PF1.1: Public spending on family benefits

Definitions and methodology

Public spending on family benefits includes financial support that is exclusively for families and children. Spending recorded in other social policy areas such as health and housing may also assist families, but not exclusively, and is not included here.

Broadly speaking, public spending on the family can be categorised into three types:

1. *Child-related cash transfers to families with children*, which includes child allowances – which are sometimes income-tested, and with payment levels that in some countries vary with the age or number of children (PF1.3) – public income support payments during periods of parental leave (PF2.1), and, in some countries, income support for single parent families.

2. *Public spending on services for families with children*, which includes the direct financing or subsidisation of childcare and early childhood education facilities, public childcare support through earmarked payments to parents (PF3.4), public spending on assistance for young people and residential facilities, and public spending on family services, including centre-based facilities and home help services for families in need.

3. *Financial support for families provided through the tax system*. This includes tax exemptions (e.g. income from child benefits that is not included in the tax base); child tax allowances (amounts for children that are deducted from gross income and are not included in taxable income), and child tax credits (amounts that are deducted from the tax liability). If any excess of the child tax credit over the liability is returned to the tax-payer in cash, then the resulting cash payment is recorded under cash transfers above (the same applies to child tax credits that are paid out in cash to recipients as a general rule, for example, in Austria and Canada).

In many OECD countries, including Belgium, Germany, France, Ireland, Portugal, and Switzerland, support for families with children is embedded in the tax unit, so that at a given income level, the larger the family the lower the taxable income. These measures may not be tax expenditures (they do not establish a deviation from the national standard tax system), but such policies clearly establish financial support for families with children, and such support is included in the data.

However, support for married couples is not considered as 'social' in all OECD countries, and fiscal measures in this regard are not considered as a tax break with a social purpose (TBSP). The appropriate analogy is that the presence of dependent children leads to eligibility to cash benefits in social protection systems, whereas a marriage contract does not. Hence, tax advantages for married people as exists in, for example, Belgium, France, Germany and Japan are not considered to serve a 'social purpose', and are not included here (regardless of whether or not such measures are part of the basic tax structure). Only the value of support for children through such measures is included.

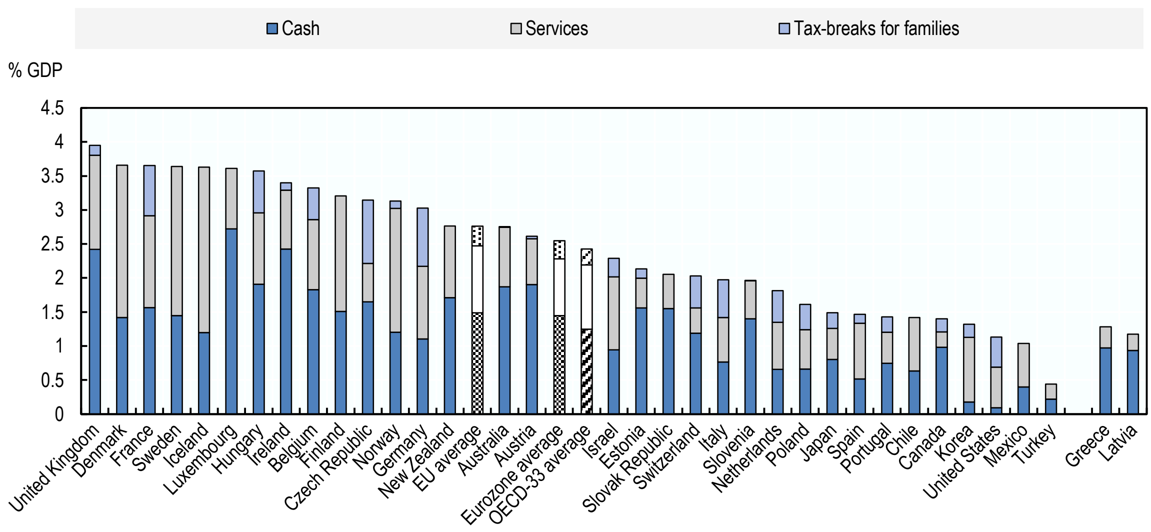
Other relevant indicators: LMF1.2: Maternal employment; PF1.2: Public spending on education, PF1.3: Typology of family benefits, PF2.1: Key characteristics of parental leave arrangements; PF3.1: Public spending on childcare and early education; PF3.4 Childcare support; and CO2.2: Child poverty.

