

PF1.3. Family cash benefits

Definitions and methodology

Family cash benefits are defined here as family-related transfers to families, often taking the form of child benefits, family allowances or family-related refundable/non-wastable tax credits. These benefits can be universal or means-tested (i.e. with eligibility and/or payment levels conditional on income and/or assets). Payment levels frequently vary with child age and family size. Some countries also provide benefits targeted at specific groups or for specific purposes based on family characteristics, child characteristics, and/or the parents' labour market situation.

To assess the generosity of family cash benefits, this indicator uses estimates from the OECD's tax-benefit models – micro-simulation models that calculate comparable information on tax burdens, benefit entitlements and net incomes for families in a range of different labour market and household situations. This indicator provides estimates of the value of total family benefits (i.e. the sum of all types of family benefits) by family status and income level, by the age of the youngest child in the family, and by the number of children in the family. In all cases, for comparability, the value of family benefits is expressed as a % of national average full-time earnings (AW). See the OECD Tax and Benefit Systems website (<http://www.oecd.org/social/benefits-and-wages/>) for more detail on the methods and assumptions used and information on the policies modelled for each country

Key findings

Table PF1.3.A in the associated Excel file ([here](#)) provides an overview of the types of family benefits available across OECD countries. In total, 34 of the 35 OECD countries with available information provide at least one type of family benefit, with a majority (30 countries) offering at least two or more. About half of countries means test the main family benefit, whereby a recipient's income (and assets, in the case of the Czech Republic and Portugal) must be below a certain threshold.

The next most common type of family benefits are benefits conditional on family characteristics. 21 OECD countries provide single parent benefits or equivalent. Nine countries (Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, the Slovak Republic and Sweden) also offer some type of alimony advance, often (but not always) conditional on the absent parent not paying child support (Denmark, Estonia, Germany (also activity tested), Lithuania, Norway, the Slovak Republic, and Sweden).

Several OECD countries also provide family benefits conditional on child, with the majority of these being school-related benefits. Three countries (France, Italy and Norway) also offer a means-tested benefit for parents with younger children.

Lastly, some OECD countries also offer family benefits conditional on the labour market situation of the parents, usually the form of a working family tax credit or a child care allowance. More than two-thirds of countries that offer at least one type of family benefit, offer between two to three different benefits. In Norway, six different types of family benefits are available, conditional on different characteristics, which may or may not be mutually exclusive.

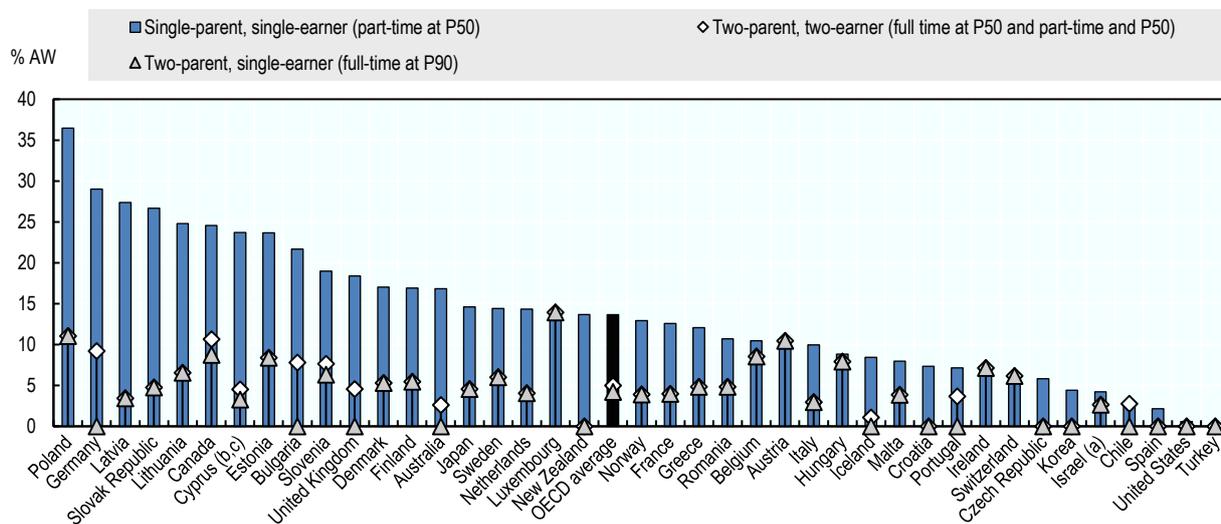
Chart PF1.3.A simulates the values of the total amount of family benefits available to a two-child family, where the oldest is age twelve and the youngest is nine years old, for different types of family with different earnings levels. Across OECD countries, single-parent families often receive greater family benefits than many types of two-parent families. In Germany, Latvia, and the Slovak Republic, a two-child single-parent family with the parent working part-time on median wages receives family benefits worth at least 25% of average full-time earnings. In Poland, a similar family receives family benefits worth 36% of average full-time earnings. On average across OECD countries, this type of single-parent family receives family benefits worth just under 14% of average full-time earnings.

