinic): 193 per consultation
Prescription medicine: 36 per cent of the cost, up to a maximum of NKr 360

There is a ceiling for medical charges set at NKr 1450 per year, including prescription charges. People who reach this ceiling are given an exemption card, and are not charged for the rest of the year. Admission to *hospital* is free for members of the National Insurance. The patient normally pays in full for dental treatment.

Social assistance
Social assistance is universal, and may be claimed by couples with children, lone parents and people without children. It is means-tested, and administered and financed by the municipalities. The level of social assistance depends on how many people are going to live on the money, but there are no formal or statutory additions for children. All recipients of social assistance are expected to look for employment.

For lone parents, there is a separate set of benefits. The key benefit is *transitional allowance*, which is payable to lone parents with children under eight. Receipt of transitional allowance is limited to a total of three years, or five if the parent is undertaking education. If the youngest child is older than three, transitional allowance is conditioned on the parent being in (at least 19 hours per week) employment or undertaking education (at least 19 hours per week). There are no additions for children in transitional allowance. This has also been included under income related cash benefits in the matrix.

Other
'Stønad til barnetilsyn', benefit to cover part of child care expenses for lone parents has been included here.

Portugal

Earnings

The average earnings for 1999 (Source: Quadros de Pessoal, do Ministério do Trabalho e da Solidariedade) were updated those to 2000 using the rate of 5.6 per cent referred to by the Bank of Portugal in a report about the Portuguese Economy as the growth rate for Portuguese workers' earnings. We then updated the figures for July 2001 assuming the percentage of 3.8 per cent given by a study of INE – Statistic National Institute – as the index for the cost of labour for the first half of 2001.

Minimum income

The minimum wage is 67.000PTE for general workers.

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Tax and social security contributions

There are no allowances or tax credits for lone parents or couples with children. There are however different tax rates according to the number of dependent children. After a second child, families are entitled to a lower tax rate and the age of the dependent child. A reduction is made on the amount of taxes families have to pay annually.

There is a total National Insurance contribution of 34.75 per cent on the wage's monthly amount, of which 11 per cent is the employee's contribution. Some professional sectors have lower contribution rates for Social Security. For example, agriculture workers and domestic servants only pay a contribution of 11 per cent of their income.

Cash benefits

Portugal's child benefit is income related. The child benefit is available for children under 16 years old or 24 years if they are in full time education. It also depends on the number of children and their ages (a higher amount is paid to children under the age of one). The amounts received vary according to different levels of income calculated in relation to the minimum wage. The child benefit also varies depending on the regime of Social Security to which the family is entitled. In the non-contributive regime the amount of the benefit paid cannot be higher than that paid for the first child in the contributive regime.

Child support

Child support is not guaranteed. The state will only support the lone parent when the non-residential parent does not pay the child maintenance and it is proved in Court that it is impossible for him/her to pay it. This impossibility is recognised when the non-residential parent has an income lower than the national minimum wage.

Housing

The chosen tenure for the matrix is a rented dwelling in Amadora, a town in the surroundings of Lisbon with a large population and a diversity of housing situations. However for two of the cases (1 and 8) we have chosen social housing because they are on low incomes. Supply side subsidies for bricks and mortar exist for the type of housing which couples with children and/ or lone parents are renting. Demand side

subsidies also exist called ‘Incentivo ao Arrendamento Jovem’. For rented housing there is support for young people aged under 30, with low income. This support could be 75 per cent of the value of the rent to a maximum. There are also lower rates for young people (aged less than 30) with a mortgage. The lower rates are dependent of the family income, the number of people in the family and the value of the house.

There is local taxation but only for homeowners. Sewage maintenance is included in this tax and there are no additional service charges.

Childcare provision

According to the law the state is obliged to provide childcare for children below minimum school age, however, the network of pre-school provision is very poor. Priority is not given to lone parents. The most prevalent childcare provision as used in the matrix is private non profit organisations. In these, families pay their childcare according to their income per capita; there are different levels of income established on the base of national minimum wage (NMW). However, despite rules to calculate the level of income per capita, the charges can vary between different institutions. Not-for-profit organisations have some financial support from the state. So, the charges for the families depend on those agreements and on the amount of the support given by the state to each institution. There are no subsidies but there are reductions, for children from low income families in a non profit institution. There is also a 20 per cent reduction when there is more than one child from the same family in the childcare. Private not-for-profit organisations also take into account special situations. For example childcare is free of charge if the family are not able to pay.

In addition, there is a childcare tax credit. Every person who has a child in formal child care (in a profit or on a non profit organisation) has the right to deduct from taxes 30 per cent of the charges in a maximum of 107.000PTE per year. In the case of one family with three or more children that limit is incremented by 20.100 PTE for each child. This is included under income tax in the matrix.

Education

School meals are provided but not in every school. There are meal subsidies:

- The price of a meal in a canteen of a primary school is 390 PTE however, for disadvantaged children (with a low family income) meals are free.
- In the schools with 2nd and 3rd cycle the price of a meal is 235 PTE. Once again for disadvantaged children (with a low family income) there is a subsidy.

There are books and material charges but there is also some support from the state. The subsidies for books and school material are given according to the same perspective of meals subsidies, i.e. the level of income, and the family income per capita is calculated according to the same rules.

There are allowances for young people (16-18 year olds) who remain in full time education after the school leaving age. According to the definition of disadvantaged students, based on the family income, there are exemptions from the school fee and subsidies for school meals, books and school material. These vary by family income per capita.

Health

Children aged up to 12 years do not pay charges on public health system (hospitals; GPs etc.) they only have to pay the 'taxa moderadora' (minimum rate) on prescriptions and health exams. For adults and children over 12, the users of the National Health Service have to pay the 'taxas moderadoras' (minimum rates) to hospital and local health centres' emergencies; medical appointments in hospitals, local health centres and in other public health services or in private supported health centres. The 'taxas moderadoras' are approved by the Health Ministry and every year they are uprated and revised according to inflation rates. The state covers a part of the costs involved in prescriptions for medicines, the other part being paid by individuals. Examples of health charges:

- Standard antibiotic: 1 419 PTE –the state pays 993 PTE and the patient pays 426 PTE
- Hospital appointment – 1.000 PTE.
- GP appointment – 300 PTE.
- Speciality appointment – 600 PTE.

Certain categories of people are exempted from paying the 'taxas moderadoras'. Relevant to this study are unemployed persons and working people with very low earnings. However, as far as prescriptions are concerned the State only covers a percentage in some kind of medicines and the difference has to be paid by the individual.

Social assistance

In 1996 a minimum income scheme was implemented (Rendimento Mínimo Garantido – Guaranteed Minimum Income). Individuals whose families have an income lower than the level defined by legislation are eligible for this scheme– 26 500 PTE in 2001. However, family incomes are considered according household composition and income. A work test does not exist for lone parents.

Other

The Guaranteed Minimum Income has been included for low earners in work where applicable.

Spain

Earnings

Earnings were estimated as follows: average earnings of all full-time adult male and female for the last quarter of the year 2000 were obtained from the *Encuesta de Salarios en la Industria y los Servicios*, updated to July 2001 by assuming that earnings grew during the remaining months at the average monthly rate that they moved in the previous year.

Minimum income
Spain has a minimum wage set at 72,120.

Tax and social security contributions

Taxpayers with dependent children enjoy a reduction in their tax base (the *mínimo familiar*), provided the child is under 25, has an income below a certain limit and cohabits with his/her parents/father/mother.

The tax allowance (*Mínimo familiar*) varies by *number of children*:
For each of the 2 first dependent children: 200,000 pts.
For the third and over dependent children: 300,000 pts.
The quantities are increased according to a*ge of child:*
Dependent children under 16 give right to an increased *mínimo familiar*
For each dependent child under 3: an addition of 50,000 pts.
For each dependent child aged 3 to 15: an addition of 25,000 pts.
Working couples living with their children must divide the deduction on a pro rata basis.

Whilst some regions apply additional tax credits, Madrid, chosen as the reference does not.

Social security contributions for health and social security are paid by employers and employees. There is a general fixed tax rate of 6.35 per cent for employees to be applied to the gross salary within certain minimum and maximum limits. Social Security contributions are tax deductible.

Cash benefits

The child benefit (*Prestación económica por hijo a cargo*) in Spain is income related. The benefit does not vary by the age of children or family type. The benefit consists of 48,420 pesetas (per year) per each dependent child under 18. Annual family income must be below 1,288,653 pesetas. This threshold is increased in 15 per cent for each dependent child in addition to the second child.

Child support
Child maintenance is not guaranteed.

Housing

The reference tenure chosen is ownership (partially paid) in Madrid. No supply side subsidies for bricks and mortar or demand side subsidies exist. There is local tax. In Madrid, the *Impuesto sobre Bienes Inmuebles* (IBI) taxes the (cadastral) value of

property. The two other main local taxes are the *Impuesto sobre Actividades Económicas* (IAE) (taxes the practice of any business or professional activity) and the *Impuesto sobre Vehículos de Tracción Mecánica* (IVTM) (taxes the ownership of vehicles). In Madrid, the *IBI* covers the sewerage, water, garbage collection services. No rebates exist. There are no additional service charges.

Childcare provision

Childcare for children below the minimum statutory school age exist (*Educación Infantil*), but access is not universal. Priority is not given to lone parents although regional governments (*Comunidades Autónomas*) may add a complementary admission criteria. The most prevalent form of *formal* childcare (as used in the matrix) for children aged under 3 are registered day nurseries. The average cost (covering a small registration fee, the cost of meals and care) varies greatly from town to town. The average cost per child in the Madrid region is 39,667 pts. per month. No reductions, subsidies or tax credit relief exists.

Education

School meals are provided by the majority of schools at an average cost of 442 pts. per day (9,724 pts. per month). Reductions vary from 40,000 pts. to 80.000 pts. per year. In order to receive meal subsidies, family income must be below a threshold that varies according to family size. There are books or material charges. The average cost in the primary and secondary school levels is 12,500 pts. per year. Scholarships can cover the full cost of books and material for those children in estate financed schools, provided the family income is below a threshold that varies according to family size. The Ministry of Education provides annual scholarships for transport, residence (outside the family residence) and material for young people (16-18 year olds) who remain in full time education after the school leaving age. The main criterion in order to obtain the scholarship is the student's yearly family income; the thresholds vary by family size.

Health

For both adults and children who are users of the *Sistema Nacional de Salud* (SNS), the *only* charge is 40 per cent of the price of prescribed medicines. The remaining system services are provided free of charge. As far as dental treatment is concerned, Social Security only covers extractions, and certain preventive treatments for children and pregnant women.

Typical charges included in the matrix are:

Visit to a dentist (1)	5,000 pts.
Visit to dentist (+ filling):	10,000 pts.
Visit to a GP (2):	0 pts.
General Antibiotic (1):	180 pts (450 pts.* 40 per cent).
Total:	15,180 pts. p.y. (1,265 pts. p.m.)

Social assistance

In the Madrid region, the main social assistance programme is the *Ingreso Madrilen?o de Integración (IMI)*. The *IMI* is paid according to family size; the amount payable for each person reduces for each additional family member. Eligible

claimants are families and individuals aged 25 to 65 (or under 25 and above 65, if cohabiting with dependent children), resident for at least 1 year in the Madrid region and whose economic resources are below the hypothetical benefit amount. For a lone parent to receive social assistance, they have to develop the integration activities established by the Centre for Social Services. However, reintegration activities required by the region of Madrid IMI's regulation is a condition very ambiguously defined by the law and scarcely applied in the daily practice.

Sweden

Earnings

The mean average earnings are estimated as follows. Average earnings of a full-time adult male, female and all employees for December 31 1999 were obtained from the Household Income Survey (HINK). We updated these by movements in the official indexes of average labour costs to the latest date (March 2001). (In Sweden there is no separate index for men and women.) Then we updated them to July 2001, assuming that earnings moved between March and July at the average monthly rate that they moved in the last year.

Minimum income

There is no minimum guaranteed income.

Tax and social security contributions

There are two tax credits but these are not specifically for lone parents and/ or couples with children. Nor do they vary by the number of children, age of child or family type. Employees are required to pay pension contributions amounting to seven per cent of earnings. No exemptions or rebates exist.

Cash benefits

There is a non-income related child benefit (Barnbidrag). It is paid until the child reaches 16 but may be prolonged if the child is over 16 and in full time non-advanced education.

Child support

Child maintenance is guaranteed. The guaranteed maintenance is 1173 SEK/month per child. If a parent not living with the children refrains from paying this amount the state will pay the difference up to the guaranteed maintenance level. The state will claim the whole amount or parts of the amount according to a scale depending on the number of children. If earnings are below 72000 SEK/year no payments have to be made. Income over this is liable to payments of 14 per cent for one child, 23 per cent for two children, 30 per cent for three children with an increase of a percentage point for each subsequent child. Child support is disregarded for social insurance and housing benefit but not social assistance.

Housing

The chosen tenure is a three bedroom apartment in public housing in Stockholm. Supply side subsidies for bricks and mortar exist for this type of housing. In addition, housing benefit (Bostadsbidrag) is an income-related benefit which pays up to 75 per cent of a tenants rent liability. It can be claimed by families with dependent children and persons aged 18-28 and is paid whether or not a claimant is available for or in full time work. The amount received is based on preliminary estimates of yearly income, and the actual income is later checked against the amount of housing allowances received. A negative balance means that the claimant has to pay the difference, a positive balance means that the difference is paid retroactively by the national social insurance authorities. Social assistance recipients may be exempt from paying back housing benefit retroactively. A family claiming social assistance is obliged to apply for housing benefit.

Municipal taxation exists. All individuals with an income above 8700 SEK pay a proportional municipal income tax. The tax is 28 per cent on taxable income in Stockholm. There is an income related basic tax allowance and a tax allowance corresponding to 75 per cent of compulsory pension fees. Municipal charges for water and sewerage are included in the rent.

