

PF3: Family cash benefits

Definitions and methodology

Family cash benefits (FCB) are here defined as child-related cash transfers to families, and such support is generally used by families towards the cost of raising children. The value of family benefits here concerns child allowances for families with children age 3-12 (in some countries payment rates vary with the age of the child). The chosen ages generally avoid overlap with income support during parental leave periods (PF7). The benefits here include “refundable” or “non-wastable” tax credits (i.e. benefits that are paid in cash when the tax liability of a family is not large enough to make (full) use of a particular fiscal advantage or tax credit), but other wise fiscal support is not covered here.

Key findings

Table PF3.1 provides an overview of family benefit schemes across countries. In most cases, benefits are restricted to families with children. In over half of the countries, FCB amounts do not depend on family income and are paid as universal benefits. Among those countries, Austria, France and Germany pay additional income-tested benefits to low-income families, families with young children or unemployed parents (respectively). Universal FCB may vary depending on the household’s work situation. For example, in Belgium FCB are increased from the seventh month of unemployment. Universal family cash benefits for a one-child family are most generous in Hungary, Ireland and Luxembourg, where cash transfers for such a family can exceed 5% of the average wage of the average worker (AW).

In several countries, FCB amounts depend on family income. For example, in Iceland, benefits decrease after an income limit with withdrawal rates that vary with the number of children, 2, 5 and 7% for one, two and three children respectively.

In Australia, Canada, Germany, New Zealand and the UK, cash transfers may take the form of “refundable” or “non-wastable” tax credits, as these benefits involve cash transfers to families. In these countries, the family tax credits are income-tested, except in Germany. In the latter country, the tax credit does not phase out when earnings increase. As most of the universal FCBs, its payment rate increases with the number of children, but only from the fourth child onwards.

Table PF3.1 shows the maximum age of children at which families are eligible to receive child-related cash transfers. Frequently, countries have an upper age limit which is higher for children in education. However, families may not be eligible to FCB if children have income of their own, are married or do not live with their parents. Payment rates can be uniform, but more often they vary by age and/or number of children across countries. The different age profiles of child benefit amounts are referred to in the third column of Table PF3.1: a “+” and “-” indicate that benefit amounts for children increase or decrease with age, respectively.

Other relevant indicators: PF1: Public spending on family benefits; PF4: Gender-neutrality of tax/benefits systems; PF7: Key characteristics of parental leave systems; PF12: Childcare support.

Table PF3.1 Family Cash Benefits¹, 2007

Country	Maximum benefit for one child aged 3-12		Benefit amount per additional child varies with ²		Upper age limit for children (student)	Income-tested	Observations
	US\$	% of AW	Age of child	Number of children			
Australia	3,613	8	+/-	+ from 4th	20 (24)	Family earned income.	Family tax benefit (FTB) part A to help families with cost of raising children. Can be paid as a benefit or as a tax allowance.
	2,901	6	-	0	15 (18)	Earned income of secondary earner in a couple.	FTB part B to provide extra help for families with one main income. Family based payment which can be paid as a benefit or as a tax allowance.
Austria	2,150	4	+	+	19 (27)	No	For low income families there is an extra supplement for each additional child from the 3rd.
	836	2	0	0			Non-wastable tax credit.
Belgium	1,739	3	+/-	+/-	17 (24)	No	For unemployed, family benefits are increased as from 7th month of unemployment.
Canada	1,194	3	0	+ from 3rd	17	Family taxable income.	Canada child tax benefit (non-wastable tax credit).
	1,851	5	0	-		Family taxable income.	National Child Benefit (NCB) supplement for low income families.
Cyprus ^{3,4}	274	2	0	0	17 (23)	No	--
Czech Republic	417	3	+	0	14 (25)	Family income relative to minimum living standard.	Three income levels used to define level of benefit: increased, basic or reduced.
Denmark	2,306	4	-	0	17	No	--
Estonia	474	3	0	+ from 3rd	15 (18)	No	--
Finland	1,643	3	0	+	16	No	Fixed rate of increase for each additional child.
France	979	2	+	+	20	No	Family allowance: zero benefit for first child. For 2 children (under age 11) the amount per child would be USD 979 (2% of AW).
Germany	2,530	4	0	+ from 4th	18 (25)	No	<i>Kindergeld</i> is a non-wastable tax credit in the form of a monthly tax refund (deducted from Social Assistance if no tax liability).
	2,300	4	--	--	--	Yes	<i>Supplementary child allowance (Kinderzuschlag)</i> is paid to parents to prevent them from having to apply for unemployment benefit II/social welfare benefits only because of the maintenance of their children.
Greece	135	0	0	+/-	17 (21)	No	Employment condition: 50 days of work prior to the claim. In addition, the employer usually grants 5% of gross earnings to each worker for each child. The employer benefits are taxable.
Hungary	765	7	0	+	18 (23)	No	After 1st July of 2006, the family support system has changed: the amounts of the family allowance are almost doubled, the regular child protection support dissolved into the family allowance.
Iceland	3,153	5	-	+	17	Basic allowance is reduced by a percentage of income above limit. Supplement is not means tested.	Basic allowance has an income limit of USD 44 496 for a couple. Reduction is 2, 5 and 7% for 1, 2 and 3 children respectively. There is a supplement for children aged under 7.
Ireland	2,628	6	0	+ from 3rd	15 (18)	No	--
Italy ⁵	1,495	5	0	+	17	Household taxable income.	Benefit is paid by employers and is only granted if at least 70% of household taxable income is employment income (or earnings replacement benefits including unemployment benefits and employment pension). Benefits are reduced in proportion to days not worked.