Other relevant indicators: PF1.1: Public spending on family benefits; PF1.4: Neutrality of tax/benefits systems; PF2.1: Key characteristics of parental leave systems; PF3.4: Childcare support.

Family benefits are often lower for two-parent families, especially when they have at least one high earner. On average across OECD countries, a two-earner two-parent family with one parent working full-time and one part-time (both on median wages) receives family benefits worth 5% of average full-time earnings. A single-earner two-parent family with one parent working full-time on high wages (at the 90th percentile of the full-time earnings distribution) receives slightly less in family benefits (just over 4% of average full-time earnings). Luxembourg provides the most generous family benefits (14% of average full-time earnings) for these two types of two-parent family. Austria (10% of average full-time earnings) and Poland (11% of average full-time earnings) also provide comparatively generous benefits for these types of two-parent families.

Chart PF1.3.A. Value of family benefits by family type and earnings

Total family benefits for a two-child family, by family type and earnings level, as a % of average full-time earnings (AW), 2018



Note: Estimates based on a family with two children aged 9 and 12. "Full time at P50" means working 40 hours per week on wages at the median of the full-time earnings distribution; "part time at P50" means working for 20 hours per week on a wages tat the median of the full-time earnings distribution; and "full time at P90" means working 40 hours per week on wages at the 90th percentile of the full-time earnings distribution. Average full-time earnings/the average full-time wage (AW) refers to the average gross wage earnings paid to full-time, full-year workers, before deductions of any kind (e.g. withholding tax, income tax, private or social security contributions and union dues). See the OECD Tax and Benefit Systems website (<http://www.oecd.org/social/benefits-and-wages/>) for more detail on the methods and assumptions used and information on the policies modelled for each country. Data for Chile refer to 2016.

a. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

b. 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";

c. 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.

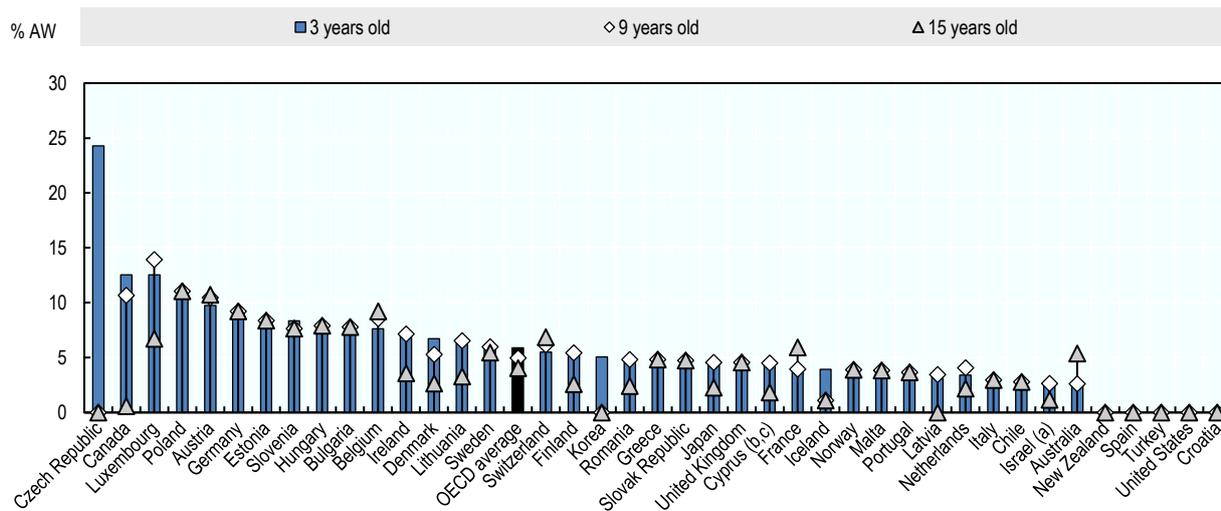
Source: OECD estimates based on the OECD Tax-Benefit Models, <http://www.oecd.org/social/benefits-and-wages.htm>

In some OECD countries, the total value of family benefits varies with the age of children. Chart PF1.3.B simulates the generosity of family benefits for a two-parent, two-earner, two-child household, with one parent working full-time and one part-time (both on median wages), by the age of the youngest child. In

most countries, the generosity of the family benefit stays the same regardless of the age of the youngest child. However, some countries (e.g. Canada, Iceland, Korea and especially the Czech Republic) provide more generous family benefits when children are younger, while in some others (e.g. Australia, Belgium, France, and Switzerland) the total value of family benefits is higher for families with older children. On average across OECD countries, the value of family benefits is very slightly higher (for this family type) when the youngest child is age 3 (6% of average full-time earnings) than when they are age 9 (5% of average full-time earnings) or age 15 (4% of average full-time earnings).

