

## CHAPTER 3 ONLINE ANNEX 2: SPECIAL TAX-BENEFIT CHAPTERS

### Introduction

Using the notes below and the information provided in the *Benefits and Wages country chapters for 2003* we explore the distributional aspects of tax and benefit policies by child age in chapter 3 of the OECD report *Doing Better for Children*.

The approach taken to examine net transfers to families of different types as their children age is to dynamically adapt the OECD Social Policy Division's 2003 static tax-benefit models to allow the birth and ageing of children, and to examine the consequent evolution of net family income. The dynamic model allows consideration of how tax-benefit systems respond to risk at different stages of the child life cycle; risk was defined by different levels of gross earned income, family size, or family structure.

For the various assumptions applied in the modelling and justification of the countries selected and outlined here please see Chapter 3 of *Doing Better for Children*.

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## DENMARK 2003

This section outlines the rules for birth grants, maternity benefits, paternity leave and parental leave in Denmark in 2003. All other Danish family benefits included in the models are explained in the Danish *Benefits and Wages* country chapter for 2003 at <http://www.oecd.org/dataoecd/31/20/36215068.pdf>.

### **1. Birth grants**

### **2. Maternity benefits (income maintenance in the event of childbirth)**

### **3. Paternity Leave**

### **4. Parental leave (child raising allowances)**

**Other relevant benefits:** Denmark pays an advance on child maintenance for children living with absent parents or parent up to the age of 24. The custodial parent must have custody and pay for the upkeep of the child.

**1. Birth Grants**

None

**1.1 Conditions for receipt**

**1.2 Calculation of benefit amount**

**1.2.1 Calculation of gross benefit**

**1.2.2 Income and earnings disregards**

**1.3 Tax treatment of benefit and interaction with other benefits**

**1.4 Treatment of particular groups**

**1.4.1 Young persons**

**1.4.2 Older workers**

**1.4.3 Others if applicable**

## **2. Maternity benefits (income maintenance in the event of childbirth)**

Mothers in Denmark have a right to 4 weeks of leave before the birth of their child and 14 weeks after. Father can also take 2 continuous weeks during the fourteen weeks after birth. After 14 weeks of postnatal leave (18 weeks of maternity benefits in total) parents can share an additional 32 weeks of paid leave that can be split or postponed.

### **2.1 Conditions for receipt**

6 weeks of Danish residency.

Being a member of active population (employed, self-employed, in vocational training or those receiving benefits from unemployment insurance). Self employed persons additionally must have 6 months work in last 12, with one month of work immediately before leave. All others require 120 hours of paid work in 13 weeks before leave starts.

### **2.2 Calculation of benefit amount**

#### **2.2.1 Calculation of gross benefit**

Calculated on the basis of the average hourly wage of the employee (with contribution to the labour market fund deducted – [this was 9.3% in 2002<sup>1</sup>]) to a maximum of 3113DKK per week or 84.14DKK per hour, and the numbers of hours worked (37 per week) (MISSOC, 2003: 204).

#### **2.2.2 Income and earnings disregards**

None

### **2.3 Tax treatment of benefit and interaction with other benefits**

Taxed at 37.21% in 2003 (Social Expenditure Database, 2003).

Contributions to the supplementary pension scheme and special savings scheme are made as part of this payment.

### **2.4 Treatment of particular groups**

None

#### **2.4.1 Young persons**

#### **2.4.2 Older workers**

#### **2.4.3 Others if applicable**

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<sup>1</sup> <http://www.skm.dk/foreign/statistics/thetaxstructure.html>

### **3. Paternity Leave benefits**

Paternity leave for fathers in Denmark is provided on the same basis as maternity leave. 2 weeks can be taken by fathers during the 14 weeks of postnatal maternity.

#### **3.1 *Conditions for receipt***

*See maternity leave above*

#### **3.2 *Calculation of benefit amount***

##### **3.2.1 *Calculation of gross benefit***

*See maternity leave above*

##### **3.2.2 *Income and earnings disregards***

#### **3.3 *Tax treatment of benefit and interaction with other benefits***

*See maternity leave above*

#### **3.4 *Treatment of particular groups***

None

##### **3.4.1 *Young persons***

##### **3.4.2 *Older workers***

##### **3.4.3 *Others if applicable***

#### **4. Parental leave (child raising allowances) benefits**

Parental leave can be taken after the 14 weeks of maternity leave have been taken. Parents can share 32 weeks and can be taken up until the child is nine years old. Leave can be extended 40 to (46 weeks if employed or self-employed) of which only 32 is paid. Between 8 and 13 weeks of leave can be postponed and used in one period before the child's ninth birthday. In agreement with employer 32 weeks can be postponed and taken at different points until child reaches nine years of age.

Education allowance: benefits for parents taking care of their children instead of enrolling them in nurseries. The children are aged over 24 weeks to 6 years (can change by commune) (MISSOC, 2003: 442).

##### **4.1 Conditions for receipt**

Parental leave: As with maternity leave.

Educational allowance: Danish resident for 7 of the last 8 years.

##### **4.2 Calculation of benefit amount**

###### **4.2.1 Calculation of gross benefit**

Parental leave: 60% of the unemployment insurance allowance.

Education allowance: cannot exceed 85% of net costs of placing the child in nursery, with a maximum of 3 awards per household. Also cannot exceed maximum rate of the daily maternity benefit (see above).

###### **4.2.2 Income and earnings disregards**

None

##### **4.3 Tax treatment of benefit and interaction with other benefits**

Taxed at 28.56% in 2003

##### **4.4 Treatment of particular groups**

None.