Table PF3.1 Family Cash Benefits¹, 2007 (cont.)

Country	Maximum benefit for one child aged 3-12		Benefit amount per additional child varies with ²		Upper age limit for children (student)	Income-tested	Observations
	US\$	% of AW	Age of child	Number of children			
Japan	510	1	+/-	+ from 3rd	12	Gross income less employment income tax deduction.	Amount per child doubles as from 3rd child.
Korea	-	--	--	--	--	--	--
Latvia	433	2	0	+	15 (19)	No	--
Lithuania	331	3	-	+ from 3rd	12 (23)	No	For families with at least 3 children the age limit is 18 or less than 24 if in education. Higher rates for children less than 3.
Luxembourg	3,846	6	+	+	17 (26)	No	Maximum amount by age is reached at age 12.
Malta ⁶	844	9	0	+	15 (20)	Household income minus social security contributions	The allowance paid is calculated on a percentage on the difference between household income limit, USD 32 306 (154% of AW), and the income declared. The percentage increases with number of children.
Netherlands	1,488	3	+	0	17	No	Under the previous system (which still applies for children born before 1 January 1995) the amount per child increased with the number of children.
New Zealand	3,133	10	+	-	18	Family earned income.	Family Support Tax Credit (includes Child Tax Credit available for families not receiving benefits).
Norway	1,987	3	0	0	17	No	--
Poland	278	2	+	0	17 (20)	Gross income per household member relative to net income per capita.	Supplementary benefits available
Portugal	536	2	+/-	-	16 (24)	Income relative to minimum wage.	Higher benefits for children aged under 1. Benefits also vary relative to family income (six levels). Regarding first income level households, benefit amount is doubled in September for schooling expenses for children between 6 and 16.
Slovak Republic	1,898	3	0	0	15 (25)	No	The child allowance is provided at a uniform amount.
Slovenia	263	8	0	+	17 (25)	Gross family income	Child benefit is defined as percentage from the average monthly wage of all employees (A-O, ISIC Rev. 3.1).
Spain	398	1	0	0	17	Gross family income.	Benefit is means-tested on a one-to-one basis on gross family income exceeding USD 12 770 (43% of AW) per year (increasing with 15 per cent for every dependent child from the second).
Sweden	1,865	4	0	+	16 (20)	No	--
Switzerland (Zurich)	1,950	3	+	0	15 (24)	No	Amounts are fixed at the level of the cantons and paid by the employer. Benefits are taxable but not subject to social contributions.
Turkey	--	--	--	--	--	--	--
United Kingdom	1,883	3	0	-	15 (18)	No	Fixed rate from 2nd child.
	1,090	3	0	+		Gross family income.	Families with children can claim Child Tax Credit if their income is no more than USD 116 410. The tax credit is "non-wastable". Higher rates are paid for disabled children.
United States(5) (Michigan)	1,056	3	0	+	--	Yes	Temporary Assistance for Needy Families (TANF): benefit is not based on number of children but on family size at the time of application; it does not increase thereafter. The benefit amounts and durations vary by State.

Notes:

1) Family benefits include refundable tax credits. All benefit amounts are shown on an annualised basis. "--" indicates that no information is available or not applicable. In general family benefits are not taxable unless otherwise indicated.

2) Payment rates vary with the number of children: "+": increases, "-": decreases, "0": remains the same, "+/-": increases or decreases (some countries give higher rates to the youngest and oldest age groups).

3) Footnote by Turkey: The information in this document with reference to « Cyprus » relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

4) Footnote by all the European Union Member States of the OECD and the European Commission: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

5) Benefit amount for the first child is calculated as the difference in benefit between a 3-member and a 2-member household.

6) Benefit amount for a household with no declared income. Benefit amount as 6% (1 child percentage) of household income limit LM. The average wage (AW) reflects the earnings of an "average worker"; see OECD, 2007, pp. 186-7 for detail.

Source: OECD Tax-Benefit Models

Comparability and data issues

Data for family benefits have been taken from a questionnaire sent to national authorities in the context of their Benefits and Wages database. Benefit amounts have been converted from national currencies to USD using OECD currency exchange rates for 2007.

Family benefits may be unrelated to the income of the family or they can be income-tested. Where they are income-tested, benefits are usually paid only when family-income is below a specified level, and child benefits are reduced as the family income increases. The nature of such benefit rules varies across countries.

Further reading: OECD Babies and Bosses (various issues); OECD (2007), Benefits and Wages, OECD, Paris.