

CHAPTER 9. FAMILY BENEFITS

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9.1. Survey

In 2003 a total of about EUR 7 billion was spent on public family benefits (according to ESSPROS). This amount corresponds to a share of over 3% of the GDP. The family benefits lie above the EU average.

Among the family benefits, the cash benefits directly paid to the families (EUR 5.84 billion) are higher than benefits in kind for child-care facilities and other services for children and families (EUR 1.14 billion).

Among the cash benefits, transfers of universal character (family allowance, tax

credit for children, child care allowances) predominate to a significant extent. Further, insurance benefits (e.g. confinement benefit in the case of maternity) as well as benefits available only in the case of hardship or after an income assessment are available.

Regarding support for families, particular importance is attached to measures in the field of tax benefits.

The entitlements under labour law aim above all at an appropriate reconciliation of work and family life (see Chapter 13).

Survey of the major family benefits in Austria

Cash benefits for families

Family allowance	Universal transfer payment to all families with children; until 18 or the end of education/training (max. age 26); graduated according to age and number of children.
Universal tax credit for children	Universal tax allowance per child (in consideration of child raising costs) is paid in connection with family allowance
Confinement benefit	Insurance benefit for working mothers; usually paid 8 weeks before and 8 weeks after birth
Child-care allowance	Until the child's third birthday or, if only one parent takes parental leave, max. of 30 months
Supplement towards the child care allowance	In the case of need; must be paid back if the future income exceeds a certain limit.
Multiple child bonus	A means-tested family benefit for families with at least three children if they are entitled to family allowance
Advance on maintenance payments	The state pays an advance on legal maintenance obligations unable to be met. These must be paid back by the person obliged to provide maintenance
Sole earner's and single parent tax credit	Fiscal regulation
Family supplement	In addition to cash benefits from unemployment insurance
Child supplement	In addition to pensions and disability pensions
Credit for child-raising periods in the pension insurance scheme	Until the child's 4th birthday
Child care subsidy	In the frame of active labour market policy
Means-tested benefits	In the frame of social assistance, housing allowance and minimum income within the pension insurance system

Benefits in kind

Child care facilities	with cost-sharing
Co-insurance in the health insurance system	for family members (greatly) non-contributory
Mother-child medical card:	medical examinations before and after birth
Free transport for schoolchildren and apprentices	with a minor contribution to cost as well as travel allowances
Free school books	with minor contribution to the cost
Family counselling centres	parents' education, mediation, and educational or therapeutic support for children and parents in case of divorce/separation

¹ In the frame of ESSPROS the family-related tax benefits, with the exception of the tax credit for children, are not considered social expenditures; the same can be said for child-raising periods creditable to the pension insurance, health insurance for family members and examination in the frame of the mother-child medical card. Free transport for schoolchildren and free schoolbooks are not defined as social benefits but as educational benefits. A total of EUR 10 billion would be attributable to family benefits on a larger scale, if these benefits would be included.

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9.2. Benefits from the Family Burden Equalisation Fund

The central instrument for financing the Austrian family support system is the Family Burden Equalisation Fund, three quarters of which is financed by employers' contributions based on wages. These contributions amount to 4.5% of the wage bill. The majority of the remaining means comes from general tax revenue.

With a share of about 57%, the family allowances represent the most significant part of family benefits financed via the Family Burden Equalisation Fund. The child care allowance, in place since 2002, accounts for approx. 19%² of the fund's expenditures. Family benefits in kind (e.g. schoolbooks or free transport for schoolchildren with a minor contribution to cost) are further important family related benefits provided via the Family Burden Equalisation Fund.

Family allowance

There exists a universal entitlement to family allowance for all children under age. For children of full age in vocational training, the family allowance is payable until the age of 26 years, in exceptional cases until the age of 27. For severely disabled children who are incapable of gainful employment, there is no age limit.

The entitlement to family allowance expires with the child's 18th birthday and if the child's own income exceeds the amount of EUR 8,725 per year.