###### **4.4.1 Young persons**

###### **4.4.2 Older workers**

###### **4.4.3 Others if applicable**

## FRANCE 2003

This section outlines the rules for birth grants, maternity benefits, paternity leave and parental leave in France in 2003. All other French family benefits included in the models are explained in the French *Benefits and Wages* country chapter for 2003 at <http://www.oecd.org/dataoecd/31/24/39666945.pdf>.

### **1. Birth grants**

### **2. Maternity benefits (income maintenance in the event of childbirth)**

### **3. Paternity Leave**

### **4. Parental leave (child raising allowances)**

**Other relevant benefits:** France advances child maintenance payments through the Child benefit Office (Caisse d'allocations familiales).

## **1. Birth Grants (APJE)**

Prenatal payments in France in 2003 took the form of the Allocation pour Jeune Enfants (APJE). The APJE is paid to families looking after young children and who have stopped work or are taking reduced hours. It is paid in two forms: the first is 'short' form from the fourth month of pregnancy until the child is 3 months and the 'long' form that is paid until the child/children are 3 years old. The benefit replaces the maternity grant and is conditional on taking medical preventative examinations. The long payment follows and is paid up until 3 years of age.

Short term APJE has been replaced by a birth or adoption grant in 2004 ([http://www.cleiss.fr/docs/regimes/regime\\_france/an\\_3.html](http://www.cleiss.fr/docs/regimes/regime_france/an_3.html)).

This is covered in the French *Benefits and Wages* country note under 6.4 'treatment of particular groups'.

### **1.1 Conditions for receipt**

For receipt of this benefit income thresholds by family type apply. Payments are not made if income exceeds these limits.

Couples with one child, 17 318 EUR; with two children, 20 782 EUR; and three or more supplemented at an additional 4 156 EUR each (French *Benefits and Wages* country note, 2003 section 6.4).

### **1.2 Calculation of benefit amount**

#### **1.2.1 Calculation of gross benefit**

159.76 EUR per month per child.

#### **1.2.2 Income and earnings disregards**

None

### **1.3 Tax treatment of benefit and interaction with other benefits**

Subject to CDRS of 0.5%.

Not payable from birth when EPA is being received also (see child raising allowance).

### **1.4 Treatment of particular groups**

None

#### **1.4.1 Young persons**

#### **1.4.2 Older workers**

#### **1.4.3 Others if applicable**

## **2. Maternity benefits (income maintenance in the event of childbirth)**

The French maternity scheme is a compulsory social insurance scheme.

Individuals covered by the insurance include insured women and female dependents of insured women for in-kind maternity services only; and insured mothers and fathers for cash benefits in case of birth.

Maternity benefit is paid only to employees interrupting work for 16 weeks (6 before and 10 after confinement), and 26 weeks (8 before confinement) for the third and subsequent children.

### **2.1 Conditions for receipt**

Applicant must be registered under the insurance scheme for at least 10 months at expected birth date, and have 200 hours of employment in the preceding 3 months. The insured must have paid minimum contributions ( $n$  times the minimum wage). Contributions for six months preceding maternity must be paid at the contribution level of 1.015 times the minimum wage (SMIC) level (MISSOC, 2003: 163).

SMIC as of July 1<sup>st</sup> 2002 – 6.83 EUR

SMIC as of July 1<sup>st</sup> 2003 – 7.19 EUR

Contributions are paid at 6.8% of earnings.

### **2.2 Calculation of benefit amount**

#### **2.2.1 Calculation of gross benefit**

Daily benefits (indemnities journalières) are equal to a basic daily wages calculated as the average wage of the last three months minus social contributions and CSG. The employer must pay the amount above the maternity ceiling (employer is not obliged to meet paternity payments).

In 2003 the minimum and maximum amounts were:

Minimum 7.80 EUR per day

Maximum 65.11 EUR per day.

#### **2.2.2 Income and earnings disregards**

### **2.3 Tax treatment of benefit and interaction with other benefits**

Benefits are taxed after deductions of 10 and 20%.

Tax is levied on benefits where taxable annual income exceeds 12 602 EUR for couples without children, 14 698 EUR for a couple with one child, 16 794 EUR for a couple with two and 8 303 EUR for single persons (MISSOC, 2003: 209). The average rate is 5.3% (Social Expenditure Database, 2003).

Social contributions from benefits amount to 6.2% for a general social contribution (CSG) and 0.5% for the contribution towards repaying the social debt (CRDS)

## **2.4 Treatment of particular groups**

### **2.4.1 Young persons**

None

### **2.4.2 Older workers**

None

### **2.4.3 Others if applicable**

2 additional weeks are paid for pathological pregnancies, 34 weeks in case of twins (12 before), and 46 in case of multiple births (24 before). In case of adoption leave is increased by 11 days or 18 if more than one child and this can be divided between fathers and mothers as long as both meet entitlements. If mother dies during childbirth the father is entitled to paternity leave (MISSOC, 2003: 203).

### 3. Paternity Leave benefits

As maternity leave with the exception that it lasts 11 working days and can be taken at any time in the four months following birth.

#### **3.1 *Conditions for receipt***

As maternity leave

#### **3.2 *Calculation of benefit amount***

##### **3.2.1 *Calculation of gross benefit***

100% of net earnings. The employer must pay the amount above the maternity ceiling but is not obliged to meet paternity payments.

In 2003 the minimum and maximum amounts were:

Minimum 7.80 EUR per day

Maximum 65.11 EUR per day.

##### **3.2.2 *Income and earnings disregards***

#### **3.3 *Tax treatment of benefit and interaction with other benefits***

As maternity leave

#### **3.4 *Treatment of particular groups***

##### **3.4.1 *Young persons***

None

##### **3.4.2 *Older workers***

None

##### **3.4.3 *Others if applicable***

In the case of multiple birth fathers are entitled to 18 days paternity leave to be taken in the four months following birth.