Childcare provision

The state guarantees childcare for children below the minimum school statutory school age. From July 2001, the municipality is obliged to provide childcare at least 15 hours a week for the unemployed. Priority is often given to lone parents in the municipal child-care queue. The most prevalent full time form of formal childcare for children below minimum statutory school age, as used in the matrix, is municipal financed day care. There are charges for this. Relatively large local fluctuations exist. For the matrix, we have taken the fee for day care in Stockholm. Child care fees are income related, the lowest rate is 412 SEK/month for a family with one child in childcare earning less than 9000 SEK a month. For a family earning an average male earning (24551 SEK) the average monthly fee is 1833 SEK for the first child (the fee is 2000 SEK per month, but paid only for 11 months). The fee is reduced for the number of siblings utilising childcare.

Education

School meals are provided free of charge and there are no books or material charges. Study allowances (Studiebidrag) exist for young people (16-18 year olds) who remain in full time education after the school leaving age. The amount is 950 SEK per month and child and is paid to gymnasium students until the 20th birthday. An income tested supplement (Extra tillägg) is paid to gymnasium students with low income families.

Health

National variations exist for health care charges. The following information is from Stockholm County (Stockholms läns landsting): Visits to the GP and to hospital are free of charge for all children under the age 18. The cost for a standard antibiotic is 58 SEK. Yearly medicine costs up to 400 SEK are paid at the full price, medicine costs between 400 and 1200 SEK are charged 50 percent of the price, between 1200 and 2800 with 25 percent, and between 2800 and 3800 SEK with ten per cent. Over the yearly maximum cost, 3800 SEK, medicine is free of charge. Dental care is free of charge for persons under the age 18.

Persons over the age 18 normally pay 120 SEK per visit to the GP and to the hospital. The cost of a dentist check up is 290 SEK. The fee for hospital care for 18-70 year olds is 80 SEK/day.

Social assistance

The main social assistance scheme of which lone parents and couples with children are likely to be claimants is The Social Welfare Allowance (Socialbidrag). All persons who lack necessarily means of supporting themselves or cannot meet their needs in other ways are eligible to claim social assistance. Social Assistance in Sweden is generally not paid to lone parents who do not utilise childcare. Normally, however, the Social Welfare Office would assign childcare for these families and pay for the expenses, which would make them eligible for social assistance as long as the needs test is met. Social assistance is divided into a ‘standard benefit’ which is uniform

throughout the country and a benefit covering items not included in the standard benefit, such as costs for medical care and union fees. Municipalities also have the possibility to grant additional support. The amount varies by household size and includes additions for children, which vary by the age of the child.

The work test in the Swedish Social Assistance is not directed at lone-parents specifically, but at young social assistance recipients. It applies to lone parents if they are young and considered available for work. Normally this implies an established contact with the Unemployment Exchange and that the claimant is actively seeking work. If the claimant is below 25 years; above 25 years but for special reasons needs measures aimed to strengthen individual competence; or a student claiming economic support between semesters, the work test to engage in labour market activities in return for benefit is strengthened. In these cases the municipality has the legal right to demand participation in work related activities.

UK

Earnings

Average earnings of all full-time adult male and female and all employees for April 2000 were obtained from the New Earnings Survey. We updated these by movements in the official index of seasonally adjusted average earnings to the latest date the index goes to (in our case March 2001). (In the UK there is no separate index for men and women.) Then we update to July 2001 assuming that earnings moved between March and July at the average monthly rate that they moved in the last year.

Minimum income

There is a minimum income, introduced in 1999. It provides that the minimum hourly rate of pay in any job should be above a set amount if the person is aged 18 or over. This varies by age only. It is £3.70 per hour for workers aged 22 years or older.

Tax and social security contributions

There is a Children's tax credit of £5,200. The credit is a tax allowance. It can be used to offset the tax liability of either parent, except where there is a higher rate taxpayer, in which case it must be claimed by the higher rate taxpayer. In families where one parent earns £32,700 they must claim the tax credit. It is worth a maximum of £520 a year and is tapered away from higher rate taxpayers at a rate of £1 for every £15 earnings taxed at the higher rate. The Inland Revenue deduct a maximum of ten per cent of the credit (£5,200 x 10% = £520) from income tax liability. The credit is reduced by £1 for every £15 of earnings taxed at the 40 per cent tax rate. Parents are not entitled to claim the tax credit if s/he earns at least £41,000 per year.

There is also a *Working Families Tax Credit* (WFTC): This includes adult credit; child credit; childcare tax credit. The amount of WFTC paid depends on the family's income, the hours worked and the number and age of their dependent children and whether there are eligible childcare costs. WFTC is a tax credit that can be paid to one parent or two parent families with at least one child under the age of 16 years or up to the age of 19 if in full-time education. One parent must work at least 16 hours a week. When at least one partner works for at least 30 hours per week and additional bonus payment is added to the family's maximum entitlement to benefit. The maximum WFTC of families who have a net income that exceeds a threshold of £92.90 is reduced by £0.55p for each £1 over the threshold

Childcare costs for formal childcare up to a maximum of £409.50 a month for one child or up to £606.67 a month for two children can be added to the family's entitlement.

Employees are required to pay National Insurance Contributions (NIC) on earnings. NIC are paid on a sliding scale. No contribution is made on gross earnings of less than £377 a month. There is a ten per cent contribution on earnings between £377 and earnings limit of £2491.67 a month. Employees who earn at least £312 per month - up to £376.99 per month do not pay National Insurance contributions - but a notional contribution is made on their behalf. Notional contributions can be used in

the future for claims to contributory benefits such as Retirement Pension and contributory Jobseeker's Allowance.

Cash benefits

There is a non income related child benefit payable to children under the age of 16, or 16 to 19 if in full time non-advanced education in a recognised education establishment or 16 to 18 who has ceased full-time education but is still within an 'extension period'. The only or elder child receives £67.17. Each subsequent child receives £44.85 per month.

Child support

Child maintenance is not guaranteed. Child support is not disregarded for income related benefits. For income support or income –based jobseeker s allowance (see below), all payments of child support are treated as income and are taken into account in full on a weekly basis. It is actual payment made and not the amount due that is taken into account.

Housing

The tenure used in the matrix is a publically rented three bedroom dwelling, regardless of family type situated in York. Supply side subsidies for bricks and mortar exist for the type of housing which couples with children and/ or lone parents are renting. A demand side subsidy, *Housing Benefit* also exists. This is an income-related benefit designed to help people who rent their homes and have difficulty meeting their housing costs. Housing Benefit pays up to 100 per cent of a tenant's rent liability and is paid whether or not a claimant is available for or in full time work. It may be paid with other social security benefits or by itself. Unlike other benefits for those in work (Working Families Tax Credit), anyone with a rent liability could be entitled if their income is low enough. The amount of Housing Benefit paid will vary according to the number of adults in the family, the number and the age of any children and the rent level. A family claiming social assistance will get maximum help with their rent from Housing Benefit, this usually means that they pay nil rent. A family who do not get social assistance, but who live on a low income will also get maximum help with their rent if their income is below the Housing Benefit applicable amount. Families with children are entitled to a premium. A family whose income is above the applicable amount will lose 65 pence of Housing Benefit for every £1 of income. Parents who qualify for the child care credit on WFTC who also claim Housing Benefit can offset against their earnings up to £70 a week for one child or up to £105 for two more children of child care expenses.

There is a local tax called Council Tax. Council Tax levels are determined by the local authority. The matrix uses Council Tax levels for the City of York 2001. They are based on the relative value of the property and varies by family type and number of children. A Council Tax bill may be discounted if the property is occupied by only one adult, or in other circumstances. Council tax benefit (CTB) is paid to people on a low income who pay council tax. It can be claimed to pay up to 100 per cent of Council Tax as long as the property is in band E or below. Families on Income Support will usually get 100 per cent of their Council Tax liability met by Council Tax Benefit, unless they live in a property placed in bands F-H. It is non-contributory and does not depend on whether the person is working. Council Tax Benefit does not pay for water and sewerage charges. It is calculated by using the same method as

Housing Benefit - including the child care earnings disregard - except where income is above the applicable amount the family will lose 20 pence of Council Tax Benefit for every £1 of income.

There are additional charges for water and Sewerage rates. Households are charged for water and sewerage on the basis on the rateable value of the house.

Childcare provision

The state does not guarantee childcare for children below the minimum school statutory school age but a free part time nursery school education place is guaranteed for all four year olds whose parents want one. There is no guarantee for other types of childcare and priority is not given to lone parents. The most prevalent full time form of formal childcare for children below minimum statutory school age, which has been used in the matrix is a childminder. There are variations in fees but the national average cost in England for a full time child minder is £385.10. There are no income related reductions/subsidies but a Childcare tax credit relief exists as part of Working Families Tax Credit (See WFTC under Income tax).

Education

School meals are provided for a charge. For children up to the age of 11 a daily meal costs £1.30. For children 11+ to the age of 16 - many schools have cafeteria arrangements - the cost of the meals varies. Children of families receiving income support or income-based jobseekers allowance are entitled to free school meals. For 11+ to the age of 16, children on free school meals can choose a free meal up to the value of £1.47 per day. There are no books or material charges.

An Educational Maintenance Allowance is being piloted for young people (16-18 year olds) who remain in full time education after the school leaving age: From 1999 to 2002 education maintenance allowances (EMAs) will be part of a pilot system of funding by local education authorities (LEAs) to certain 16-18 year olds undertaking relevant education in the further education sector in selected areas of England. Educational Maintenance Award is paid to the young person. The amount paid varies according to the specific pilot scheme. Income-based job seekers allowance and those with low income will qualify for maximum help. An EMA is disregarded when calculating the income of either the young person or her/his parents for IS/income based JSA, Working Families Tax Credit, housing benefit, council tax benefit.

Also, the connexions card is currently being piloted. This is a credit card sized smart card for 16-19 year olds in England, which represents a young persons entitlement to post 16 learning. It gives discounts on items such as travel, books, clothes and leisure facilities. It can also be used to validate payment of the Education Maintenance Allowance.

Health

Visits to the GP and to hospital are free for all National Health Services patients. Children (up to 19 in full time education) are not charged for prescriptions/dental treatment/eye tests. For adults:

- Cost of dentist check up and filling is £10.56
- Cost of prescription for standard antibiotic is £6.10

People on Income support or income-based jobseekers allowance are exempt. Those on Working Families Tax Credit will qualify if their income is below £222 a week. Those with low income not on the above benefits may be entitled to either full or part help for dental treatment, eye tests, vouchers for glasses, hospital fares and maximum help for prescriptions. There is no part help with prescriptions.

Social assistance

The main social assistance and minimum schemes of which lone parents and couples with children are likely to be claimants are income support and income –tested job seekers allowance (contributory job-seekers allowance does not include any additions for children). People working 16 hours or below or with partners working 24 hours or less are eligible to claim these benefits. For both Income support and income-tested jobseekers allowance, the amount paid varies with family size (number of adults and children) and age of the child (16-18 year olds receive marginally more than children under 16).

A work test does not operate for lone parents claiming income support with dependent children under the age of 16. However, for New Deal for Lone Parents, all lone parents with children under 16 who are receiving IS will be required to attend a compulsory interview on work in order to claim benefit and will be referred to the New Deal for lone parents if they are interested in participating. Those claiming jobseekers allowance must be available for work.

USA

Earnings

For the matrix, gross median earnings were used in lieu of gross average mean earnings because data were not published by gender for July 2001. Median earnings are considered a more realistic measure of typical income in the U.S. The data was derived from the Current Employment Statistics survey.

Minimum income

The guaranteed minimum income for the USA is currently $5.15 per hour but individual states may establish higher minimum wage rates.

Tax and social security contributions

Child tax credit for each qualifying child under the age of 17. The child tax credit was $600 per child in 2001. Since late spring 2001, it has been a refundable credit. However, the child tax credit reported in the matrices does not include the most recent modifications because tax experts have not yet updated their tax programmes. The credit is per child and does not vary by income. However, the refundable portion of the credit decreases as family income increases.

Earned Income Tax Credit (EITC) provides a refundable tax credit for low-income workers, primarily for working families with children under age 18. Three separate schedules apply according to whether there are no children, one child or two or more children in the household. The tax credit phases out as family income increases. The *EITC* varies by earnings and household status and number of children. To be eligible for EITC, investment income cannot be more than $2,400.

Dependent care tax credit (see childcare)

An employee contribution towards social security at the rate of 7.65 per cent is compulsory for all wages earned reported in the eight cases. Contributions do not vary according to earning levels or household contributions. In 2001, the maximum taxable income was $80,400. The maximum earnings amount is indexed for inflation annually. Taxes are allocated as follows: 5.35 per cent is contributed to the Old-Age and Survivors Trust Fund; .85 per cent goes towards the Disability Insurance Trust Fund; and the Hospital Insurance Trust Funds receives 1.45 per cent. Coverage is nearly universal, approximately 96 per cent of the American workforce is covered. Persons with very low earnings from self-employment, generally under $400 annually are excluded.

Cash benefits

These are available under the Temporary Assistance for Needy Families (TANF) block grant program. TANF provides cash assistance to low-income families with children. It contains strong work requirements for participants and has a five-year lifetime limit for recipients. States receive federal block grant allocations and have broad flexibility to determine eligibility, methods of assistance, and benefit levels. Typically, benefits increase according to the number of persons in the household but do not vary according to age of children and family type. The benefit amount includes assistance for children as well as the parent(s) or guardian(s).

Child support

Child maintenance is not guaranteed. Prior to the 1996 welfare reform, states were required to disregard the first $50 collected in child support to an AFDC family when calculating benefit eligibility, but this is no longer required under TANF.

Housing

A privately rented house in Nassau County, New York has been chosen as the reference. In relation to indirect housing subsidies, since 1968, operating costs have been subsidized as well as capital costs, although subsidies for new construction are no longer available. Shelter allowance is available to low income households within social assistance (TANF benefit), with the maximum allowable for shelter is $453. In the matrices, the amount calculated for shelter allowance was deducted from the gross rent but could have been alternatively added to the social assistance received (TANF benefit). No further housing benefits were assumed because of the long waiting lists for these benefits and the scarcity of them.

There are no local (property) taxes or additional services for families that rent.

