



Simulation of a basic security for children in Austria with EUROMOD/SORES

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Concept – basic security for children

- Design by Volkshilfe Österreich (People's Aid), independent charity
- Aims:
 - Improved targeting of monetary benefits for children
 - Stronger focus on material situation of household & financial resources
 - Thereby fostering social participation of children living in or at risk of poverty & break the intergenerational transmission of poverty
 - No one worse off
 - Greater transparency and efficiency of the benefit system

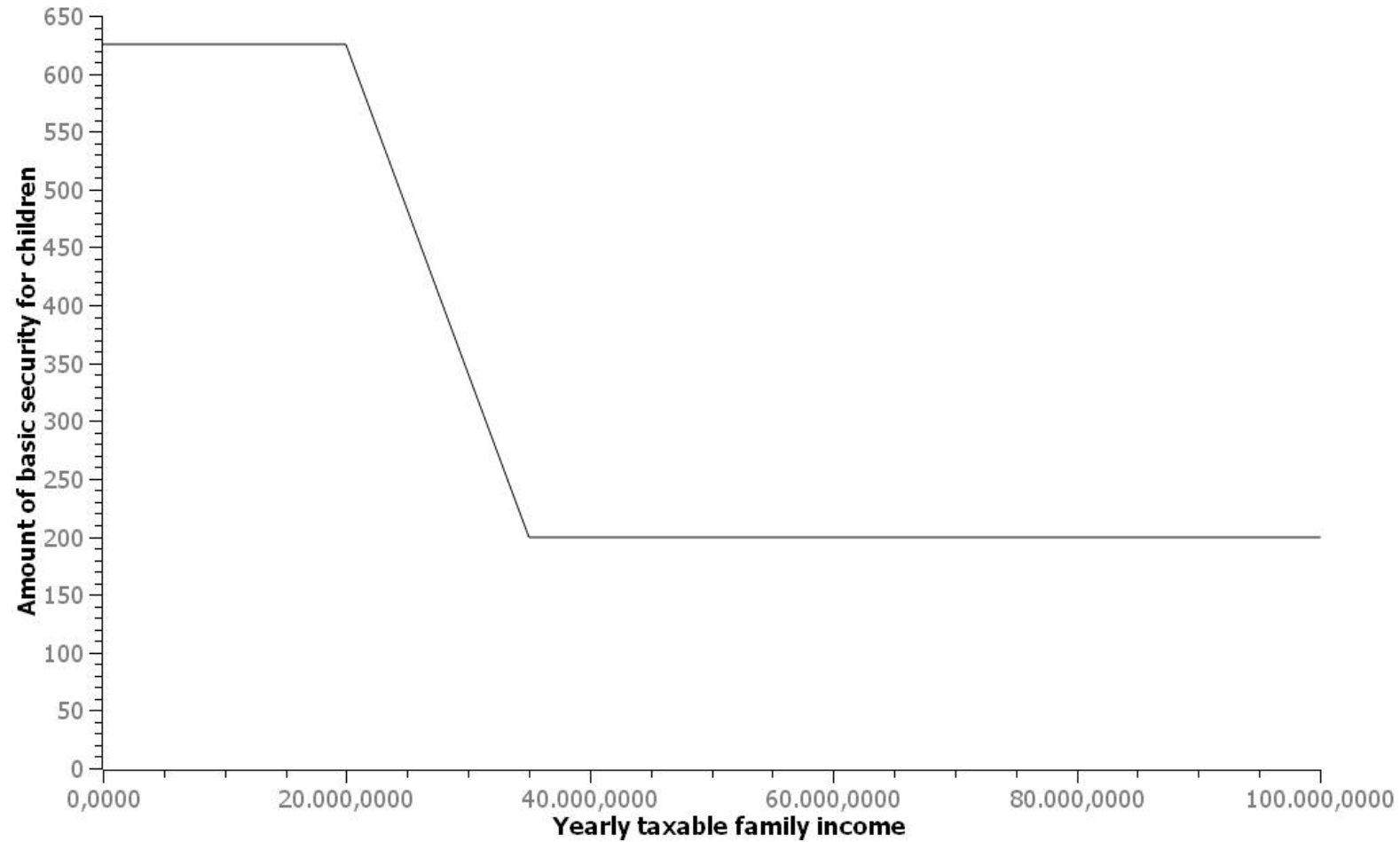
Design (I)