#### **4. Parental leave (child raising allowances) benefits**

The child raising allowance is the Parental Education Allowance (APE) (see MISSOC, 2003: 443).

The Parental Education Allowance (APE) compensates a parent who stops working or reduces hours in order to bring up children when a child is born or adopted into a family (making therefore at least two children). It is payable for a maximum of three years and only paid until the youngest child is aged 3.

##### **4.1 *Conditions for receipt***

The family must have two children and one must be under three. The parent must be working less than 80% legal working time. Proof of previous activity in the labour market is required.

24 months of professional activity, consecutive or not, in the last 10 years prior to third child birth, or during the first 5 years prior to the birth of second child birth.

##### **4.2 *Calculation of benefit amount***

###### **4.2.1 *Calculation of gross benefit***

495.69 EUR is the full amount per month, if the recipient stops working altogether.

327.76 EUR is paid if part-time activity is not more than 50% of legal working time.

247.86 EUR if part-time activity takes up 50-80% of legal working time. (MISSOC, 2003: 443)

###### **4.2.2 *Income and earnings disregards***

Current levels of earnings do not affect the amount paid.

##### **4.3 *Tax treatment of benefit and interaction with other benefits***

CDRS is paid at 0.5% and is not taxable.

From the birth of the child EPA cannot be received in conjunction with APJE payable from birth. EPA is not payable with the complement familial (part of allocations familial) (see the French Tax and Benefit Country chapter 2003, 7.1)

##### **4.4 *Treatment of particular groups***

None

4.4.1 *Young persons*

4.4.2 *Older workers*

4.4.3 *Others if applicable*

## GERMANY 2003

This section outlines the rules for birth grants, maternity benefits, paternity leave and parental leave in Germany in 2003. All other German family benefits included in the models are explained in the German *Benefits and Wages* country chapter for 2003 at <http://www.oecd.org/dataoecd/31/2/36215432.pdf>.

### **1. Birth grants**

### **2. Maternity benefits (income maintenance in the event of childbirth)**

### **3. Paternity Leave**

### **4. Parental leave (child raising allowances)**

### **Other relevant benefits:**

**1. Birth Grants**

**1.1 Conditions for receipt**

See maternity allowance in maternity benefits. Not payable to those in receipt of maternity benefit. This is a one off payment of 77 EUR to non-working mothers.

**1.2 Calculation of benefit amount**

**1.2.1 Calculation of gross benefit**

77 EUR to non-working mothers.

**1.2.2 Income and earnings disregards**

None.

**1.3 Tax treatment of benefit and interaction with other benefits**

Not taxed.

**1.4 Treatment of particular groups**

None

**1.4.1 Young persons**

**1.4.2 Older workers**

**1.4.3 Others if applicable**

## **2. Maternity benefits (income maintenance in the event of childbirth)**

In Germany both Maternity benefit and Maternity allowance are paid. Payment for the maternity benefit is based on membership of the sickness fund; the maternity allowance is paid to those not in receipt of the Maternity benefit.

### **2.1 Conditions for receipt**

Payment into the compulsory social insurance system (sickness fund). On average this is 7% of earnings. If earnings are less than 325 EUR per month no contributions are paid.

### **2.2 Calculation of benefit amount**

#### **2.2.1 Calculation of gross benefit**

14 weeks of maternity pay is payable for 6 weeks prior, and 8 weeks post birth at 100% of net income. In the case of premature or multiple births this post natal leave is extended to 12 weeks.

A maximum of 13 EUR per day is paid with the difference to 100% of net earnings made up by the employer.

Uninsured female employees receive a maximum of 210 EUR.

For insured people not entitled to maternity benefit a lump sum maternity allowance of EUR 77 is payable.

#### **2.2.2 Income and earnings disregards**

None.

### **2.3 Tax treatment of benefit and interaction with other benefits**

The benefit is not taxed. No social security contributions are required.

### **2.4 Treatment of particular groups**

#### **2.4.1 Young persons**

#### **2.4.2 Older workers**

#### **2.4.3 Others if applicable**

Civil servants, soldiers and magistrates are not required to pay into the sickness fund.

**3. Paternity Leave benefits**

None.

**3.1 *Conditions for receipt***

**3.2 *Calculation of benefit amount***

**3.2.1 *Calculation of gross benefit***

**3.2.2 *Income and earnings disregards***

**3.3 *Tax treatment of benefit and interaction with other benefits***

**3.4 *Treatment of particular groups***

**3.4.1 *Young persons***

**3.4.2 *Older workers***

**3.4.3 *Others if applicable***

#### **4. Parental leave (child raising allowances) benefits**

Child raising allowance in Germany is taken by a parent (mother or father) who is raising a child in the home aged under 2. The parent who is caring has to work less than 30 hours and household income has to be below certain thresholds.

##### **4.1 Conditions for receipt**

Mother or father with a child under the age of 2 who is responsible for child rearing, and working less than 30 hours per week.

Income conditions also need to be met (see 4.2.1).

##### **4.2 Calculation of benefit amount**

###### **4.2.1 Calculation of gross benefit**

307 EUR per month for 24 months if income conditions are met. Parents can take their entitlement in 12 months and receive up to 460 EUR per month.

For a married couple the annual income ceiling is fixed at 30 000 EUR during the first six months and from the seventh month onwards the limit is fixed at 16 500 EUR. For lone parents a lump-sum annual net income of 23 000 EUR for the first six months is reduced from the seventh month onwards to 13 500 EUR. As of the seventh month the payment of child-raising allowance shall not be ceased if the income limit is exceeded, but shall be gradually decreased (in the models we assume no change in income).