All Austrian nationals with a permanent residence in Austria are entitled to family allowance for children permanently residing in the country. For citizens of the EEC and EC special regulations (particularly included in Regulation (EEC) no. 1408/71 and Regulation (EEC) no. 574/72) are applicable. According to the "principle of the employing country", the country in which a person works is as a rule obliged to pay family benefits, also if the child resides in a contracting state. All remaining foreign nationals are entitled to family allowance for children staying within the country, if they have a legal claim to stay in the Federal Territory and if the stay is more than just temporary.

Family allowance is due to the person managing the household to which the child belongs; in the case of a common household of the parents it is due to the parent mainly responsible for managing the affairs of the household, which is, as the law assumes, the mother, unless the contrary is proved. The person providing the major part of the child's maintenance costs is entitled subsidiarily. The child is entitled to family allowance only, if it is full orphan or only in cases of orphanhood or parents

Expenditures of the Family Burden Equalisation Fund in million EUR, 2004

Family allowances	2.909
Child care allowances including intergovernmental transfers to the pension insurance and health insurance	1.260
Free transport and travelling grants for schoolchildren and apprentices	344
School books	100
Hardship compensation for families in need and for family hospice leave	1
Family counselling centres, parental education, mediation and educational therapeutic support for children and parents in case of divorce/separation; research, family and job etc.	15
Advance on maintenance payments	98
Other measures	325
Total	5.053

Source: Family Burden Equalisation Fund

² Including persisting parental leave benefits

Family allowance per month inclusive tax credit for children, according to the child's age in EUR, 2005

	Birth until 3rd birthday	4th year of life until 10th birthday	11th year of life until 19th birthday	20th year of life until 26th birthday
1st child	156.3	163.6	181.8	203.6
2nd child	169.1	176.4	194.6	216.4
3rd and any additional child	181.8	189.1	207.3	229.1

failure to pay sufficient maintenance; there is no entitlement to family allowance if the child lives in a community home at the expense of the Youth Welfare or the Social Assistance.

Family allowance is graduated according to the age and the number of children in a family. For 2005 it amounted to EUR 105.4 per month for children up to three years, EUR 112.7 for children up to 10 years, EUR 130.9 for children up to 19 years and EUR 152.7 and for children up to 26 (27). If the family allowance is drawn for two children, the total amount of the family allowance rises by EUR 12.8 per month and for three children or more the amount increases by EUR 25.5 per child and month. For severely disabled children an additional amount of EUR 138.3 per month is paid. The family allowance is tax-free.

In order to counteract the particular risk of falling into poverty for multiple-child families, an additional multiple-child bonus is granted to families with three or more children. For the third and each further child, for whom family allowance is drawn, a multiple-child bonus of EUR 36.4 is granted on the condition that the family income does not exceed the maximum assessment basis for social insurance (annual income 2005: EUR 43,560).

In addition to the family allowance, tax credits for children are available. They are paid out together with the family allowance irrespective of possible tax liability (negative tax). The tax allowance amounts to EUR

50.90 per child and month. As the tax credit for children is paid out directly together with the family allowance both benefits are illustrated together in the table above.

In 2004, family allowance for 1.83 million children was paid out. 223.000 children were under 3 years, 597.000 between 3 and 10 years, 833.000 between 10 and 19 years and 190.000 over 19 years old. 10% (184.000) of the children are not Austrian citizens. A supplement for severe disablement amounting to EUR 138.3 per month was paid out for 62.000 children.

Child care allowance

As of 1 January 2002, the insurance benefit "parental leave benefit" (Karenz-geld), which strived toward the (partial) compensation of income, was replaced by the universal benefit "child care allowance" (Kinderbetreuungsgeld/KBG). With the child care allowance, parent's child-care tasks receive acknowledgement as well as partial compensation; at the same time parents have better possibilities to share the parental leave and to reconcile work and family life.

Compared to the former legislation, essential features of the reform are:

- Expansion of those entitled to child care allowance to all parents (irrespective of their having been employed before the child's birth or not),
- increase of the benefit,
- extension of the maximal duration by 1 year (to 30 or 36 months),

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- increase of the ceiling for an additional income,
- unification and simplification of the partially complicated system for the different benefits available,
- Improvement of the pension-related provisions (see Chapter 4, Old-age-pensions).