- All children below 18 years residing in Austria are eligible
- Based on reference budgets the total benefit amounts up to EUR 625,- per child/month
- There is a universal component of EUR 200,- and a
- Means-tested component of up to EUR 425,-
- Paid 12x/year

Design (II)

- Below a taxable yearly family income of EUR 20.000,- the maximum amount of the means-tested component is paid
- Above a taxable yearly family income of EUR 35.000,- only the universal component is granted
- In case of a taxable yearly family income between EUR 20.000,- and EUR 35.000,- the means-tested component is continuously phased-out between EUR 425,- and EUR 0.

Design (III)



Design (IV)

The following monetary benefits would be replaced by the basic security:

- family allowance,
- child tax credit,
- child tax allowance, and
- tax deduction of childcare costs.

Note: The family bonus to be introduced in Austria in 2019 was neither considered in the baseline nor in the reform scenario. Monetary benefits for children above 17 years remain the same.

Method

- EUROMOD/SORESI System 2018
- EU-SILC 2016 (incomes 2015, uprating to 2018) with additional disaggregated income variables provided by Statistics Austria
- All policy rules are implemented as of January 1st 2018
- The sample comprises 13.016 individuals in 6.000 households, including 2.468 children under 18, out of which 321 are at risk of poverty

Results (I)

Fiscal effects of reform in Mio. EUR:

Net costs	1.921,13
Costs social benefits	2.379,16
Tax deduction (child tax allowance, deduction of costs for childcare)	-458,03

Results (II)

Number of children affected (in 1.000):

Number of children under 18	1.536
Average means-tested component per child and month in EUR	134.-
Share receiving max. means-tested transfer	309 (20,1%)
Share without receipt of means-tested transfer	848 (55,2%)

Results (III)

Distributional effects and effects on poverty:

	Pre-reform	Post-reform
Gini coefficient	0,26	0,25 (-0,01)
Risk of poverty	13,1%	9,6% (-3,5pp)
Risk of poverty for those aged 0-17	15,3%	6,0% (-9,3pp)

Results (IV)

Distributional
effects by income
deciles:

Decile	# of citizens	Income per capita, pre-reform	Change in income per capita	# of affected persons	change in income per capita of affected persons
1	857.799	827	149	398.661	320
2	856.835	1.294	136	495.241	236
3	856.973	1.537	74	509.211	124
4	857.580	1.759	21	461.417	39
5	856.383	1.978	2	428.495	4
6	857.660	2.203	-3	402.814	-6
7	856.910	2.466	-5	373.777	-11
8	856.369	2.765	-8	338.304	-21
9	856.892	3.195	-5	288.334	-15
10	856.239	4.866	-8	263.155	-25
Total	8.569.641	2.289	35	3.959.409	77

Model households

	Lone parent	Couple I	Couple II
Gross monthly income in EUR	€1.940	€1.940 x2	€2.974 x2
Additional/decreased net income	+414	+120	-11

Comparison with family bonus

- New family tax credit to be introduced by government in 2019
- Family bonus (family tax credit)
 - Net costs approx. 1.5 billion (vs. 1.9 billion of basic child security)
 - Favours middle and higher income families (vs. basic child security targets lowest deciles)
 - Close to 0 poverty reducing effects (vs. basic child security lowers the at-risk-of-poverty rate of overall population by 3,5pp, from 13.1% to 9.6%)

Conclusions

- Dual design (universal and means-tested component) of basic child security enhances targeting of family benefits based on material situation of each child
- Well-targeted: households in low-income deciles benefit more
- Easy to administer