For households with additional children the income thresholds are increased by 3 140 EUR per child.

###### **4.2.2 Income and earnings disregards**

Earnings gained within a maximum of 30 working hours per week, and under the income thresholds, are disregarded.

##### **4.3 Tax treatment of benefit and interaction with other benefits**

Not taxable.

##### **4.4 Treatment of particular groups**

None

###### **4.4.1 Young persons**

###### **4.4.2 Older workers**

###### **4.4.3 Others if applicable**

## **HUNGARY 2003**

This section outlines the rules for birth grants, maternity benefits, paternity leave and parental leave in Hungary in 2003. All other Hungarian family benefits included in the models are explained in the Hungarian *Benefits and Wages* country chapter for 2003 at <http://www.oecd.org/dataoecd/31/4/36215592.pdf>.

### **1. Birth grants**

### **2. Maternity benefits (income maintenance in the event of childbirth)**

### **3. Paternity Leave**

### **4. Parental leave (child raising allowances)**

**Other relevant benefits:** Hungary pays an advance on maintenance payments.

## **1. Birth Grants**

The Hungarian birth grant is paid to the child's mother on condition that she has attended at least 4 prenatal medical examinations (MISSOC, 2004: 545).

### **1.1 Conditions for receipt**

Hungarian citizenship.

The benefit is non-contributory and not means tested.

### **1.2 Calculation of benefit amount**

#### **1.2.1 Calculation of gross benefit**

The amount of birth grant paid to parents in Hungary is calculated using the minimum monthly old age pension payment (21 800 HUF per month in 2003). The grant is equivalent to 150% of this sum in 2003.

#### **1.2.2 Income and earnings disregards**

None.

### **1.3 Tax treatment of benefit and interaction with other benefits**

Not taxed.

### **1.4 Treatment of particular groups**

#### **1.4.1 Young persons**

None

#### **1.4.2 Older workers**

None

#### **1.4.3 Others if applicable**

In the case of premature births the condition for medical check-ups is reduced to one.

Additional sums are paid for multiple births (300% of minimum old age pension).

## **2. Maternity benefits (income maintenance in the event of childbirth)**

Maternity payments in Hungary include both the Maternity allowance and the childcare fee.

Maternity Allowance payments in Hungary are available to both employed and self employed mothers with 180 days work in the last two years. Individuals receiving income subsidies or unemployment benefit can receive this payment. They are paid for 24 weeks, 4 before and 20 weeks after confinement. The prenatal weeks are not compulsory.

The child care fee payment has the same contributory requirements as maternity allowance, but fathers or mothers can take it. The benefit is paid until the child reaches age 2, and replaces income at 70% up to a maximum of 83 000 HUF (146% of minimum wage). The child must live with the parents, and one parent must stay at home to look after the child.

### **2.1 Conditions for receipt**

Recipients must currently be insured, or expected date of birth is 6 weeks from when insurance finishes (or 28 if receiving sick pay). Having worked 180 days in the past two years.

For child care fee working conditions are the same as the maternity allowance and one parent must stay at home to look after the child.

Employees contribute 3% of gross earnings to the compulsory social insurance scheme (this increased to 4% in 2004).

### **2.2 Calculation of benefit amount**

#### **2.2.1 Calculation of gross benefit**

Both benefits are paid at 70% of daily average gross earnings of the previous year. In the case of the childcare benefit a maximum threshold is set at 83000 HUF per month.

#### **2.2.2 Income and earnings disregards**

None.

### **2.3 Tax treatment of benefit and interaction with other benefits**

Benefits are subject to general taxation rules. Benefits are subject to pensions contributions.

Individuals receiving income subsidies or unemployment benefit can receive maternity allowance.

### **2.4 Treatment of particular groups**

#### **2.4.1 Young persons**

#### **2.4.2 Older workers**

#### **2.4.3 Others if applicable**

### **3. Paternity Leave benefits**

None. Fathers can take leave as part of the childcare fee benefit and parental leave, but there was no paternity leave package in 2003.

In 2005/06 paternity leave is paid at 100% of gross earnings for 5 days.

#### **3.1 *Conditions for receipt***

#### **3.2 *Calculation of benefit amount***

##### **3.2.1 *Calculation of gross benefit***

##### **3.2.2 *Income and earnings disregards***

#### **3.3 *Tax treatment of benefit and interaction with other benefits***

#### **3.4 *Treatment of particular groups***

##### **3.4.1 *Young persons***

##### **3.4.2 *Older workers***

##### **3.4.3 *Others if applicable***

#### **4. Parental leave (child raising allowances) benefits**

The non-means tested parental leave is the universal Child Home Care Allowance (CHCA) payable to parents looking after children in the home until age 3 (or ten if the child is permanently ill or disabled). The payment may also be made to grandparents (based on parents' agreement, age of child (over 1) and eligibility test). When children reaches 18 months the parent may return to work for four hours a day maximum, caring grandparents may not work.

Child Raising Allowance (CRA): is paid to parents raising three or more children in the home and the youngest is between 3 and 8 years of age.

Both benefits are flat rate payments, and both have the same qualifying conditions.

##### **4.1 Conditions for receipt**

Hungarian Citizenship

##### **4.2 Calculation of benefit amount**

###### **4.2.1 Calculation of gross benefit**

CHCA: The child home care allowance is equal to the minimum monthly old age pension and paid until the child is aged three. This is equal to 21,800 HUF in 2003. In the case of twins, the amount is doubled.

CRA: The child raising allowance is equal to the minimum monthly old age pension, irrespective of numbers of children.