Childcare provision

The most prevalent form of childcare among children under age five is centre-based care. There are no statutory guarantees for childcare for all children. There is a part-day subsidy available to eligible lone parent and two earner families with a preschool age child as well a seven year-old child. The matrices present the market rate for childcare according to the age of the child, the subsidy available and the parental fee.

The Child Care Development Fund Block Grant (CCDFBG) was created in 1996 to support the self-sufficiency efforts of poor and near poor mothers at risk of welfare receipt. CCDFBG is the primary childcare subsidy program operated by the federal government. Although childcare spending has increased, the federal government estimates that only 12 per cent of children eligible for CCDFBG subsidies are receiving them. Single parents receiving TANF assistance are a high priority category for CCDFBG subsidies. CCDFBG funds may be used for childcare services provided on a sliding scale fee basis; however, a state can waive child care fees for families with incomes at or below the poverty line. Children eligible for CCDFBG subsidies must be in families whose income does not exceed 85 per cent of State median income.

Dependent care tax credit. This is non-refundable for up to 30 per cent of expenses related to the taxpayer maintaining employment for those with average gross incomes up to $10,000. It is reduced for families whose income is above $10,000 by 1 percentage point for each $2,000 dollars in average gross income, but not below 20 per cent. Eligible expenses are limited to $2,400 for one dependent and $4,800 for two or more qualifying dependents. Qualifying dependents are under the age of 13 or a physically or mentally incapacitated dependent or spouse. This has been included under income tax in the matrix. *Employer-provided dependent care* is also excluded from the employee's gross income. Many employees covered by this tax exclusion are also eligible for the dependent care tax credit. The dependent care tax exclusion is generally more valuable for taxpayers above the 15 per cent tax bracket. Only a small percentage of the population use this credit.

Education

School meals are provided for a fee and at the option of the school. In the matrix, we have included the value of free and reduced school breakfast and lunch benefits eligible children would receive. Children whose household incomes are below 130 per cent of the poverty level are eligible for free lunches, and children in households whose incomes are between 130 per cent and 185 per cent of the federal poverty level are eligible for reduced price lunches. The School Breakfast Program, uses the same eligibility criteria as the School Lunch Program, and serves nutritious breakfasts to eligible students at free or reduced prices. There are no book or other fees assumed.

Health

The United States has no universal national health insurance program. The Medicaid program provides means-tested health care coverage for low-income families and individuals. In New York State, Medicaid covers the costs of dental and prescription services. Expanded Medicaid coverage refers to children's coverage under the State's Child Health Insurance Program (SCHIP – see narrative). Families and children eligible for Medicaid coverage, are assumed to have zero health care costs. For families who are not eligible for Medicaid, per capita spending on personal health care in New York State in 1998 (most recent available) was applied to the matrix. The per capita cost used includes the costs of physician and other professional services; dental services; and prescription drugs. The total for these annual costs was $1,701.41 in 1998. The monthly per capita cost was $141.78 per individual.

Families and individuals can also become eligible for Medicaid coverage by 'spending down' to income eligibility levels. In this study children under 21, and families with one or both parents absent, dead, disabled, or out of work, may qualify for Medicaid if they spend the excess income on medical bills or incur bills equal to the excess income. In cases where a household's excess income was less than the applicable monthly per capita cost ($141.78), the excess income was listed as the health care cost for the household.

Social assistance

TANF

The main social assistance scheme used by lone parents and couples with children is Temporary Assistance to Needy Families (TANF). TANF provides social assistance, contains strong work requirements, and has a limited period for receipt. Families cannot spend more than five cumulative years on TANF, and states have the option of shortening the time period further. Childcare assistance is provided to help mothers move into employment, as well as health care coverage through Medicaid. A state may provide TANF assistance to a family only if it includes a minor child or pregnant person. Benefit levels increase with family size and each state states the minimum and maximum benefit for the state. With few exceptions, recipients must work after two years on assistance. States can exempt from the work requirement single parents with children under age one and disregard these individuals in the calculation of participation rates for up to 12 months. Failure to participate in work requirements can result in either a reduction or termination of benefits to the family

Food stamps

Families and individuals who meet the nationwide standards for income and assets are eligible to receive benefits to assist them with their nutritional needs. The benefits are in the form of coupons (vouchers) or Electronic Benefit Transfer (EBT) payments and are accepted at most retail food stores. All households receiving TANF benefits are categorically eligible for Food Stamps. To be eligible, a household may have no more than $2,000 in countable resources. The gross monthly income of most households must be 130 percent or less of the Federal poverty guidelines. Time limits for receiving the benefit are imposed for the childless unemployed.

General Assistance

General Assistance refers to state funded and administered programs providing cash assistance or payments to vendors on behalf of needy persons who are not eligible for federally financed assistance programs. Payment levels and benefits vary across each of the states and are generally lower than benefits provided through federal programs. Eligibility requirements and payment levels vary from state to state and often within a state.

LIHEAP

The Low-Income Heat Energy Assistance Program (LIHEAP) provides cash assistance to eligible households to meet the costs of home energy. The level of the benefit is inversely correlated to household income. Households with incomes up to the greater of 150 percent of the poverty level or 60 per cent of a state's median income are eligible, or those receiving TANF, SSI, Food Stamps or needs tested veterans' benefits. States have the option of establishing more restrictive criteria.

Other

We have included social assistance benefits in this category. The programs included are cash benefits under Cash Benefits (in New York State TANF is known as Family Assistance and General Assistance is known as the Safety Net Program); Food Stamps; HEAP; and WIC.

The appendix presents a summary of the child benefit package for each of the 22 countries included in the study - all EU countries plus Norway, USA, Canada, Japan, Australia, New Zealand and Israel. The study looks at variations in the structure and level of a "package" of tax allowances, cash benefits, exemptions from charges, subsidies and services in kind, which assist parents with the costs of raising children. The full report of findings is DWP Research Report Series No. 174.

The Department for Work and Pensions Research Division is responsible for commissioning and managing the Department's research programme. The research programme serves the information needs of Ministers, the Department and its Agencies. Research contributes to the development and implementation of new policies, and the monitoring and evaluation of existing policies. It also plays an important role in providing customer feedback on the Department's services.

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ISBN 1 84388 077 6

Appendix A
Introduction and methods

A.1 Other methods used to compare child benefit packages

In addition to the model family matrix method outlined in Chapter 1 there are the following additional methods that can be used to compare child benefit packages.

A.1.1 International databases

There are a number of international databases that can be used to make comparisons. The European Union (EU) funds the Mutual Information System on Social Protection (MISSOC) reports which provide details of social security benefits in the member states. The International Social Security Association (ISSA) has produced a similar compendium published by the US Department of Health and Welfare. The Mannheim Centre (http://www.mzes.uni-mannheim.de/projekte/fpdb/ Homepage.html) has developed a website where these kinds of data have been collected together, providing a valuable historical record of the rates and arrangements of social security over time. The Luxembourg Income Study (LIS) WEB also produces a policy database with basic descriptive information on tax and benefit arrangements for the countries covered by LIS. These sources are useful for comparisons of single individual benefits – for example MISSOC can be used to make comparisons of the level of child benefit payable in each country and how it has changed over time. However the main weakness of these sources is that they do not deal with *packages* – they do not take account of the fact that state support for the costs of parents caring for children consists of a combination of tax allowances/ deductions, cash benefits, exemption from charges and free or subsidised services and that these interact in often complex ways. To compare one element of the package, say child cash benefits, is likely to misrepresent the overall value of the package.

A.1.2 Micro-simulation models

The Cambridge Micro-simulation Unit has developed EUROMOD which consists of programmes containing the rules governing taxes and benefits and linked to an income survey for each country included. The programme for each country's survey contains all the details necessary to compare tax and benefit systems, including those for families with children. EUROMOD has tremendous potential in comparative research. Not only does it have all the necessary data on taxes and benefits but it is also

linked to a representative sample of the population of each country. EUROMOD can be used to simulate the impact of policy changes on the income distribution and on poverty, although at present it does not allow for the impact of behavioural responses to policy changes. Nevertheless these are advantages over the model family method. The disadvantages of EUROMOD are that:

- It covers only EU countries.
- It is still in an experimental phase. The first study covered EU countries in 1998 and there is a new project in progress collecting data for 2001 which will begin to produce results in 2002.
- No one has yet attempted to use EUROMOD to compare the tax/benefit package. Some interesting simulations have been undertaken including one designed to answer the question – what would be the child poverty rate in the UK if it had the Netherlands' tax benefit system and vice versa (Immervoll *et al.*, 2001). While there is no theoretical reason why EUROMOD cannot be used to compare tax/benefits packages for families with children, it remains untried, something of a black box. At the moment the model family method remains a quicker and more up-to-date method for making comparisons.

A.1.3 Outcome studies

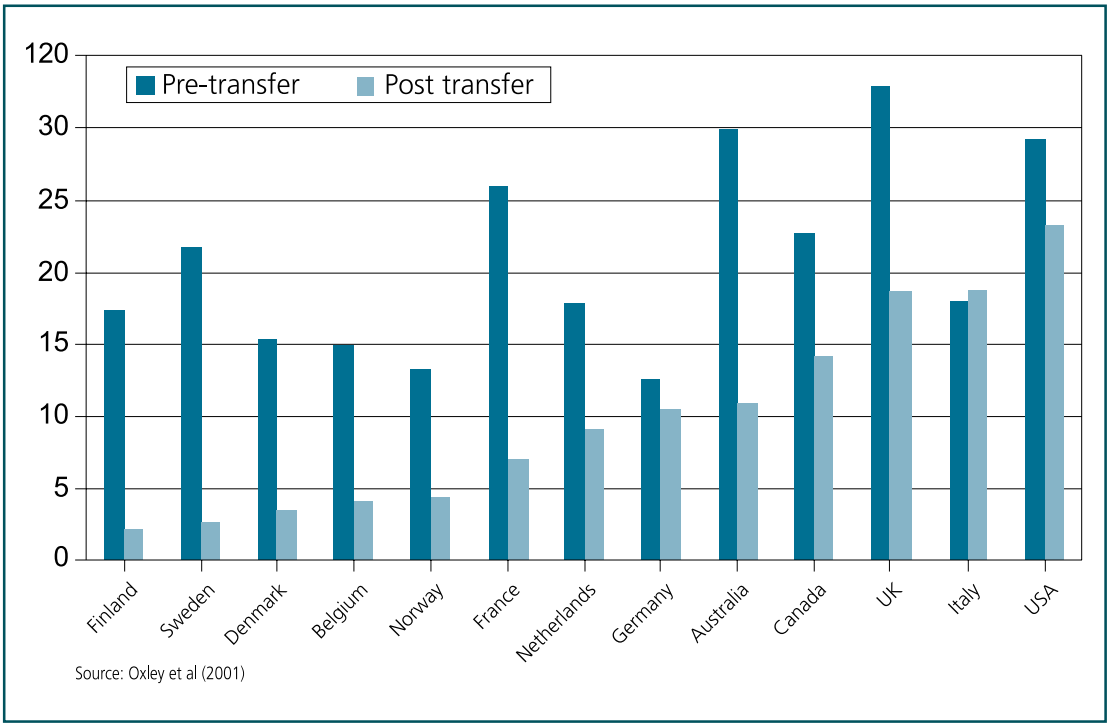
It is possible to study the impact of the tax/benefit package indirectly by observing outcomes. The most common way of doing this is to use micro social data sets such as the Luxembourg Income Study, the European Community Household Panel Survey, the European Budget Survey or the data accumulated from national micro social data sets by OECD. Then to estimate poverty rates or degrees of inequality as an indicator of the success of the tax/benefit package. Commonly researchers seek to observe the impact of policy by comparing poverty rates before and after taxes and benefits. So for example Figure A.1 shows the results of such an analysis by OECD (Oxley *et al.*, 2001) designed to show the relative effectiveness of the tax/benefit package. The before transfer figures give an indication of market-derived child poverty – poverty determined by earnings, rents, dividends and interest and private transfers such as child support. The after transfer figures take account of the impact of tax and benefit package on these incomes. The extent to which pre-transfer poverty is reduced is a measure of the success of the package. In this Figure it can be seen that the Nordic countries and France have packages that reduce pre-transfer poverty by about 80 per cent. In contrast the package in the UK reduces child poverty by 40 per cent and the Italian package actually results in an increase in child poverty. The advantage of this type of analysis is that it focuses on outcomes, which is, after all, what policy is about. Another advantage is that we obtain a picture of what the pre-transfer challenge is. However there are a number of disadvantages.

- The data for these comparisons takes a long time to emerge. Thus the latest LIS and OECD data is for the mid-1990s and the latest ECHP data is for 1998 (1997) income data.
- Then there are arguments about what is and should be included in pre-transfer, market-generated income. For example, should child support which is regulated by the state in many countries (see Corden, 1999) be treated as pre-transfer income; should pension contributions which acquire future rights to income be deducted to obtain post-transfer income (see Whiteford and Kennedy, 1995)?
- Then there is the argument that pre-transfer income is not actually market income because it is, for some households, in most countries, in part, the result of minimum and equal wage legislation, job creation and other employment subsidies – all of which might be considered elements of the child tax/benefit package.

- Then the pre-transfer distribution is a function of demographic and labour market circumstances which are different in different countries – countries are not starting from the same base and their governments are not facing the same challenges. In comparing the tax/benefit package we are not comparing like with like.
- Because these comparisons are based on micro data sets they generally make no attempt to incorporate the costs or value of services, only taxes and benefits.

Finally this kind of analysis treats the tax and benefit system rather as a black box – it cannot show which element is making the difference, how it is structured, or what might be improved.

Figure A.1 Impact of transfers on child poverty rates mid-1990s



A.1.4 National accounts

Another way to compare the value of the tax/benefit package for families with children is to employ national accounts, to make comparisons of the amount spent on families with children. Both the EU and OECD produce comparisons of national accounts which enable comparisons between countries. The OECD identifies expenditure on family benefits and family services. Previous studies of the child tax/benefit package have attempted comparisons using these data (Kamerman and Kahn, 1997; Bradshaw *et al.,* 1993). Figure A1.2 shows the proportion of GDP that countries in this study spent on family benefits and services in 1997. Figure A1.3 shows the trend in the amount spent on family benefits and services per child between 1980 and the latest available date (OECD Health Data, 2001b).