Chart PF1.3.B. Value of family benefits by age of youngest child

Total family benefits for a two-parent, two-earner, two-child family, by age of youngest child, as a % of average full-time earnings (AW), 2018



Note: Estimates based on a two-parent, two-earner, two-child family, with one parent working full-time (40 hours per week) and one parent working part-time (20 hours per week), both on wages at the median of the full-time earnings distribution. The two children are aged three years apart, with the youngest child at the given age. Average full-time earnings/the average full-time wage (AW) refers to the average gross wage earnings paid to full-time, full-year workers, before deductions of any kind (e.g. withholding tax, income tax, private or social security contributions and union dues). See the OECD Tax and Benefit Systems website (<http://www.oecd.org/social/benefits-and-wages/>) for more detail on the methods and assumptions used and information on the policies modelled for each country. Data for Chile refer to 2016.

a. See note a. to Chart PF3.1.A

b. See note a. to Chart PF3.1.B

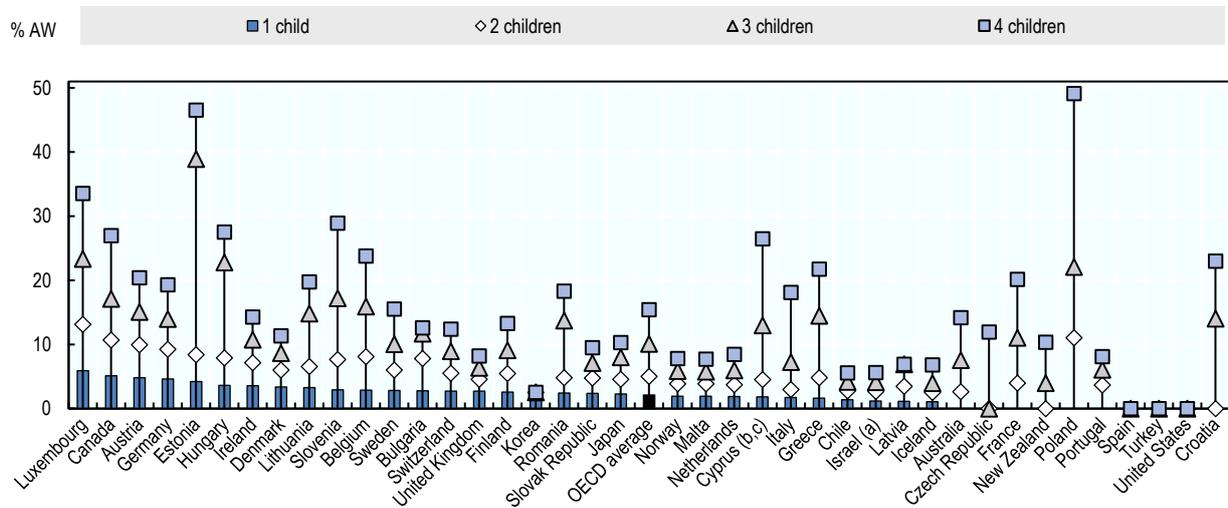
c. See note a. to Chart PF3.1.C

Source: OECD estimates based on the OECD Tax-Benefit Models, <http://www.oecd.org/social/benefits-and-wages.htm>

Lastly, across OECD countries, that value of family benefits often increases with family size and the number of children in the household. Chart PF1.3.C simulates the generosity of family benefits for a two-parent two-earner household, with one parent working full-time and one part-time (both on median wages), by the number of children in the household, assuming the youngest child is age six. On average across OECD countries, the value of family benefits for this family type more than doubles when the number of children increases from one child (2% of average full-time earnings) to two children (5% of average full-time earnings), and then doubles again for three children (10% of average full-time earnings). A four-child version of this family receives, on average, family benefits worth about 15% of average full-time earnings. Increases in family benefits by family size are largest in Estonia (4% of average full-time earnings for a one-child family, rising to 47% for a four-child family) and Poland, where a one-child family of this type receives no family benefits, but a four-child family receives benefits worth 49% of average full-time earnings.

Chart PF1.3.B. Value of family benefits by number of children

Total family benefits for a two-parent, two-earner family with a youngest child aged 6, by number of children, as a % of average full-time earnings (AW), 2018



Note: Estimates based on a two-parent, two-earner family with a youngest child aged 6, with one parent working full-time (40 hours per week) and one parent working part-time (20 hours per week), both on wages at the median of the full-time earnings distribution. Children are aged three years apart. Average full-time earnings/the average full-time wage (AW) refers to the average gross wage earnings paid to full-time, full-year workers, before deductions of any kind (e.g. withholding tax, income tax, private or social security contributions and union dues). See the OECD Tax and Benefit Systems website (<http://www.oecd.org/social/benefits-and-wages/>) for more detail on the methods and assumptions used and information on the policies modelled for each country. Data for Chile refer to 2016.

a. See note a. to Chart PF3.1.A

b. See note a. to Chart PF3.1.B

c. See note a. to Chart PF3.1.C

Source: OECD estimates based on the OECD Tax-Benefit Models, <http://www.oecd.org/social/benefits-and-wages.htm>

Comparability and data issues

Data for family benefits have been taken from a questionnaire sent to national authorities in the context of the Benefits and Wages database.

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.

Sources and further reading:

OECD Benefits and Wages, <http://www.oecd.org/social/benefits-and-wages/>.

OECD (2011), Doing Better for Families, OECD Publishing, Paris, <https://doi.org/10.1787/9789264098732-en>.