###### **4.2.2 Income and earnings disregards**

None

##### **4.3 Tax treatment of benefit and interaction with other benefits**

Models assume that the childcare fee and parental leave is not claimed at the same time.

##### **4.4 Treatment of particular groups**

###### **4.4.1 Young persons**

###### **4.4.2 Older workers**

###### **4.4.3 Others if applicable**

For CHCA the amount paid is double for twins irrespective of the number of twins in the family.

## ITALY 2003

This section outlines the rules for birth grants, maternity benefits, paternity leave and parental leave in Italy in 2003. All other Italian family benefits included in the models are explained in the Italian *Benefits and Wages* country chapter for 2003 at <http://www.oecd.org/dataoecd/31/8/36215683.pdf>.

### **1. Birth grants**

### **2. Maternity benefits (income maintenance in the event of childbirth)**

### **3. Paternity Leave**

### **4. Parental leave (child raising allowances)**

**Other relevant benefits:** Italian Maternity Allowances are treated as birth grants. Mothers not receiving maternity benefits in 2003 are entitled to an allowance for five months if their income is below a certain level.

## 1. Birth Grants

Grants are paid at birth to low income mothers (primarily uninsured mothers); they are paid by the state through municipalities. Payments are made monthly for five months (maternity allowance for uninsured, or those insured with income below the threshold).<sup>2</sup>

Benefit eligibility is based on income subject to income tax.

### 1.1 Conditions for receipt

Paid to low income families with newborns, mainly uninsured and with a total taxable family income (ISE) below a threshold.

### 1.2 Calculation of benefit amount

#### 1.2.1 Calculation of gross benefit

Five monthly payments are made of 271.56 EUR to families whose taxable income (ISE, also used to calculate entitlement to Family benefits) is below a threshold to a total of 1 357.80 EUR per year. This threshold is fixed at 28 308.40 EUR for a three-member family. The threshold is equivalised using the parameters in the table below (Italian *Benefits and Wages* country note, 2003).

#### Equivalence scale to be applied to the Indicator of Economic Situation (ISE)

Number of family members	Parameters	Thresholds
1	1	
2	1.57	21 786.37
3	2.04	28 308.40
4	2.46	34 135.39
5	2.85*	39 548.50
6	3.2	44 405.33

\* For households with more than 5 members, the parameter is increased by 0.35 for each member above the fifth. Moreover, the parameters shown in Table 2 are increased by:

- 0.2 for lone parents with children.
- 0.5 for each disabled member of the household.
- 0.2 for couples with children, when both parents are working.

Source: Legislative Decree n. 109 of 18 June 1998.

For a four-member family the threshold is calculated by multiplying the three-member threshold 28 307.40 EUR by the four-member parameter 2.46 and dividing by the three-member parameter 2.04 (so  $28307.40 * 2.46/2.04 = 34 135.39$  EUR).

<sup>2</sup> MISSOC (2003) reports financial aid is granted for the birth of a third child – though no figures reported. This is not repeated in 2004. This additional payment is read as the family size supplement and not a birth grant where it has been reported.

Insured mothers receiving maternity benefits less than the Maternity Allowance amount are entitled to receive the difference.

**1.2.2** *Income and earnings disregards*

Total household taxable income is considered when assessing eligibility to benefits. At least 70% of this income should come from wages and former employees' pension for recipients to be eligible.

**1.3** *Tax treatment of benefit and interaction with other benefits*

Birth grants are not treated as taxable income for receipt of unemployment insurance or family benefits.

**1.4** *Treatment of particular groups*

None

**1.4.1** *Young persons*

**1.4.2** *Older workers*

**1.4.3** *Others if applicable*

## **2. Maternity benefits (income maintenance in the event of childbirth)**

In Italy maternity benefits are paid to insured persons on the compulsory social insurance scheme, and can include self-employed persons who have made contributions.

Payments are made to insured women, or alternatively to women with insured fathers.

Where payments are below 271.56 EUR per month mothers are entitled to a maternity allowance supplement (see section 1.2.1).

### **2.1 Conditions for receipt**

Recipients are insured persons and self-employed persons who have made contributions. Paid only if mothers wage is discontinued.

### **2.2 Calculation of benefit amount**

#### **2.2.1 Calculation of gross benefit**

Paid for 2 months prior and 3 months post birth at 80% replacement of daily earnings (previous month's wages divided by 30).

One month can be postponed from prenatal to the postnatal leave period.

#### **2.2.2 Income and earnings disregards**

### **2.3 Tax treatment of benefit and interaction with other benefits**

Benefits are subject to taxation under the general taxation rules.

No social contributions are paid as part of the benefit.

### **2.4 Treatment of particular groups**

None

#### **2.4.1 Young persons**

#### **2.4.2 Older workers**

#### **2.4.3 Others if applicable**

### **3. Paternity Leave benefits**

There is no specific paternity leave in Italy, but fathers can take leave when the mother is ill or father is the sole guardian of the child. Replaced at 80% of wages and paid through health insurance. This paternal entitlement will not be modelled because ill or incapacitated mothers, or model gender specific lone parenthood, are not identifiable in the model.

#### **3.1 Conditions for receipt**

*Not applicable*

#### **3.2 Calculation of benefit amount**

##### **3.2.1 Calculation of gross benefit**

*Not applicable*

##### **3.2.2 Income and earnings disregards**

*Not applicable*

#### **3.3 Tax treatment of benefit and interaction with other benefits**

As maternity benefits.

#### **3.4 Treatment of particular groups**

##### **3.4.1 Young persons**

##### **3.4.2 Older workers**

##### **3.4.3 Others if applicable**

#### **4. Parental leave (child raising allowances) benefits**

In Italy parental leave is supplementary to maternity allowance and lasts for six months. Paternity leave may be requested by the father if the mother does not claim or the father is the sole carer.