Figure A.2 Expenditure on family benefits and family services: US$ ppp per child 1997

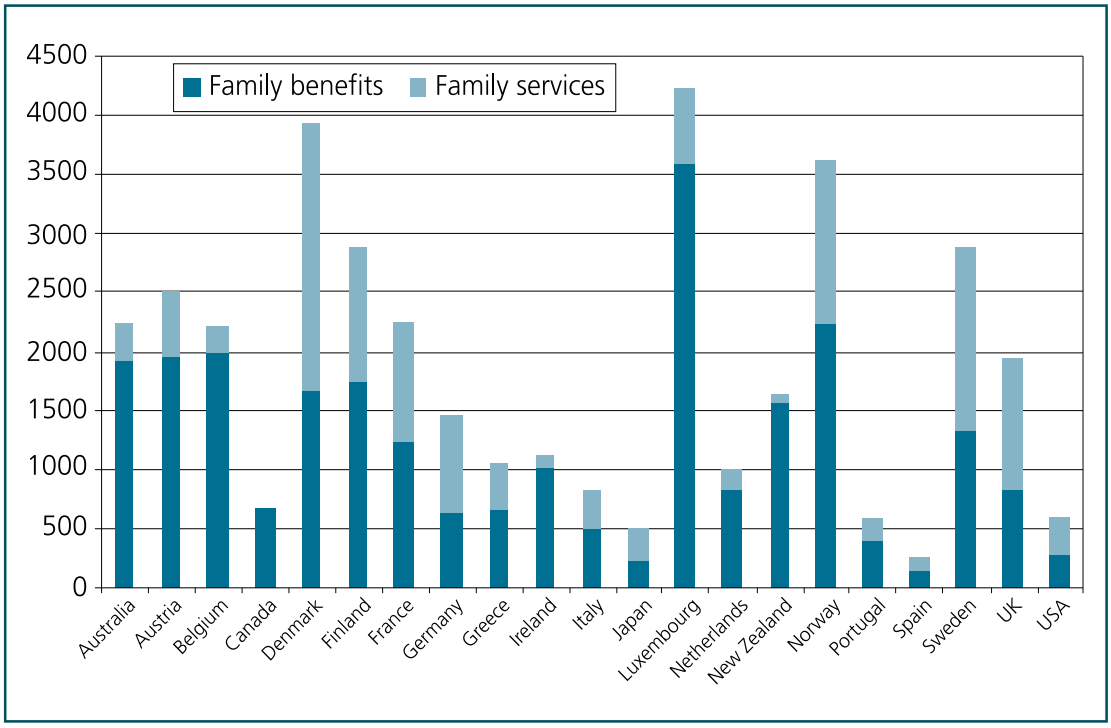
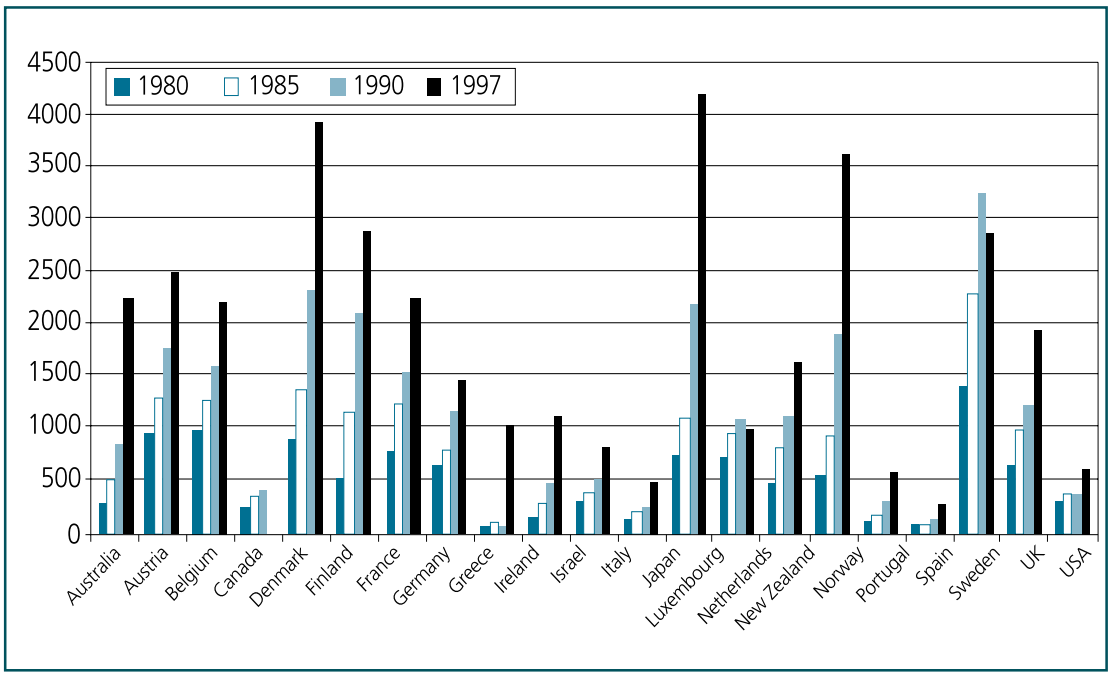


Figure A.3 Expenditure on family benefits and family services: US$ ppp per child (fixed prices)



However there are problems with this analysis:

- The OECD classification of expenditure on family benefits and services does not include all the elements that make up the child benefit package. Thus, for example, neither tax expenditures nor occupational benefits (of the type taken into account in this study for Japan) are included, nor are the elements of the package covering housing benefits, health, education and child support.
- Some expenditures classified under family benefits and services are of benefit to adults and only possibly indirectly to children. They are not part of the child tax/benefit package.
- There are reasons to be anxious about the consistency of the classification of expenditure heads between countries – especially perhaps childcare which may be a cash benefit expenditure, a tax benefit expenditure or an educational expenditure in different countries, but not always an expenditure on family benefits and services.
- There are also reasons to be anxious about the consistency of the classification over time.
- Finally national account data takes time to be processed and this means that at the time of writing the latest OECD data is for 1997.

Table A.1 Example of model families matrix July 2001

Country Case 1: One earner on minimum wage x 16 per hours per week

	Single	Couple	Lone parent + 1 aged 2yrs 11 months	Lone parent + 1 aged 7	Lone parent + 2 aged 7 and 14	Couple + 1 aged 2yrs and 11 months	Couple +1 aged 7	Couple + 2 aged 7 and 14	Couple +3 aged 7 and and 17
1. Earnings									
2. Income tax									
3. Employee social security contributions									
4. Income-related child benefit									
5. Non-income-related child benefit									
6. Gross rent									
7. Net rent									
8. Gross local tax									
9. Net local tax									
10. Childcare costs									
11. School costs/benefits									
12. Health costs									
13. Guaranteed child support (alimony/maintenance)									
14. other									

A.2 Converting national currency amounts for comparative purposes

There are two methods that can be used in comparing the value of countries' child benefit packages:

- Convert the national currencies to a common currency.
- Express the child benefit package as a proportion of average earnings.

A.2.1 Converting to a common currency

In making comparisons between money amounts in different countries a decision first has to be made about how to convert national currencies into a common currency. We could have used exchange rates to make the conversions. The first column of Table A1.1 gives the $US exchange rates for each country in the study, for July 2001 (OECD Main Economic Indicators August 2001). However exchange rates are not considered to be best for converting national currencies in comparative studies, as they are subject to rapid fluctuations due to speculation in the money markets, fluctuations which do not represent underlying value or comparative living standards.

It was therefore decided to use purchasing power parities. Purchasing power parities represent the prices of identical bundles of traded goods and services in each country. They are published for all our countries (except Israel for whom we have had to rely on exchange rates) by OECD (Schreyer and Koechlin, 2001) and are presented $US=1 in the second column of Table A1.1 Column three of the table expresses the purchasing power parities as a proportion of exchange rates. It can be seen that there is variation between these two indices. In general purchasing power parities give a lower conversion to the $ than exchange rates. The exceptions to this are Japan, Norway (and the USA). There are countries with big (more than 30 per cent) differences between the exchange rate and the purchasing power of the currency - Australia, Greece, Italy, New Zealand, Portugal and Spain.

The index used to convert the value of the child benefit package to a common currency will affect the outcomes of this study. Purchasing power parities have been used here, but if exchange rate parities had been used the relative position of some countries would have changed.

The next question to settle was which common currency to use. We considered using Euros and US dollars which are the common currency used by the EU and OECD respectively, but as this project was funded by the UK Department for Work and Pensions and HM Treasury, it was decided to use £ sterling as the common currency. However all three purchasing power parities are presented in Table A1.2, which will enable any reader to adapt the results in this report to the Euro or US dollar if they wish to.

Table A.2 Exchange rates and purchasing power parities.

Country	Currency	Exchange rates to the US$ 29 July 2001	Purchasing power parities 2001 US$=1	Purchasing power parities as % exchange rates
Australia	$A	1.97	1.34	68
Austria	S(ATS)	16.29	12.9	79
Belgium	BelF	47.75	37.5	79
Canada	$C	1.52	1.21	80
Denmark	DKr	8.81	8.45	96
Finland	FIM	7.04	5.99	85
France	FF	7.76	6.27	81
Germany	DM	2.32	1.85	80
Greece	Dr	403.23	237	59
Ireland	£Ir	0.93	0.751	81
Israel		6.40		
Italy	Lit	2292.00	1567	68
Japan	Y	124.64	150	120
Luxembourg	LuxF	47.75	39.7	83
Netherlands	f	2.61	2.06	79
New Zealand	NZ$	2.46	1.48	60
Norway	NKr	9.30	10.74	115
Portugal	Esc	237.30	132	56
Spain	Ptas	196.97	128	65
Sweden	SKr	10.88	9.48	87
United Kingdom	£	0.71	0.649	91
United States	US$	1.00	1.00	100

Table A.3 Conversion factors for July 2001

Country	Currency	Purchasing power parities 2001 US$=1	Purchasing power parities 2001 £=1	Purchasing power parities 2001 Euro=1
Australia	$A	1.34	2.06	1.51
Austria	S(ATS)	12.9	19.88	14.53
Belgium	BelF	37.5	57.78	42.23
Canada	$C	1.21	1.86	1.36
Denmark	DKr	8.45	13.02	9.52
Finland	FIM	5.99	9.23	6.75
France	FF	6.27	9.66	7.06
Germany	DM	1.85	2.85	2.08
Greece	Dr	237	365.18	266.89
Ireland	£Ir	0.751	1.16	0.85
Israel				
Italy	Lit	1567	2414.48	1764.64
Japan	Y	150	231.12	168.92
Luxembourg	LuxF	39.7	61.17	44.71
Netherlands	f	2.06	3.17	2.32
New Zealand	NZ$	1.48	2.28	1.67
Norway	NKr	10.74	16.55	12.09
Portugal	Esc	132	203.39	148.65
Spain	Ptas	128	197.23	144.14
Sweden	SKr	9.48	14.61	10.68
United Kingdom	£	0.649	1.00	0.73
United States	US$	1.00	1.54	1.13

A2.2 Using gross average earnings

The advantage of expressing the child benefit package as a proportion of average earnings is that it gives a relative indicator of the generosity of the child benefit system. However there are several disadvantages in the use of average earnings:

- Some national informants had difficulties in estimating average earnings at July 2001 and there are questions to be asked about their reliability[44, 45].
- It is arguable that in rich countries with high national average earnings there is less need for a relatively generous child benefit package.
- The average is the average and tells us nothing about the dispersion of earnings or living standards.

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[44] At the time the matrix was completed there was no data on average earnings for the USA. We were forced to use median male and female earnings in the matrix which are substantially lower than mean earnings. However we eventually obtained an estimate for mean full-time earnings and this is the average earnings given in Table A1.3.

[45] There is a problem with the definition of earnings in Japan. Employees in the public sector and most large enterprises in the private sector receive a dependant's allowance and a housing allowance on top of their basic salary. The dependant's allowance varies with whether there is a spouse and with the number of children. The housing allowance is a fixed amount (but lower in the case of a single person). These additions have not been included here.

The dispersion of earnings is explored further in Chapter 2.

- In some countries there appears to be a trade-off between earnings and the social wage. Thus for example France has relatively low average earnings but (as will be seen) a relatively generous child benefit package. When making comparisons of the generosity of the child benefit package as a proportion of average earnings France will have a higher proportion than the actual real level of the child benefit package.
- Expressing the child benefit package as a proportion of gross earnings does not take all income into account, nor the extent to which gross income is affected by income tax and other deductions.

Table A1.3 shows the average earnings in each country and expresses these in £ sterling using the purchasing power parity in Table A1.2 Average earnings vary from £757 per month in Portugal to £2142 per month in the USA.

In Chapter 11 different national rankings of the child benefit package are compared using purchasing power parities and national average earnings as the comparator.