Key findings

OECD countries spend on average 2.43% of GDP on family benefits, with large variations across countries. While public spending on family benefits is above 3.5% of GDP in Denmark, France, Hungary, Iceland, Luxembourg, Sweden, and the United Kingdom, it is much lower at below 1.5% of GDP in Canada, Chile, Japan, Korea, Mexico, Portugal, Spain, Turkey and the United States. The proportional amount spent in cash, services and tax measures is variable. Most, but not all, OECD countries spend more on cash benefits than on services or tax benefits. Exceptions include Chile, Denmark, Finland, Iceland, Israel, Korea, Mexico, the Netherlands, Norway, Spain, Sweden and the United States, where spending on services is higher. Some also spend a considerable amount on tax-breaks for families. In the Czech Republic, France, Germany, Hungary, and Italy, public expenditure on tax-breaks for families reaches more than 0.5% of GDP.

Chart PF1.1.A. Public spending on family benefits

Public expenditure on family benefits by type of expenditure, in per cent of GDP, 2013 and latest available[a]



Note: Public spending accounted for here concerns public support that is exclusively for families (e.g. child payments and allowances, parental leave benefits and childcare support), only. Spending in other social policy areas such as health and housing support also assists families, but not exclusively, and is not included here. Coverage of spending on family and community services in the OECD Social Expenditure data may be limited as such services are often provided and/or co-financed by local governments. The latter may receive general block grants to finance their activities, and reporting requirements may not be sufficiently detailed for central statistical agencies to have a detailed view of the nature of local spending. In Nordic countries (where local governments are heavily involved in service delivery) this does not lead to large gaps in the measurement of spending, but it does for some countries with a federal structure, for example, Canada and Switzerland.

a) Data for Poland and Greece refer to 2012
b) For Greece and Latvia, data on tax breaks towards families are not available
c) For the Netherlands, data on tax breaks for families are estimated using available information for 2011
d) For Switzerland, data on tax breaks for families are estimated by the national correspondent
e) The OECD-33 average, EU average and Eurozone average exclude Greece and Latvia.
f) The 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.
Sources: OECD Social Expenditure Database

Comparability and data issues

Information on cash transfers and in-kind benefits concern budgetary allocations that can largely be derived from administrative records on which national statistical offices base their statistics. By contrast, information on the value of fiscal support for families concerns estimates by tax authorities. Nevertheless as shown by Chart PF1.1.A, excluding estimates of the value of tax support for families and children would distort international comparison of public spending on family benefits.

Data on cash transfers for Ireland, Japan, New Zealand and the United Kingdom include spending on categorical income support benefits for single-parent families. Other countries also support single-parent families in need, but through general social assistance-type payments (which do not allow for the separate identification of public spending on single-parent families). As a result, spending on cash transfers is relatively high for the aforementioned countries (the detailed country-specific spending files in the *OECD Social Expenditure database (SOCX)* allow for a different basis of comparisons than is presented in Chart PF1.1.A).

Coverage of spending on family and community services in SOCX may be limited as such services are often provided and/or co-financed by local governments. The latter may receive general block grants to finance their activities, and reporting requirements may not be sufficiently detailed for central statistical agencies to have a detailed view of the nature of local spending. In Nordic countries (where local governments are heavily involved in service delivery) this does not lead to large gaps in measurement of spending, but it does for some countries with a federal structure, for example, Canada and Switzerland.

Sources and further reading: OECD *Social Expenditure database*, (https://www.oecd.org/social/expenditure.htm); Adema, W., P. Fron, and M. Ladaique (2011), “Is the European Welfare State really more expensive? Indicators on Social Spending, 1980-2012; and a Manual to the OECD Social Expenditure Database (SOCX)”, *OECD Social, Employment and Migration Working Papers* No. 124, OECD, Paris (www.oecd.org/els/workingpapers); *European System of Integrated Social Protection Statistics* (ESSPROS) (http://ec.europa.eu/eurostat/web/social-protection/overview).