##### **4.1 *Conditions for receipt***

Insured parents. As maternity benefits.

##### **4.2 *Calculation of benefit amount***

###### **4.2.1 *Calculation of gross benefit***

30% of daily earnings (previous month's earnings divided by 30) for six months.

###### **4.2.2 *Income and earnings disregards***

##### **4.3 *Tax treatment of benefit and interaction with other benefits***

As maternity benefits.

##### **4.4 *Treatment of particular groups***

###### **4.4.1 *Young persons***

###### **4.4.2 *Older workers***

###### **4.4.3 *Others if applicable***

Fathers can claim the benefit if mothers do not take it up or the father is the sole custodian of the child.

## JAPAN 2003

This section outlines the rules for birth grants, maternity benefits, paternity leave and parental leave in Japan in 2003. All other Japanese family benefits included in the models are explained in the Japanese *Benefits and Wages* country chapter for 2003 at <http://www.oecd.org/dataoecd/31/8/36215683.pdf>.

### **1. Birth grants**

### **2. Maternity benefits (income maintenance in the event of childbirth)**

### **3. Paternity Leave**

### **4. Parental leave (child raising allowances)**

**Other relevant benefits:** Benefits are available for families with dependent disabled children, as are specific payments to one-parent families.

## **1. Birth Grants**

The Japanese national health system is dual, with employee's health insurance and national health insurance. The former is government managed and covers employees in all companies with over 5 staff, other employees can enter voluntarily. The latter is designed to capture all residents not covered by the former.

Birth grants in Japan are paid to employees through the Employees Health Insurance. National health insurance also carries birth grants for the remainder of employees<sup>3</sup>. This section describes the rules for the employees health insurance birth grant.

In 2003 a birth grant is paid in Japan to insured individuals in the form of a lump sum (300,000 YEN).

### **1.1 Conditions for receipt**

Individuals need to be insured under the employee's health insurance scheme, contributions to government managed programs are 4.25% of the basic monthly wage in 2002. The insurance is also paid to the wife of an insured person whose pregnancy lasts at least four months.

To qualify for payments individuals need to be in covered employment at the time of application for benefit. If a person leaves covered employment but was in covered employment in the previous 12 months maternity and birth grants are still paid.

### **1.2 Calculation of benefit amount**

#### **1.2.1 Calculation of gross benefit**

One lump sum payment of 300,000 JPY

#### **1.2.2 Income and earnings disregards**

None.

### **1.3 Tax treatment of benefit and interaction with other benefits**

Not income tested and not taxable (Babies and Bosses vol.2, 2003: 224).

### **1.4 Treatment of particular groups**

None.

#### **1.4.1 Young persons**

#### **1.4.2 Older workers**

#### **1.4.3 Others if applicable**

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<sup>3</sup> National health insurance rates are fixed by individual insurers, by law it is not to exceed 530,000 Yen per household in 2002. Rates can be reduced by between 30 and 70% for lower income households in municipality run programs. Individuals insured under these circumstances will also receive a birth grant.

## **2. Maternity benefits (income maintenance in the event of childbirth)**

Maternity benefits in Japan are paid through the Employee Health Insurance (EHI) scheme which also pays birth grants. The scheme is government managed in the majority, and funded in part by the insured who contribute 4.25 percent of basic wages each month.

Mothers in Japan can receive maternity benefits if they or their partner is insured on the EHI scheme for 14 weeks around the time of confinement. This leave can be taken 6 weeks before and 8 weeks after confinement.

### **2.1 *Conditions for receipt***

Individuals need to be insured under the employee's health insurance scheme, contributions to government managed programs are 4.25% of the basic monthly wage in 2002. The insurance is also paid to the wife of an insured person whose pregnancy lasts at least four months.

To qualify for payments individuals need to be in covered employment at the time of application for benefit. If a person leaves covered employment but was in covered employment in the previous 12 months maternity and birth grants are still paid.

### **2.2 *Calculation of benefit amount***

#### **2.2.1 *Calculation of gross benefit***

60% of the average daily basic wage paid for 6 weeks before and 8 weeks after confinement.

#### **2.2.2 *Income and earnings disregards***

None.

### **2.3 *Tax treatment of benefit and interaction with other benefits***

Social insurance contributions are maintained throughout maternity leave.

The maternity pay can be reduced or stopped if the mother receives a wage or a sickness benefit.

### **2.4 *Treatment of particular groups***

#### **2.4.1 *Young persons***

None.

#### **2.4.2 *Older workers***

None.

#### **2.4.3 *Others if applicable***

For multiple births the prenatal leave and payment is extended to 98 days.

**3. Paternity Leave benefits**

No paternity leave in 2003.

**3.1 *Conditions for receipt***

**3.2 *Calculation of benefit amount***

**3.2.1 *Calculation of gross benefit***

**3.2.2 *Income and earnings disregards***

**3.3 *Tax treatment of benefit and interaction with other benefits***

**3.4 *Treatment of particular groups***

**3.4.1 *Young persons***

**3.4.2 *Older workers***

**3.4.3 *Others if applicable***

#### **4. Parental leave (child raising allowances) benefits**

Parental leave in Japan is financed for 10 months through the Employees Health Insurance for workers with children under the age of 1. During the ten months period parents can receive 30% of average basic wage. On returning to work a lump sum payment equal to 10% of average basic wages over the period of leave is provided (six months after returning to work). Effectively this raises the amount of parental leave payment to 40% of basic average wage.<sup>4</sup>

Only the mother or the father can take leave. It cannot be split between the two.