Table A.4 National average earnings July 2001

Country	Currency	National gross average earnings. National currencies per month	National average earnings per month in £ purchasing power parities
Australia	$A	3768	1829
Austria	S(ATS)	30715	1545
Belgium	BelF	91321	1580
Canada	$C	3684	1981
Denmark	DKr	23500	1805
Finland	FIM	12646	1370
France	FF	14358	1486
Germany	DM	5192	1822
Greece	Dr	382408[3]	1047
Ireland	£Ir	1537[4]	1325
Israel		7116*	1112
Italy	Lit	3419717	1416
Japan	Y	409900	1774
Luxembourg	LuxF	119000	1945
Netherlands	f	5733	1809
New Zealand	NZ$	3037	1332
Norway	NKr	23163	1400
Portugal	Esc	153870	757
Spain	Ptas	258209	1309
Sweden	SKr	21890	1498
United Kingdom	£	1890	1890
United States	US$	3298	2142

* Exchange rate conversion

[3] All full-time employees – manual and non-manual- including Christmas and Easter bonuses and annual leave allowances

[4] All employees - not only full-time employees

Appendix B
The demographic and labour market context

Table B.1 Family demographic indicators

Country	Total period fertility rate	Live birth rate	Crude marriage rate (per 1000 pop)	Crude divorce rate (per 1000 pop)	% births outside marriage	% of teenage births (15-19)
Australia	1.7 (1999-2000)	12.9 (2000)	5.9 (2000)	2.6 (2000)	28.7 (1998)	4.7 (1998)
Austria	1.3 (1999)	9.7 (2000)	4.8 (2000)	2.4 (2000)	31.0 (2000)	2.1 (1999)
Belgium	*1.5 (1999)*	11.3 (2000)	4.4 (2000)	2.6 (2000)	12.6 (1991)	2.6 (1995)
Canada	*1.5 (1999)*	11.6 (1997)	5.1 (1998)	2.4 (1996)	..	5.7 (1997)
Denmark	1.7 (1999)	12.6 (2000)	6.7 (2000)	2.5 (2000)	44.5 (2000)	1.5 (2001)
Finland (1999)	1.7	11.1	4.7	2.7	38.7	2.7
France	1.9 (2000)	13.2 (2000)	5.2 (2000)	2.0 (1999)	40.7 (1998)	1.8 (1996)
Germany	*1.4 (1999)*	9.2 (2000)	5.3 (1999)	2.3 (1999)	20.0 (2000)	2.8 (2000)
Greece	1.3 (1998)	9.6 (2000)	5.0 (1998)	0.9 (1999)	3.7 (1998)	3.4 (1998)
Ireland (2000)	1.9	14.4	5.0	..	31.8	5.8
Israel (1998)	3.0	87.1*	6.7	1.7	1.7	3.7
Italy	1.2 (1998)	9.3 (2000)	4.8 (1997)	0.6 (1998)	9.0 (1996)	2.1 (1996)
Japan	1.4 (2000)	9.5 (1999)	6.4 (2000)	2.1 (1999)	1.6 (1999)	1.7 (1999)
Luxembourg	1.8 (2000)	13.1 (2000)	4.9 (2000)	2.3 (2000)	18.7 (1999)	2.2 (1999)
Netherlands	1.6 (2000)	12.5 (2000)	5.5 (1998)	2.1 (1998)	22.8 (1999)	0.5 (2000)
New Zealand	2.0 (2001)	14.7 (2000)	5.4 (2000)	2.6 (2000)	42.0 (1996)	8.4 (1999)
Norway	1.9 (1999)	13.9 (2000)	5.3 (1998)	2.1 (1998)	49.0 (1999)	2.8 (1998)
Portugal	*1.5 (1998)*	11.6 (1999)	6.9 (1999)	1.8 (1999)	20.1 (1996)	0.6 (1991)
Spain	1.2 (1999)	9.3 (1999)	5.1 (1998)	0.9 (1998)	14.5 (1999)	3.0 (1999)
Sweden (1999)	1.5	10.0	3.8	2.4	55.3	1.4
UK	1.6 (2001)	11.2 (2001)	5.1 (1998)	2.7 (1998)	40.1 (2001)	7.6 (2000)
USA	2.1 (2000)	14.5 (2000)	8.3 (1998)	4.2 (1998)	33.0 (1999)	12.3 (1998)

Italics = source – OECD, Health database (2001c)

* per 1000 women

.. = data not available

Table B.2 Percentages of ILO unemployed

Country	Percentage of ILO unemployed % over 16	% of females over 16	% of Married/cohabiting mothers	% of lone mothers
Australia[1]	7 (2001)	7 (2001)	5 (2000)	13 (2000)
Austria (1999)	4	5	6	4
Belgium (2000)	5	5	4	18
Canada	(2000) 7	7 (2000)	8 (1996)	16 (1996)
Denmark (2000)	5	6	..	..
Finland (2000)	9	9	7	18
France (2001)	9	11	10	19
Germany	(2000) 8	9 (2000)	5 (1997)	20 (1997)
Greece (1999)	12	18	..	..
Ireland	4 (2000)	4 (2000)	2 (1999)	2 (1999)
Israel[1]	9 (1998)	9 (1998)	10 (1999)	..
Italy[1]	12 (2000)	17 (2000)	..	8 (1998)
Japan[2] (2001)	5	5	..	..
Luxembourg	2 (2001)	3 (2001)	3 (2000)	7 (2000)
Netherlands (1999)	4	5	13	7
New Zealand (2001)	5	5	..	..
Norway (1999)	3	3	2	6
Portugal (2000)	4	5	..	..
Spain (2000)	14	21	..	14
Sweden[2] (2000)	5	5	..	..
UK	5 (2001)	4 (2001)	8 (2000)	3 (2000)
USA	5 (2001)	5 (2001)	3[3] (2000)	8 (2000)

.. = data not available

[1] Age 15 and over.

[2] Not ILO definition.

[3] Married mothers only.

Table B.3 Overall mean monthly earnings, male and female mean monthly earnings in national currencies and £ purchasing power parities (July 2001 unless otherwise stated)

Country	National average earnings national currencies per month	National average earnings in £ purchasing power parities	National average earnings national currencies per month (Male)	National average earnings in £ purchasing power parities (Male)	National average earnings national currencies per month (Female)	National average earnings in £ purchasing power parities (Female)
Australia	3768	1829	4045	1964	3287	1596
Austria	30715	1545	37181	1870	22673	1140
Belgium	91321	1580	96596	1672	79139	1370
Canada	3684	1981	4164	2239	3009	1618
Denmark[1]	23500	1805	25750	1978	21000	1613
Finland	12646	1370	14031	1520	11143	1207
France	14358	1486	15362	1590	12371	1281
(West) Germany	5192	1822	5589	1961	4180	1467
Greece	382408	1047	345272	945	277297	759
Ireland	1537	1325	1790	1543	1181	1018
Israel	7116	1112	8740	1366	5260	822
Italy	3419717	1416	3624899	1501	3070905	1272
Japan	409900	1774	461600	1997	287900	1246
Luxembourg	119000	1945	126000	2060	105000	1717
Netherlands	5733	1809	6233	1966	4066	1283
New Zealand	3037	1332	3432	1505	2596	1139
Norway	23163	1400	23658	1429	21182	1280
Portugal	153870	757	173363	852	126146	620
Spain	258209	1309	277073	1405	208943	1059
Sweden	21890	1498	24551	1680	19225	1316
UK	1890	1890	2086	2086	1554	1554
USA	3298	2142	3744	2431	2730	1773

[1] May 2001

Table B.4 Overall median monthly earnings, male and female median monthly earnings in national currencies and £ purchasing power parities (July 2001 unless otherwise stated)

Country	National median earnings national currencies per month	National median earnings in £ purchasing power parities	National median earnings national currencies per month (Male)	National median earnings in £ purchasing power parities (Male)	National median earnings national currencies per month (Female)	National median earnings in £ purchasing power parities (Female)
Australia						
Austria	25500	1283	28400	1429	22600	1137
Belgium	81710	1414	84266	1458	73725	1276
Canada	3295	1772	3822	2055	2817	1515
Denmark						
Finland	11333	1228	12641	1370	10246	1110
France	11910	1233	12307	1274	11277	1167
(West) Germany						
Greece[1]	169664	465	171917	471	162843	446
Ireland						
Israel	5152	805	6249	976	4162	650
Italy	2897822	1200	3024841	1253	2794038	1157
Japan						
Luxembourg	102000	1667	105000	1717	91000	1488
Netherlands	4416	1393	4614	1456	3750	1183
New Zealand						
Norway						
Portugal						
Spain						
Sweden	19846	1358	21417	1466	17811	1219
UK	1595	1595	1761	1761	1338	1338
USA[2]	2587	1680	2912	1891	2214	1438

[1] 1996

[2] June 2001

Table B.5 A summary of the minimum wage

Country	Min wage	Variations by Age	Type of work	How paid	No. of hours	Other	Introduced	Uprated
Australia	yes	no	yes	no	no	no	1997 (national minimum wage)	Collective bargaining between trade unions claim, gov and businesses. Australian Industrial Relations Commission decides.
Austria	no	-	-	-	-	-	-	-
Belgium	yes	yes	yes	no	no	yes	1975	Consumer price index
Canada	yes	yes	yes	no	yes	no	1921	Discretion of government by annual
Denmark	yes	no	yes	no	no	no	1901	negotiations
Finland	no	-	-	-	-	-	-	-
France	yes	no	no	no	yes	no	1948	Obligatory by inflation + automatically by half of the purchasing power increase of the worker's hourly wage + government decision
Germany	no	-	-	-	-	-	-	-
Greece	yes	yes	yes	no	no	yes	1968	Collective bargaining by employers, employees and state. Usually updated according to inflation forecasts.
Ireland	yes	yes	no	no	no	yes	April 2000	By Minister for Enterprise Trade and Employment
Israel	yes	yes	no	no	no	no	April 1997	Updated regularly according to change in the average wage.
Italy	yes	no	yes	no	no	yes	1919	Collective bargaining among Trade Unions, Employers' Organisations and the State (take into account inflation rate).
Japan	yes	no	yes	no	no	yes	1959	Local committee on minimum wages uprate annually following the guideline by the central committee on minimum wages.
Luxembourg	yes	yes	no	no	no	yes	1948	Following average increase of wage and release of index-linked tranch
Netherlands	yes	yes	no	no	yes	no	1947	Adjusted to the average development of the Collective Labour Agreement wages
New Zealand	yes	yes	no	no	no	no	1908	Annually. Determined by Parliament.
Norway	no	-	-	-	-	-	-	-
Portugal	yes	no	yes	no	yes	no	1969	Annually. Gov decision and inflation rate
Spain	yes	no	no	no	no	no	1/6/1980	Annually Inflation rate, average national productivity, growth in real wages, general economic situation.
Sweden	no	-	-	-	-	-	-	-
UK	yes	yes	no	no	no	no	April 1999	Low Pay Commission recommendations
USA	yes	no	no	no	no	no	October 1938	Must be passed by Congress and signed into law by President.

Appendix C
Income tax, social security contributions and cash benefits for families in employment

Table C.1 Income tax payable by a childless couple as a proportion of gross earnings

Country	Case 3 %	Case 2 %	Case 5 %	Case 4 %	Case 6 %	Case 7 %
Australia	-6	-9	-17	-20	-19	-22
Austria	0	-3	-7	-14	-12	-13
Belgium	-8	-8	-15	-19	-25	-26
Canada	-1	-8	-15	-19	-19	-20
Denmark	-18	-18	-24	-26	-30	-32
Finland	0	-2	-8	-11	-8	-9
France	2	2	-1	-3	-6	-8
Germany	0	-3	-10	-14	-18	-21
Greece	0	0	-1	-3	-2	-2
Ireland	0	0	-2	-8	-10	-12
Israel	0	-4	-7	-17	-15	-16
Italy	0	-3	-14	-16	-16	-18
Japan	0	-2	-3	-4	-5	-5
Luxembourg	0	0	-3	-6	-7	-11
Netherlands	-2	-9	-16	-24	-29	-33
New Zealand	-17	-18	-19	-21	-20	-20
Norway	-8	-10	-17	-18	-19	-21
Portugal	0	0	-5	-9	-11	-15
Spain	0	0	-2	-7	-9	-12
Sweden	0	0	0	-3	-2	-1
United Kingdom	-9	-12	-15	-16	-14	-16
USA	-1	-5	-10	-13	-15	-18

Case 3 = One earner on half national average female earnings
Case 2 = One earner on half national average male earnings
Case 5 = One earner on national average female earnings
Case 4 = One earner on national average male earnings
Case 6 = Two earners, one on average male, one on half average female earnings
Case 7 = Two earners, one on average male and one on average female earnings

Table C.2 Income tax and social security contributions payable by a childless couple as a proportion of gross earnings

Country	Case 3 %	Case 2 %	Case 5 %	Case 4 %	Case 6 %	Case 7 %
Australia	-6	-10	-19	-21	-21	-23
Austria	-18	-21	-24	-32	-29	-30
Belgium	-15	-15	-28	-32	-36	-39
Canada	-7	-14	-21	-24	-22	-22
Denmark	-31	-31	-36	-38	-42	-43
Finland	-6	-8	-14	-17	-14	-16
France	-19	-19	-22	-24	-27	-28
Germany	-20	-24	-31	-35	-39	-42
Greece	-15	-15	-16	-18	-17	-17
Ireland	0	0	-4	-13	-13	-16
Israel	-6	-11	-14	-25	-22	-23
Italy	-9	-12	-23	-26	-25	-27
Japan	-14	-15	-15	-17	-17	-16
Luxembourg	-11	-12	-15	-17	-19	-23
Netherlands	-2	-9	-16	-24	-29	-33
New Zealand	-19	-20	-20	-22	-21	-21
Norway	-16	-18	-25	-26	-27	-29
Portugal	-11	-11	-16	-20	-22	-26
Spain	-6	-6	-8	-13	-15	-18
Sweden	-7	-7	-7	-10	-9	-8
UK	-14	-19	-23	-25	-22	-24
USA	-9	-13	-18	-20	-22	-26

Case 3 = One earner on half national average female earnings
Case 2 = One earner on half national average male earnings
Case 5 = One earner on national average female earnings
Case 4 = One earner on national average male earnings
Case 6 = Two earners, one on average male, one on half average female earnings
Case 7 = Two earners, one on average male and one on average female earnings

Table C.3 Income tax, social security contributions and net local tax payable by a childless couple as a proportion of gross earnings

Country	Case 3 %	Case 2 %	Case 5 %	Case 4 %	Case 6 %	Case 7 %
Australia	-6	-10	-19	-21	-21	-23
Austria	-18	-21	-24	-32	-29	-30
Belgium	-17	-17	-30	-34	-37	-41
Canada	-7	-14	-21	-24	-22	-22
Denmark	-31	-31	-36	-38	-42	-43
Finland	-20	-22	-29	-33	-29	-31
France	-24	-24	-26	-27	-31	-32
Germany	-30	-31	-35	-38	-41	-44
Greece	-16	-16	-16	-19	-18	-18
Ireland	-1	-1	-5	-13	-14	-16
Israel	-10	-19	-22	-30	-25	-26
Italy	-12	-15	-25	-28	-27	-29
Japan	-14	-16	-17	-20	-21	-20
Luxembourg	-13	-13	-16	-18	-19	-23
Netherlands	-2	-27	-30	-33	-36	-38
New Zealand	-19	-20	-20	-22	-21	-21
Norway	-16	-18	-25	-26	-27	-29
Portugal	-11	-11	-16	-20	-22	-26
Spain	-9	-8	-10	-14	-16	-18
Sweden	-26	-28	-31	-34	-32	-32
UK	-22	-24	-27	-27	-24	-26
USA	-9	-13	-18	-20	-22	-26

Case 3 = One earner on half national average female earnings
Case 2 = One earner on half national average male earnings
Case 5 = One earner on national average female earnings
Case 4 = One earner on national average male earnings
Case 6 = Two earners, one on average male, one on half average female earnings
Case 7 = Two earners, one on average male and one on average female earnings

Appendix D
Housing costs, housing subsidies and local taxes

Table D.1 Assumed location and tenure

Country	Location	Tenure
Australia	Sydney	Private renting
Austria	Linz	Public rented
Belgium	Wommelgem, Nr Antwerp	-[1]
Canada	Toronto, Ontario	Private rental
Denmark	Municipality of Copenhagen	Rented
Finland	Turku	Rented flat
France	Draveil	-[1]
Germany	West Germany	Private rented
Greece	Peristeri, suburb of Athens	Private rented one bedded flat
Ireland	Dublin	Local authority
Israel	Jerusalem	Private rented
Italy	Milan	Rented
Japan	Large cities, (Kyoto)	Private rented flat
Luxembourg	Luxembourg city	Private 3 room dwelling
Netherlands	Utrecht	Private rented[2]
New Zealand	Wellington	State house
Norway	Outskirts of Oslo	Temporary subletting
Portugal	Amadora, near Lisbon	Social housing
Spain (1999)	Madrid	Ownership – partially paid
Sweden	Stockholm	Public rented 3 bedrooms
UK	York	3 bedroom public rented
USA	Nassau County, New York	Private rental

[1] The tenure had no bearing on the matrix or subsidies and therefore no tenure was specified.

[2] Since 1996, all social rented houses and dwellings have been privatised.

Table D.2 Proportion of all dwellings that are public/private rented

Country	% of all dwellings public rented	% of all dwellings privately rented	Total % of dwellings that are rented
Australia (1997/8)	6	20	26
Austria (mid 1990s)	*18*	*21*	*41*
Belgium (1997)	6	20	26
Canada (1996)	0	36	36
Denmark (mid 1990s)	*24*	*18*	*42*
Finland (1998)	16	16	32
France (mid 1990s)	*17*	*20*	*37*
Germany (mid 1990s)	*15*	*43*	*58*
Greece (1995)	0	23	23
Ireland (2000)	3	16	19
Israel		(majority is private)	20
Italy	*(mid 1990s) 7*	*(mid 1990s) 21*	(1999) 20
Japan (1999)	7	22	29
Luxembourg (2000)	4	22	26
Netherlands[1] (mid 1990s)	*40*	*15*	*55*
New Zealand (1996)	9	15	24
Norway (1997)	4	21	25
Portugal (1998)	5	22	27
Spain (1999)	12	4	16
Sweden (mid 1990s)	*36*	*21*	*57*
UK (1999-2000)	22	10	32
USA	3	31	34

Italics = data from Martin Lux (ed.) (2000), Social Housing in Europe 2000, Proceedings of the International Workshops on Social Housing in Europe 2000, Prague: Institute of Sociology, Academy of Sciences of the Czech Republic (not national informants).

[1] Since 1996 all public rented dwellings in the Netherlands have been privatised and municipalities no longer own houses.

Table D.3 Eligibility for housing benefit

Country	Eligibility
Australia	This is available to renters receiving most income support pensions, allowances and payments and families receiving the more than basic rate of Family Tax Benefit – A. It is not available to renters in public housing, as their rents are otherwise subsidised. RA is not income-tested in its own right, as entitlement comes along with eligibility for some other income support payment and the relevant income test then applies to RA.
Austria	Housing subsidy may be claimed by Austrian or other EEA citizens. The rent will be subsidised to the extent the claimant cannot be reasonably expected to pay the rent out of the family income. Subsidies are limited as to size and price of the dwelling.
Belgium	-
Canada	-
Denmark	-
Finland	General housing allowance is income-tested benefit which can be paid to low-income households independently of the tenure.
France	Housing benefit is income-related. Housing benefit cannot pay 100 per cent of total housing costs, but it may be superior to the tenant's rent liability, since it is calculated according to the level of the sum of the rent + a lump sum (varying with number of people) that is supposed to reflect other housing costs. Housing benefit is paid to household having " housing costs" , that is both to those that rent a flat/house and to those owning their home but still having to pay monthly instalments (still refunding loans for the acquisition of their home).
Germany	Eligibility is based on: - an income threshold for household income - upper limits for rent - the sources of income: people living on social assistance receive special rates (full coverage of housing costs)
Greece	Employed or unemployed persons who have contributed to the Worker's Housing Organisation (OEK) can claim.
Ireland	Differential rents exist but there is no direct subsidy. Rent payable is 15% of assessable earnings.
Israel	There are subsidies for rented housing, which are contingent upon a large number of specific demographic and socio-economic characteristics. Moreover, the support is dependent upon the availability of funds.
Italy	The subsidy can be claimed by tenants who have: • a yearly gross household income below 2 minimum INPS pensions (in 1999, lit. 1.420.000) and a rent level above 14% of their income; or • a yearly gross household income below the local income thresholds to access social housing and a rent level above 24% of their income.
Japan	Allowances exist in wage structures. Also, employers provide housing. Usually, the company provides some proportion of rent if the employee lives in rented house. The financial support is also available for the employee who is living in own house and paying a mortgage. Many employers provide the employee with a the house/flat. The employee living in these types of housing will pay small amounts of rent (smaller than ordinary rent in a market) to the landlord (ie employer). Double renting (ie. a company rents a flat from the landlord, then provides it to the individual employee for a smaller rent) is also very common.
Luxembourg	The subsidy could only be claimed by claimers of social assistance.
Netherlands	Depending on their annual income, age, assets, and size of household, claimants with a rent between fl 358 -1193 can be entitled to the housing benefit. Singles between 18-65 years with an annual income above fl 37.350 are excluded. For households with more persons the sum of all annual incomes should not exceed fl 50.020.

Continued

Table D.3 Continued

Country	Eligibility
New Zealand	Low-income state housing tenants can receive income-related rents. Those in the private, including local authority housing, are eligible for Accommodation Supplement with a subsidy based on income, rent level, household size and location.
Norway	Families with children and families including old age pensioners in Standard of Dwelling, State and Housing Bank Funding. Funding requirement not applied to families with children. The standard of the dwelling must be satisfactory. For renters, the rent is taken into account (excluding electricity)
Portugal	Young people under 30 with low income.
Spain	-
Sweden	Families with dependent children. Persons aged 18-30
UK	Housing benefit is paid whether or not a claimant is available for or in full-time work. It may be paid with other social security benefits or by itself. Unlike other benefits for those in work (Working Families' Tax Credit), anyone with a rent liability could be entitled if their income is low enough.
USA	Very low-income families, elderly and disabled. There are other housing benefits that include tax deductions and credits, subsidies for building and rentals of benefit beyond the poor.

Table D.4 Rent by family type and size. One earner half male earnings £ per month ppp (Case 2)

Country	Gross rent	Single person	Couple	Lone parent +1	Lone parent +2	Couple +1	Couple +2	Couple +3
Australia	366	-366	-366	-257	-257	-257	-257	-243
Austria	309	-309	-218	-218	-146	-146	-47	-47
Belgium	338	-338	-338	-338	-338	-338	-338	-338
Canada	396	-396	-396	-396	-396	-396	-396	-396
Denmark	361	-307	-307	-184	-163	-184	-163	-163
Finland	261	-261	-204	-187	-149	-149	-126	-101
France	297	-270	-223	-169	-122	-169	-122	-73
Germany	364	-364	-354	-354	-295	-295	-224	-174
Greece	189	-166	-166	-162	-158	-162	-158	-152
Ireland	265	-109	-116	-146	-158	-133	-140	-147
Israel	222	-222	-222	-129	-129	-222	-222	-222
Italy	283	-283	-283	-283	-283	-283	-283	-283
Japan	355	-307	-285	-285	-285	-285	-285	-285
Luxembourg	389	-389	-307	-389	-389	-307	-307	-307
Netherlands	362	-362	-250	-240	-224	-224	-224	-224
N. Zealand	266	-190	-150	-173	-173	-173	-173	-173
Norway	280	-280	-280	-265	-240	-240	-225	-210
Portugal	151	-151	-151	-151	-151	-151	-151	-151
Spain	262	-262	-262	-262	-262	-262	-262	-262
Sweden	300	-300	-300	-197	-170	-265	-238	-211
UK	378	-378	-317	-339	-352	-296	-310	-323
USA	429	-242	-212	-212	-212	-212	-163	-134

Table D.5 Local tax arrangements

Country	Tax	Service charges Type	included in tax	Varies by Rebate	Work Income	No of status	Children	Additional Admin	charges	If yes, what?
Australia	yes	Council (owners) (paid by landlord)	roads, planning, refuse collection, recycling, amenities	yes (owners)	yes	no	no	loc	yes (in rent)	water sewerage
Austria	yes	Property (owner)	no	no	-	-	-	-	yes (owners)	water, sewerage, garbage collection
Belgium	yes	province	no	yes	yes	yes	yes	nat/loc	yes	tax for water, sewerage and garbage
		council	local services	no	-	-	-	-		
Canada	yes	property (in rent)	police, garbage, water etc.	yes (owners)	no[1]	no	no	prov	no	-
Denmark	yes	income (in rent)	no	no	-	-	-	-	no	-
		land (in rent)	sewerage, garbage, and water							
Finland	yes	income	all	yes	yes	no	no	nat	yes	service charges
France	yes	property	no	yes	yes	no	yes	nat	yes	water, sewerage (and garbage for owners)
Germany	yes	real estate	no	no	-	-	-	-	yes	sewerage, refuse collection, street cleaning
Greece	yes	property	refuse, maintenance etc.	no	-	-	-	-	yes	water
Ireland	no	-	-	-	-	-	-	-	yes	local authority bin charges
Israel	yes	property	refuse collection, roads and maintenance, welfare services	no	-	-	-	-	yes	water and sewerage
Italy	yes	income	no	no	-	-	-	-	no	-
	-	land (owners)	water and garbage	yes	yes	no	no	loc		
Japan	yes	flat rate	no	yes	yes	-	yes	-	yes	water, garbage collection
		income-related								
Luxembourg	yes	land (owners)	..	no	-	-	-	-	yes	water, refuse collection.
Netherlands	yes	property	waste and sewerage	yes	yes	no	no	loc	no	-
New Zealand	yes	property (owners)	rubbish, water, drainage, parks, libraries, roads etc.	no	-	-	-	-	no	-
Norway	yes	property (owners)	garbage, water, sewerage, chimney sweeping.	no	-	-	-	-	no	-
Portugal	yes	property (owners)	sewerage	no	-	-	-	-	no	-
Spain	yes	property	sewerage, water, garbage	no	-	-	-	-	no	-
Sweden	yes	municipal	no	yes	yes	no	no	..	yes (in rent)	water, sewerage, garbage collection
UK	yes	council	police, local services eg. refuse	yes	yes	no	yes	local	yes	water, sewerage
USA	yes	property (owners)	law enforcement, schools, fire, public hospitals, mandates etc.	yes (owners)	yes	yes, pensioners	no	local	yes (owners)	water, sewerage

[1] The rebate does not vary by income in the first instance only due to tax rebates through income tax

Appendix E
Childcare and education costs and benefits

Table E.1 Proportion of school age children in out of school childcare

Country	% of school age children in out of school childcare
Australia (1999)	23[1]
Austria (2000)	6-14[2]
Belgium	(49% use care facilities provided by school) 9[3]
Canada (1998)	4
Denmark (1999)	64[4]
Finland (1997)	becoming more popular for those in 1st class primary school. no figures available
France (2000)	..
W Germany (2000)	4[5]
Greece	no formal arrangements
Ireland	no formal arrangements
Israel	no formal arrangements
Italy	..
Japan	after school clubs recently been given formal status
Luxembourg (2000)	..
Netherlands (1999)	4
New Zealand	..
Norway (2000)	50[6]
Portugal (1998)	35[7]
Spain	no formal arrangements
Sweden (1999)	41[8]
UK (2002)	11-27[9]
USA	..

..=data not available

[1] under 12s.

[2] Between 6 and 14 per cent of primary school children, depending upon age, are in out of school childcare.

[3] 6-12 year olds.

[4] 7-10 year olds.

[5] 2-3 year olds.

[6] grades 1-4.

[7] 6-10 year olds.

[8] 6-12 year olds.

[9] Between 11 and 27 per cent of school children, depending upon age, used formal out of school childcare in the last year. 5-7 yrs: 23%; 8-11 yrs: 27%; 12-14: 11%.