As part of the Childcare and Family Care Leave Act reduced hours can be taken until the child reaches the age of 3.

##### **4.1 Conditions for receipt**

Individuals need to be in employment at the time of application for benefit and enrolled in national employment insurance. They also need to have had one year's continual employment with the same employer.

Exclusions are made where a spouse can take care of the child.

##### **4.2 Calculation of benefit amount**

###### **4.2.1 Calculation of gross benefit**

30% of average basic wage for ten months. On returning to work a lump sum payment equal to 10% of average basic wages over the period of leave is provided (six months after returning to work).

###### **4.2.2 Income and earnings disregards**

None

##### **4.3 Tax treatment of benefit and interaction with other benefits**

##### **4.4 Treatment of particular groups**

###### **4.4.1 Young persons**

###### **4.4.2 Older workers**

###### **4.4.3 Others if applicable**

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<sup>4</sup> A revision in 2005 (enactment as of April 1, 2005) extended the period of childcare leave from one year to one and a half years when parents and a child meet certain criteria such as no place in a childcare facilities.

## UNITED KINGDOM 2003

This section outlines the rules for birth grants, maternity benefits, paternity leave and parental leave in the United Kingdom in 2003. All other United Kingdom family benefits included in the models are explained in the United Kingdom *Benefits and Wages* country chapter for 2003 at <http://www.oecd.org/dataoecd/31/36/39667025.pdf>.

### **1. Birth grants**

### **2. Maternity benefits (income maintenance in the event of childbirth)**

### **3. Paternity Leave**

### **4. Parental leave (child raising allowances)**

**Other relevant benefits:** The United Kingdom advances child maintenance payments through the income support system. The United Kingdom also has unpaid parental leave for employees who have completed one year's employment with the same employer (18 weeks before the child's fifth birthday).

## **1. Birth Grants**

Sure start maternity grant (replacing the maternity payment from the social fund) is paid at the rate of 500 GBP since 2002. Mothers are eligible for the grant comes if they or their partners are getting one of the following: Income Support, income-based Jobseekers Allowance, Working Tax Credit (with a disabled worker payment in the award), or Child Tax Credit (where more than the family element is paid). The grant can be claimed at any time between 29<sup>th</sup> week of gestation to the 12 week of age. For adopted babies claims can be made before the child is aged 1 year. Payments are contingent on advice being received regarding the health and welfare needs of the baby by the mother, and the health needs of the mother if before birth.

### **1.1 Conditions for receipt**

If mothers or their partners are getting one of the following: Income Support, income-based Jobseekers Allowance, Working Tax Credit (with a disabled worker payment in the award), or Child Tax Credit (where more than the family element is paid).

Payee is required to submit a certificate signed by a health professional showing that advice has been received regarding the health and welfare needs of the baby.

### **1.2 Calculation of benefit amount**

#### **1.2.1 Calculation of gross benefit**

500 GBP one-off payment.

#### **1.2.2 Income and earnings disregards**

None.

### **1.3 Tax treatment of benefit and interaction with other benefits**

Not taxed.

See 1.1 for related benefits.

### **1.4 Treatment of particular groups**

None

#### **1.4.1 Young persons**

#### **1.4.2 Older workers**

#### **1.4.3 Others if applicable**

## **2. Maternity benefits (income maintenance in the event of childbirth)**

In the UK both Maternity Allowance and Statutory Maternity Pay are paid.

Maternity allowance is paid to mothers not qualifying for Statutory Maternity Pay, generally to recently employed and self-employed mothers. This benefit is funded through a flat rate compulsory social insurance scheme (national insurance contributions). The government and the employer share the cost of the maternity pay with (in the case of most employers) 92% of costs being paid by government (only very small employers may have 100% paid) (SSPTW, 2002, 2004 and 2006). To receive this benefit the individual should have been employed or self employed for 26 weeks in the previous 66 weeks, earning on average 30 GBP per week, before confinement.

Statutory Maternity Pay (SMP) is payable to employees who have been continuously employed with the same employer for 26 weeks or more before earliest entitlement (15 weeks before confinement), with earnings of at least 77 GBP per week on average.

In 2003 the same period of leave and benefit entitlement is paid with the both benefits (26 weeks – as of 6th April 2003) which can start 15 weeks before confinement. For SMP replacement of wages is for the first 6 weeks at 90%, the remaining period was paid at a maximum of 100 GBP per week or 90% of wages if below that amount. For Maternity Allowance the standard rate for the entire period (26 weeks, 15 before – as with SMP) is 100 GBP per week with 90% of wages being paid if earnings were below 100 GBP per week.

In April 2007 SMP was extended to 39 weeks.

### **2.1 Conditions for receipt**

SMP – 26 weeks continuous contribution up to 15 weeks before confinement.

MA – 26 weeks contribution in the last 66 weeks, with earnings of at least GBP 30 on average per week.

### **2.2 Calculation of benefit amount**

#### **2.2.1 Calculation of gross benefit**

SMP - For 6 weeks 90% of earnings, for the remaining 20 weeks 100 GBP per week of 90% of earnings if earnings are less than 100 GBP per week.

MA – 100 GBP per week for 26 weeks, or 90% of average earnings if earnings are less than 100 GBP per week.

#### **2.2.2 Income and earnings disregards**

### **2.3 Tax treatment of benefit and interaction with other benefits**

SMP is subject to tax and national insurance contributions (estimated 15% in 2003 in the Social Expenditure Database).

Maternity Allowance is not taxed.

**2.4**     ***Treatment of particular groups***

None

2.4.1    *Young persons*

2.4.2    *Older workers*

2.4.3    *Others if applicable*

### **3. Paternity Leave benefits**

Statutory Paternity Pay (SPP) came into effect in April 2003 and is payable for a maximum of two weeks. Payment is dependent on the same eligibility criteria for Statutory Maternity Pay.

Fathers need to give employers 15 weeks' notice before confinement of the mother.

Leave can be taken from any day following the birth of a child but must be taken within 8 weeks following the birth.

If the father is not eligible for SPP, paternity leave can be taken though no payments are made.

#### **3.1 *Conditions for receipt***

*As Statutory Maternity Pay*

#### **3.2 *Calculation of benefit amount***

##### **3.2.1 *Calculation of gross benefit***

*As Statutory Maternity Pay*

##### **3.2.2 *Income and earnings disregards***

#### **3.3 *Tax treatment of benefit and interaction with other benefits***

Tax and national insurance contributions are deducted from Statutory Paternity Pay.

#### **3.4 *Treatment of particular groups***

None

##### **3.4.1 *Young persons***

None

##### **3.4.2 *Older workers***

None

##### **3.4.3 *Others if applicable***

#### **4. Parental leave (child raising allowances) benefits**

In 2003 parental leave in the UK was unpaid. Workers who have been with the same employer for one year were entitled to take 18 weeks following maternity leave until the child's fifth birthday.

##### **4.1 *Conditions for receipt***

One year's continual employment with same employer.

##### **4.2 *Calculation of benefit amount***

###### **4.2.1 *Calculation of gross benefit***

###### **4.2.2 *Income and earnings disregards***

##### **4.3 *Tax treatment of benefit and interaction with other benefits***

##### **4.4 *Treatment of particular groups***

###### **4.4.1 *Young persons***

###### **4.4.2 *Older workers***

###### **4.4.3 *Others if applicable***

## UNITED STATES 2003

This section outlines the rules for birth grants, maternity benefits, paternity leave and parental leave in the United States in 2003. All other United States family benefits included in the models are explained in the United States *Benefits and Wages* country chapter for 2003 at <http://www.oecd.org/dataoecd/31/37/39667007.pdf>.

### **1. Birth grants**

### **2. Maternity benefits (income maintenance in the event of childbirth)**

### **3. Paternity Leave**

### **4. Parental leave (child raising allowances)**

### **Other relevant benefits:**

**1. Birth Grants**

None.

**1.1 Conditions for receipt**

**1.2 Calculation of benefit amount**

**1.2.1 Calculation of gross benefit**

**1.2.2 Income and earnings disregards**

**1.3 Tax treatment of benefit and interaction with other benefits**

**1.4 Treatment of particular groups**

**1.4.1 Young persons**

**1.4.2 Older workers**

**1.4.3 Others if applicable**

## **2. Maternity benefits (income maintenance in the event of childbirth)**

In the US in 2003 payment of maternity benefits was covered by 5 states (New York, New Jersey, California, Rhode Island and Hawaii) and Puerto Rico under Temporary Disability Programs. Rules vary by state.

The case for New Jersey is described here. This benefit is not modelled in the US figures because it does not refer to the state (Michigan) modelled elsewhere.

### **2.1 Conditions for receipt**

12 months employment or 1000 hours work for a covered employer (contributions paid – minimum insured wages vary in the US from between 300 USD to 6900 USD).

### **2.2 Calculation of benefit amount**

#### **2.2.1 Calculation of gross benefit**

In New Jersey 53% of earnings are replaced for 4 weeks before birth and 6 weeks after.

This can run concurrently with Family Leave and Medical Act leave (FMLA [see section 4]), meaning entitlement to unpaid leave following paid leave can be reduced by the number of paid weeks taken.

#### **2.2.2 Income and earnings disregards**

### **2.3 Tax treatment of benefit and interaction with other benefits**

Not taxable.

Social contributions are maintained by employer throughout maternity leave.

### **2.4 Treatment of particular groups**

None

#### **2.4.1 Young persons**

#### **2.4.2 Older workers**

#### **2.4.3 Others if applicable**

### **3. Paternity Leave benefits**

No paid leave. Fathers are entitled to unpaid parental leave (12 weeks per year) as part of parental leave (see section 4 below). The same conditions apply.

#### **3.1 *Conditions for receipt***

#### **3.2 *Calculation of benefit amount***

##### **3.2.1 *Calculation of gross benefit***

##### **3.2.2 *Income and earnings disregards***

#### **3.3 *Tax treatment of benefit and interaction with other benefits***

#### **3.4 *Treatment of particular groups***

##### **3.4.1 *Young persons***

##### **3.4.2 *Older workers***

##### **3.4.3 *Others if applicable***

#### **4. Parental leave (child raising allowances) benefits**

The USA legislates for 12 weeks of unpaid employment protected parental leave in 2003 (Family Leave and Medical Act of 1993 [FMLA leave]).

Accrued paid leave may be counted against the 12 weeks family and medical leave (holiday and sick pay) in certain circumstances.

Social contributions are maintained by the employer for the employee during this leave period.

##### **4.1 *Conditions for receipt***

Being an employee of a public agency employers and private sector employers of 50 or more employees. Key employees (those amongst the highest 10% paid) can be refused leave in order to avoid economic injury to the employers operations.

12 months employment or 1250 hours work for a covered employer.

##### **4.2 *Calculation of benefit amount***

N/A

###### **4.2.1 *Calculation of gross benefit***

###### **4.2.2 *Income and earnings disregards***

##### **4.3 *Tax treatment of benefit and interaction with other benefits***

##### **4.4 *Treatment of particular groups***

###### **4.4.1 *Young persons***

###### **4.4.2 *Older workers***

###### **4.4.3 *Others if applicable***

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