Table E.2 Out of school childcare arrangements

Country	School age	School hours	Most prevalent f/t formal out of school childcare	Fees	Reduced	How reduced
Australia	6		out-of-school care	yes	yes	child care benefit: help with 85% of hourly rate for pre-school children.
Austria	6	pri: 8-12. sec:33-34 hrs/wk	day-homes	yes	yes	Fees vary by income, family size and size of dwelling
Belgium	6	mon-fri 9 –4, wed half day	out of school clubs	yes	no	-
Canada		9-3.30	centres	yes	yes	means test
Denmark	6	pri: 8-1200. sec: 8-1400	after school clubs	yes	yes	low income
Finland	7	first grades: 8-12. mon –fri. incr to 30 hrs/wk.	municipalities and private organisations for ages 6-8 only.	yes	no	-
France	6	5 ams: 8.30-11.30. 4pms: 13.30-4.30	centre de loisir sans hebergement	yes	yes	1.Childcare highly subsidised, and usually free for low income. 2.childcare tax credit for children under 7.
Germany	6	8-12/1	kinderhorte	yes	yes	1.highly subsidised: costs depend on income and number of children in childcare 2.90% costs are financed at local and federal level.
Greece	5.5	8.30-1.15	none	-	-	-
Ireland	6	pri:9/9.30-2.30/3. sec: 9-4.	none	-	-	-
Israel	3	8-1 (6 days a week)	none generally but some for welfare children	-	-	-
Italy	6	pri: 2 days, 8-12.30 3 days, 8-. Inter: 8-1. Sec: 8– 2.30	catholic *oratori* (places of sociability).	no or very low	yes, if charges	locally arranged. If any charges, children in households on social assistance are generally exempt.
Japan	6	8.30 - 4	after school clubs (recently become formal)	yes	varies	-
Luxembourg	4	pri: 3 days, 8-11.45 and 2-4. 2 days, 8-12.30. sec: 3 days,8-3.45 2 days, 8-12.35	yes, foyer de jour	yes	yes	charges are income-related
Netherlands	5	mon-fri 8.30-2.30 except wed pm.	after school care	yes	yes	childcare tax credit.

Continued

Table E.2 Continued

Country	School age	School hours	Most prevalent f/t formal out of school childcare	Fees	Reduced	How reduced
New Zealand	6	mon- fri: pri: 9-3. sec: 8.50-3.20	after school care in some primary schools.	yes	yes	1.childcare tax rebate. 2.low-income households can receive a targeted subsidy (oscar).
Norway	6	8 -3.30, prim: 6x45mins teaching slots a day.	municipalities legally obliged to provide day-care before and after school for first four grades	yes	yes	parental tax credit and child care benefit
Portugal	6	pre-school: 9-5. 1st cycle: 8-1 or 1 to 6. 2nd/3rd cycle: 30 hrs/wk between 8.20-18.20	yes, ATL – activities for leisure time.	yes	yes	charges according to income per capita; there are different levels of income established on the base of national minimum wage.
Spain	6	mon- fri: 9.00-16.00	none	-	-	-
Sweden	6	mon-fri: 8.15-3	ages 6-12: municipal school care	yes	yes	reduced for the number of siblings in care. fees income-related.
UK	6	mon-fri: 9-3.30	out of school clubs	yes	yes	tax credit (formal childcare only)
USA	6/7	mon-fri: 9am-3pm	local school districts may provide after school care.	yes	yes	child care subsidies fund (CCDFBG) and grants to schools and community centres under the ESEA.

Table E.3 Eligibility for allowances for 16-18 year olds

Country	Eligibility
Australia	Youth allowance: Full time students aged 16-24, unemployed under 21 looking for work/work and study or independent. 15 years above school leaving age in full-time study. Parental and personal income test.
Austria	Families with young people in education including higher secondary and tertiary up to age 26.
Belgium	-
Canada	-
Denmark	-
Finland	From age 17, full-time study, in need of financial assistance. Study grant +housing supplement.
France	Means-tested and income-tested grants for children over 11. Annual benefit for 6-18 year olds in school tax credit for each child at school (ages 11- 25). Varies by age.
Germany	All parents can use an education tax allowance ('Ausbildungsfreibetrag'). This varies by age (over 18 receive a higher allowance) and according to whether the child is living with their parents.
Greece	Expenses related to education of members of the family (including child care, private tuition etc.) deducted from taxable income tax up to a maximum annual per child
Ireland	Back to school clothing and footwear allowance for children aged 2-22 for whom a Child Dependent Allowance is payable. Varies by age and family type.
Israel	-
Italy	Partially or totally free books provision for compulsory school years
Japan	-
Luxembourg	Over 6 in education: the new school year allowance.
Netherlands	Ages 9-17, depend on income, type of education, number of children in f/t education in the household
New Zealand	Small 'voluntary' charge levied by all schools to supplement government funding
Norway	Grants for students under 19 if in secondary school or college/university. Depend on family income and number of children. Those living away from home eligible regardless of family income.
Portugal	16-18: Exemption from school fees and subsidies for meals, books and materials for low income
Spain	16-18: Scholarships exist for low income families. Threshold varies by family size.
Sweden	Age 16-20 if child at gymnasium level. Supplement: Income tested supplement paid to gymnasium students with low income-families. Varies by income.
UK	Educational maintenance allowance: 16-18: means tested on a taper down. This is currently only in pilot phase. It is not clear what form the allowance will take when rolled out nationally.
USA	-

Appendix F
Social assistance

Table F.1 Income Tax contributions of families on social assistance, £ ppps

Country	Single	Couple	Lone parent + 1 aged 2yrs 11 months	Lone parent + 1 aged 7	Lone parent + 2 aged 7 and 14	Couple + 1 aged 2yrs and 11 months	Couple +1 aged 7	Couple + 2 aged 7 and 14	Couple +3 aged 7 and 14 and 17
Australia	0	0	241	207	371	241	207	371	371
Austria	0	0	0	0	0	0	0	0	0
Belgium	0	0	0	0	0	0	0	0	0
Canada	34	46	48	48	56	58	55	63	71
Denmark	-144	-288	-220	-220	-220	-440	-440	-440	-440
Finland	0	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	0	0
Germany	0	0	0	0	0	0	0	0	0
Greece	0	0	0	0	0	0	0	0	0
Ireland	0	0	0	0	0	0	0	0	0
Israel	0	0	0	0	0	0	0	0	0
Italy	0	0	0	0	0	0	0	0	0
Japan	0	0	0	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0	0	0	0
Netherlands	-29	-58	-7	-7	-7	-43	-43	-43	-43
New Zealand	-52	-86	4	4	54	-2	-2	58	159
Norway	0	0	8	0	0	0	0	0	0
Portugal	0	0	0	0	0	0	0	0	0
Spain	0	0	0	0	0	0	0	0	0
Sweden	0	0	0	0	0	0	0	0	0
UK	0	0	0	0	0	0	0	0	0
USA	0	0	0	0	0	0	0	0	0

Table F.2 Social Security contributions of families on social assistance, £ ppps

Country	Single	Couple	Lone parent + 1 aged 2yrs 11 months	Lone parent + 1 aged 7	Lone parent + 2 aged 7 and 14	Couple + 1 aged 2yrs and 11 months	Couple +1 aged 7	Couple + 2 aged 7 and 14	Couple +3 aged 7 and 14 and 17
Australia	0	0	0	0	0	0	0	0	0
Austria	0	0	0	0	0	0	0	0	0
Belgium	0	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	0	0	0	0
Denmark	-12	-23	-14	-14	-14	-27	-27	-27	-27
Finland	0	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	0	0
Germany	0	0	0	0	0	0	0	0	0
Greece	0	0	0	0	0	0	0	0	0
Ireland	0	0	0	0	0	0	0	0	0
Israel	-13	-13	-13	-13	-13	-13	-13	-13	-13
Italy	0	0	0	0	0	0	0	0	0
Japan	0	0	0	0	0	0	0	0	0
Luxembourg	-20	-31	-22	-22	-24	-33	-33	-35	-37
Netherlands	0	0	0	0	0	0	0	0	0
New Zealand	0	0	0	0	0	0	0	0	0
Norway	0	0	37	0	0	0	0	0	0
Portugal	0	0	0	0	0	0	0	0	0
Spain	0	0	0	0	0	0	0	0	0
Sweden	0	0	0	0	0	0	0	0	0
UK	0	0	0	0	0	0	0	0	0
USA	0	0	0	0	0	0	0	0	0

Table F.3 Net rent as proportion of gross rent for families on social assistance (%)

Country	Single	Couple	Lone parent + 1 aged 2yrs 11 months	Lone parent + 1 aged 7	Lone parent + 2 aged 7 and 14	Couple + 1 aged 2yrs and 11 months	Couple +1 aged 7	Couple + 2 aged 7 and 14	Couple +3 aged 7 and 14 and 17
Australia	-75	-76	-70	-70	-70	-70	-70	-70	-68
Austria	-50	-39	-39	-39	-27	-15	-27	-15	-15
Belgium	59	67	56	56	52	64	64	100	100
Canada	-100	-100	-100	-100	-100	-100	-100	-100	-100
Denmark	-85	-85	-45	-45	-45	-81	-81	-81	-81
Finland	-50	-27	-27	-27	-20	-20	-20	-20	-20
France	-41	-30	-21	-21	-9	-21	-21	-9	3
Germany	0	0	0	0	0	0	0	0	0
Greece	-100	-100	-100	-100	-100	-100	-100	-100	-100
Ireland	-18	-30	-46	-46	-56	-36	-36	-42	-49
Israel	62	40	18	18	18	18	18	18	18
Italy	100	100	100	100	100	100	100	100	100
Japan	-84	-100	-100	-100	-100	-100	-100	-100	-100
Luxembourg	79	79	79	79	79	79	79	79	79
Netherlands	-46	-56	-53	-53	-49	-49	-49	-49	-49
New Zealand	-27	-46	-48	-48	-51	-57	-57	-57	-57
Norway	-100	-100	-57	-45	-47	-47	-47	-49	-50
Portugal	100	100	100	100	100	100	100	100	100
Spain	-100	-100	-100	-100	-100	-100	-100	-100	-100
Sweden	-100	-100	-54	-54	-45	-54	-54	-45	-38
UK	0	0	0	0	0	0	0	0	0
USA	-56	-49	-49	-49	-49	-49	-49	-38	-31

Table F.4 Health charges on social assistance, £ ppps

Country	Single	Couple	Lone parent + 1 aged 2yrs 11 months	Lone parent + 1 aged 7	Lone parent + 2 aged 7 and 14	Couple + 1 aged 2yrs and 11 months	Couple +1 aged 7	Couple + 2 aged 7 and 14	Couple +3 aged 7 and 14 and 17
Australia	0	0	0	0	0	0	0	-1	-1
Austria	0	0	0	0	0	0	0	0	0
Belgium	-1	-2	-2	-2	-3	-3	-3	-4	-5
Canada	-11	-23	-23	-23	-34	-34	-34	-45	-56
Denmark	-3	-5	-3	-3	-3	-5	-5	-6	-6
Finland	0	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	0	0
Germany	0	0	0	0	0	0	0	0	0
Greece	-2	-3	-3	-3	-5	-5	-5	-7	-8
Ireland	0	0	0	0	0	0	0	0	0
Israel	-21	-21	-21	-21	-21	-21	-21	-21	-21
Italy	0	0	0	0	0	0	0	0	0
Japan	0	0	0	0	0	0	0	0	0
Luxembourg	-3	-5	-5	-5	-8	-8	-8	-10	-13
Netherlands	-22	-45	-22	-22	-22	-45	-45	-45	-45
New Zealand	-8	-17	-8	-9	-10	-17	-18	-18	-19
Norway	-5	-9	-5	-5	-6	-9	-10	-10	-11
Portugal	0	0	0	0	1	1	1	1	1
Spain	-6	-13	-13	-13	-19	-19	-19	-26	-32
Sweden	-6	-13	-6	-6	-6	-13	-13	-13	-13
UK	0	0	0	0	0	0	0	0	0
USA	0	0	0	0	0	0	0	0	0

Table F.5 School costs and benefits on social assistance, £ ppps

Country	Lone parent + 1 aged 7	Lone parent + 2 aged 7 and 14	Couple +1 aged 7	Couple + 2 aged 7 and 14	Couple +3 aged 7 and 14 and 17
Australia	0	0	0	0	167
Austria	-1	-3	-1	-3	-7
Belgium	-4	-20	-4	-20	-32
Canada	0	0	0	0	0
Denmark	0	0	0	0	0
Finland	43	87	43	87	130
France	0	36	0	36	67
Germany	0	0	0	0	0
Greece	0	0	0	0	0
Ireland	-11	-22	-6	-12	-22
Israel	16	25	0	0	0
Italy	-5	-22	-5	-22	-53
Japan	-23	-68	-23	-68	-84
Luxembourg	-19	-46	-19	-46	-63
Netherlands	-32	-51	-32	-51	-66
New Zealand	-4	-12	-4	-12	-21
Norway	0	0	0	0	-20
Portugal	-2	-2	-2	-2	-7
Spain	17	34	0	0	0
Sweden	21	42	21	42	63
UK	21	45	21	45	45
USA	41	81	81	122	0

Appendix G Explanations for variations in the level of child benefit package

Table G.1 Ranking of the mean value of the child support package for lone parents, £ ppps

	After tax and bens		After housing costs		After services		After all
Ireland	488	Austria	453	Austria	388	Austria	439
Austria	403	Ireland	427	Ireland	374	Norway	362
UK	400	Israel	395	Australia	313	Australia	359
Australia	341	Australia	388	UK	302	Israel	345
Norway	300	Norway	373	Norway	289	Denmark	335
Israel	270	UK	365	Denmark	224	Ireland	313
Luxembourg	259	Denmark	345	USA	222	Finland	268
USA	247	USA	268	Israel	220	UK	267
Netherlands	244	Luxembourg	259	Netherlands	214	USA	244
Denmark	235	Netherlands	250	Finland	213	Germany	230
Canada	231	Germany	250	Luxembourg	212	Netherlands	220
Germany	225	Canada	231	Germany	205	Sweden	217
Japan	209	Japan	216	Japan	135	Luxembourg	211
New Zealand	203	France	214	Belgium	129	France	179
Belgium	165	Sweden	211	Canada	127	Japan	143
Finland	146	Finland	201	New Zealand	115	Belgium	132
Sweden	101	Belgium	168	Sweden	107	Canada	127
Italy	96	New Zealand	164	France	102	New Zealand	76
Portugal	80	Italy	95	Italy	68	Italy	68
France	53	Portugal	80	Portugal	44	Portugal	44
Spain	51	Spain	51	Greece	9	Greece	15
Greece	41	Greece	47	Spain	-5	Spain	-5

Table G.2 Ranking of the mean value of the child support package for lone parents, as % average earnings

After tax and bens		After housing costs		After services		After all	
Ireland	37	Israel	35	Ireland	28	Israel	31
Austria	26	Ireland	32	Austria	25	Austria	28
Israel	24	Austria	29	Norway	21	Norway	26
Norway	21	Norway	27	Israel	20	Ireland	24
UK	21	Australia	21	Australia	17	Australia	20
Australia	19	UK	19	UK	16	Finland	20
New Zealand	15	Denmark	19	Finland	16	Denmark	19
Netherlands	14	Finland	15	Denmark	12	Sweden	14
Luxembourg	13	France	14	Netherlands	12	UK	14
Denmark	13	Sweden	14	Germany	11	Germany	13
Germany	12	Netherlands	14	Luxembourg	11	Netherlands	12
Japan	12	Germany	14	USA	10	France	12
Canada	12	Luxembourg	13	New Zealand	9	USA	11
USA	12	USA	13	Belgium	8	Luxembourg	11
Finland	11	New Zealand	12	Japan	8	Belgium	8
Portugal	11	Japan	12	Sweden	7	Japan	8
Belgium	10	Canada	12	France	7	Canada	6
Italy	7	Belgium	11	Canada	6	Portugal	6
Sweden	7	Portugal	11	Portugal	6	New Zealand	6
Greece	4	Italy	7	Italy	5	Italy	5
Spain	4	Greece	4	Greece	1	Greece	1
France	4	Spain	4	Spain	0	Spain	0

Table G.3 Ranking of the mean value of the child support package for families on social assistance (Case 8), £ ppps

After tax and bens		After housing costs		After services		After all	
Ireland	356	Austria	357	Ireland	344	Austria	354
Austria	320	Ireland	316	Austria	318	Ireland	303
Canada	261	Canada	261	Canada	250	Canada	250
Japan	225	Japan	225	UK	235	UK	232
UK	202	Israel	218	Finland	187	Israel	228
Israel	171	Denmark	202	Israel	181	Denmark	203
Australia	167	UK	198	Japan	180	Finland	200
Belgium	159	Australia	188	USA	175	Australia	188
Denmark	123	Belgium	155	Australia	167	USA	187
Germany	122	Norway	148	Belgium	147	Japan	180
Finland	122	Finland	135	Denmark	124	Norway	149
Luxembourg	120	France	130	Germany	122	France	148
New Zealand	110	Germany	122	France	108	Belgium	142
USA	94	Luxembourg	117	New Zealand	105	Sweden	127
France	90	USA	106	Luxembourg	85	Germany	122
Portugal	69	Sweden	92	Spain	68	New Zealand	85
Spain	62	New Zealand	90	Portugal	67	Luxembourg	82
Greece	22	Portugal	69	Greece	21	Spain	68
Netherlands	-1	Spain	62	Norway	0	Portugal	67
Norway	-2	Greece	22	Sweden	-24	Greece	21
Sweden	-59	Netherlands	21	Netherlands	-31	Netherlands	-9
Italy	-112	Italy	-112	Italy	-125	Italy	-125

Table G.4 Ranking of the mean value of the child support package for families on social assistance, as % average earnings

After tax and bens		After housing costs		After services		After all	
Ireland	27	Ireland	24	Ireland	26	Austria	23
Austria	21	Austria	23	Austria	21	Ireland	23
Israel	15	Israel	20	Israel	16	Israel	21
Canada	13	Canada	13	Finland	14	Finland	15
Japan	13	Japan	13	Canada	13	Canada	13
UK	11	Denmark	11	UK	12	UK	12
Belgium	10	Norway	11	Japan	10	Denmark	11
Australia	9	UK	11	Belgium	9	Norway	11
Portugal	9	Australia	10	Australia	9	Australia	10
Finland	9	Finland	10	Portugal	9	Japan	10
New Zealand	8	Belgium	10	USA	8	France	10
Denmark	7	Portugal	9	New Zealand	8	Belgium	9
Germany	7	France	9	France	7	Portugal	9
Luxembourg	6	New Zealand	7	Denmark	7	USA	9
France	6	Germany	7	Germany	7	Sweden	8
Spain	5	Sweden	6	Spain	5	Germany	7
USA	4	Luxembourg	6	Luxembourg	4	New Zealand	6
Greece	2	USA	5	Greece	2	Spain	5
Netherlands	0	Spain	5	Norway	0	Luxembourg	4
Norway	0	Greece	2	Sweden	-2	Greece	2
Sweden	-4	Netherlands	1	Netherlands	-2	Netherlands	0
Italy	-8	Italy	-8	Italy	-9	Italy	-9

Table G.5 Ranking of the mean value of the child support package for families on half average earnings (Cases 2 and 3), £ ppps

After tax and bens		After housing costs		After services		After all	
UK	431	USA	421	UK	324	Australia	395
USA	403	Australia	417	USA	311	USA	329
Ireland	365	UK	403	Australia	285	Austria	307
Australia	306	Ireland	324	Austria	239	UK	297
Austria	252	Austria	321	Ireland	238	Finland	263
Canada	216	Denmark	253	Finland	217	Denmark	246
New Zealand	199	Norway	246	Norway	185	Germany	237
Norway	199	Germany	237	Germany	168	Norway	232
Luxembourg	172	Canada	216	New Zealand	125	Ireland	198
Germany	168	France	194	Italy	123	Sweden	187
Belgium	149	Finland	179	Luxembourg	122	France	164
Italy	138	Sweden	176	Denmark	114	Italy	124
Finland	132	New Zealand	170	Canada	110	Canada	110
Denmark	122	Belgium	148	Belgium	105	Belgium	104
France	115	Luxembourg	145	Sweden	93	New Zealand	95
Japan	110	Italy	140	France	85	Luxembourg	95
Israel	108	Israel	118	Netherlands	71	Israel	56
Netherlands	107	Japan	114	Israel	46	Portugal	17
Sweden	82	Netherlands	52	Portugal	17	Netherlands	15
Portugal	47	Portugal	47	Greece	-6	Greece	1
Spain	20	Spain	20	Japan	-7	Japan	-3
Greece	-4	Greece	3	Spain	-44	Spain	-44

Table G.6 Ranking of the mean value of the child support package for families on half average earnings (Cases 2 and 3), as % average earnings

After tax and bens		After housing costs		After services		After all	
Ireland	28	Ireland	24	Ireland	18	Australia	22
UK	23	Australia	23	UK	17	Austria	20
USA	19	UK	21	Finland	16	Finland	19
Australia	17	Austria	21	Australia	16	Norway	17
Austria	16	USA	20	Austria	15	UK	16
New Zealand	15	Norway	18	USA	15	USA	15
Norway	14	Denmark	14	Norway	13	Ireland	15
Canada	11	Finland	13	New Zealand	9	Denmark	14
Italy	10	France	13	Germany	9	Germany	13
Israel	10	Germany	13	Italy	9	Sweden	12
Finland	10	New Zealand	13	Belgium	7	France	11
Belgium	9	Sweden	12	Denmark	6	Italy	9
Germany	9	Canada	11	Luxembourg	6	New Zealand	7
Luxembourg	9	Israel	11	Sweden	6	Belgium	7
France	8	Italy	10	France	6	Canada	6
Denmark	7	Belgium	9	Canada	6	Israel	5
Portugal	6	Luxembourg	7	Israel	4	Luxembourg	5
Japan	6	Japan	6	Netherlands	4	Portugal	2
Netherlands	6	Portugal	6	Portugal	2	Netherlands	1
Sweden	5	Netherlands	3	Japan	0	Greece	0
Spain	2	Spain	2	Greece	-1	Japan	0
Greece	0	Greece	0	Spain	-3	Spain	-3

Table G.7 Ranking of the mean value of the child support package for families on average earnings (Cases 4 and 5), £ ppps

After tax and bens		After housing costs		After services		After all	
Luxembourg	313	Luxembourg	308	Luxembourg	248	Austria	280
Austria	259	Austria	299	Austria	240	Luxembourg	243
Belgium	184	Belgium	183	Finland	184	Finland	184
UK	166	France	171	Sweden	159	Sweden	161
Germany	163	Germany	163	Belgium	136	France	150
Norway	156	UK	159	Norway	131	Belgium	136
France	151	Norway	156	France	130	Norway	131
Sweden	145	Sweden	147	Germany	122	Germany	122
Ireland	138	Denmark	137	UK	97	Denmark	119
Finland	131	Ireland	133	Denmark	94	UK	89
Netherlands	114	Finland	131	Italy	68	Australia	71
Italy	113	Australia	118	Australia	62	Italy	68
Denmark	112	Netherlands	118	Ireland	40	Ireland	35
Australia	109	Italy	113	Israel	21	Israel	23
USA	102	USA	102	Canada	1	Canada	1
Canada	77	Canada	77	Netherlands	-9	Netherlands	-5
Israel	61	Israel	62	Spain	-15	Spain	-15
Japan	44	Japan	58	New Zealand	-28	New Zealand	-28
Portugal	44	Portugal	44	Portugal	-35	Portugal	-35
New Zealand	43	New Zealand	43	USA	-36	USA	-36
Spain	35	Spain	35	Japan	-90	Japan	-76
Greece	19	Greece	21	Greece	-97	Greece	-94

Table G.8 Ranking of the mean value of the child support package for families on average earnings (Cases 4 and 5), as % average earnings

After tax and bens		After housing costs		After services		After all	
Austria	17	Austria	19	Austria	16	Austria	18
Luxembourg	16	Luxembourg	16	Finland	13	Finland	13
Belgium	12	Belgium	12	Luxembourg	13	Luxembourg	12
Norway	11	France	11	Sweden	11	Sweden	11
Ireland	10	Norway	11	Norway	9	France	10
France	10	Ireland	10	France	9	Norway	9
Sweden	10	Sweden	10	Belgium	9	Belgium	9
Finland	10	Finland	10	Germany	7	Germany	7
Germany	9	Germany	9	Denmark	5	Denmark	7
UK	9	UK	8	UK	5	Italy	5
Italy	8	Italy	8	Italy	5	UK	5
Netherlands	6	Denmark	8	Australia	3	Australia	4
Denmark	6	Netherlands	7	Ireland	3	Ireland	3
Australia	6	Australia	6	Israel	2	Israel	2
Portugal	6	Portugal	6	Canada	0	Canada	0
Israel	5	Israel	6	Netherlands	0	Netherlands	0
USA	5	USA	5	Spain	-1	Spain	-1
Canada	4	Canada	4	USA	-2	USA	-2
New Zealand	3	Japan	3	New Zealand	-2	New Zealand	-2
Spain	3	New Zealand	3	Portugal	-5	Japan	-4
Japan	3	Spain	3	Japan	-5	Portugal	-5
Greece	2	Greece	2	Greece	-9	Greece	-9

Table G.9 Ranking of the mean value of the child support package for double earner families (Cases 6 and 7), £ ppp

After tax and bens		After housing costs		After services		After all	
Luxembourg	357	Luxembourg	353	Luxembourg	262	Luxembourg	257
Belgium	233	Belgium	233	Austria	199	Austria	199
Austria	222	Austria	222	France	171	France	177
France	201	France	207	Belgium	171	Belgium	171
Germany	177	Germany	177	Finland	152	Finland	152
USA	154	USA	154	Germany	140	Germany	140
UK	148	UK	135	Sweden	134	Sweden	134
Sweden	124	Sweden	124	UK	84	Norway	80
Norway	120	Norway	120	Norway	80	Denmark	76
Ireland	111	Ireland	111	Denmark	76	UK	71
Netherlands	107	Netherlands	107	Israel	16	Ireland	11
Denmark	105	Denmark	105	Ireland	11	Israel	-7
Finland	99	Finland	99	Australia	-10	Australia	-10
Japan	69	Japan	89	Italy	-15	Italy	-15
Australia	58	Australia	58	Spain	-25	Spain	-25
Israel	56	Portugal	50	Canada	-35	Canada	-35
Portugal	50	Italy	47	Portugal	-42	Portugal	-42
Italy	47	Canada	40	New Zealand	-73	Japan	-62
Canada	40	Greece	34	Japan	-82	New Zealand	-73
Greece	34	Israel	32	Greece	-88	Greece	-88
Spain	20	Spain	20	Netherlands	-99	Netherlands	-99
New Zealand	2	New Zealand	2	USA	-122	USA	-122

Table G.10 Ranking of the mean value of the child support package for double earner families (Cases 6 and 7), as % average earnings

After tax and bens		After housing costs		After services		After all	
Luxembourg	18	Luxembourg	18	Luxembourg	13	Luxembourg	13
Belgium	15	Belgium	15	Austria	13	Austria	13
Austria	14	Austria	14	France	12	France	12
France	14	France	14	Finland	11	Finland	11
Germany	10	Germany	10	Belgium	11	Belgium	11
Norway	9	Norway	9	Sweden	9	Sweden	9
Ireland	8	Ireland	8	Germany	8	Germany	8
Sweden	8	Sweden	8	Norway	6	Norway	6
UK	8	Finland	7	UK	4	Denmark	4
Finland	7	USA	7	Denmark	4	UK	4
USA	7	UK	7	Israel	1	Ireland	1
Portugal	7	Portugal	7	Ireland	1	Australia	-1
Netherlands	6	Netherlands	6	Australia	-1	Israel	-1
Denmark	6	Denmark	6	Italy	-1	Italy	-1
Israel	5	Japan	5	Canada	-2	Canada	-2
Japan	4	Italy	3	Spain	-2	Spain	-2
Italy	3	Greece	3	Japan	-5	Japan	-3
Greece	3	Australia	3	Netherlands	-5	Netherlands	-5
Australia	3	Israel	3	New Zealand	-6	New Zealand	-6
Canada	2	Canada	2	Portugal	-6	Portugal	-6
Spain	2	Spain	2	USA	-6	USA	-6
New Zealand	0	New Zealand	0	Greece	-8	Greece	-8

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