Preconditions for an entitlement to child care allowance are

- the entitlement to family allowance for the child, living in a common household with the child;
- the additional income must not exceed the limit EUR 14,600 per calendar year and
- the evidence of 10 examinations prescribed by the mother-child medical card (five examinations during pregnancy and five examinations of the infant) must be furnished. If the evidence of these examinations is not furnished upon the child's completion of the 18th month, as a principle only 50% of child care allowance is granted after the child's 21st month.

To EEC and EU-citizens special regulations are applicable (laid down particularly in Regulation (EEC) no. 1408/71 and Regulation (EEC) no. 574/72). According to the "principle of the employing country", the federal state is as a rule obliged to pay family benefits, also if the child is permanently living in a contracting state.

The child care allowance amounts to EUR 14.52 per day (= ca. EUR 450 per month) and increases by 50% for each child, in the case of twins, triplets etc.

Child care allowance is due until the completion of the child's 30th month, if only one parent draws a child care allowance. If both parents alternately claim child allowance benefit, the entitlement is extended by the number of months,

claimed by the second parent; however, the maximal duration for the child allowance benefit is the completion of the child's 36th month. This presents an incentive for fathers to increase their participation in child care. Parents can alternate twice, resulting in a maximum of three blocs in which a child care allowance can be drawn with a minimal duration of three months for one bloc. Entitlement to child care allowance for both parents at the same time is not possible. If a further child is born while child care allowance is drawn, the entitlement for the elder child is terminated.

Parents with a low income or single parents can apply for a supplement towards child care allowance of approx. EUR 181 per month. This is a kind of a credit, which has to be paid back if a certain income level is reached. An additional income of up to EUR 14,600 per calendar year is admissible in addition to the child care allowance without causing a loss of the entitlement. Here, only the income of the parent drawing child care allowance is relevant.

The claim to child care allowance exists irrespective of whether the parental leave (laid down under labour law) according to Maternity Protection Act is claimed. Persons drawing child care allowance are covered by health insurance.

In March 2005, a total of 168,000 persons received child care allowance, from these 29,000 persons drew also a supplement towards the child care allowance and 2,700 persons were entitled to increased child care allowance due to having given birth to twins, triplets etc.

In 2004, the total expenditures amounted to EUR 1.260 million.

Advances on maintenance payments

If a parent (usually the father) does not meet his/her obligation to provide maintenance (in time), advances on maintenance payments are paid out of the Family Burden Equalisation Fund on application. These are principally granted at the level of the maintenance claims. The person under a duty to pay maintenance is obliged to reimburse these advances on maintenance payments. This means that about 42% of the expenditures flow back into the fund.

In 2004, advances on maintenance payments were paid for approx. 43,000 children. The expenditures amounted to EUR 98 million.

9.3. Family benefits under the health, pension and unemployment insurance schemes

Confinement benefit

Confinement benefit is an income compensation benefit under the health insurance scheme for employed mothers for the period of protection regulated in the Labour Law from 8 weeks before to 8 (12 to max. 16) weeks after birth. The level of the confinement benefit is 100% of the former net income (no ceiling). A special minimum insurance period is not necessary. Self-employed women and farmers are entitled to a corresponding benefit of EUR 23.4 per day (2005) or to temporary help during the protection period. Voluntarily insured marginal part-time employees and holders of non-standard contracts (e.g. freie DienstnehmerInnen) are also entitled to confinement benefit of EUR 7.12 per day (2005). In 2004, 59,000 women were entitled to confinement benefit.

Co-insurance for family members

Family members who are not in gainfully employed (e.g. children, partner) are co-insured with the employed family member who is covered by compulsory social insurance. Co-insurance is non-contributory

- for partners and family members taking care of the household if they are caring for at least one child or have done so without interruption for at least a period of 4 years;
- for children until the completion of their 18th year and longer for children in vocational education;

Mother-child medical card

Medical care for pregnant women, mothers and infants is granted in the frame of the mother-child medical card examination programme. Every pregnant woman and mother is entitled to precautionary medical examinations free of charge. Financial incentives for the participation in these preventive medical examinations are created by the fact that the entitlement to part of the child care allowance is dependent on participation.

Child and family supplements

Recipients of benefits under the pension or unemployment insurance schemes receive an additional fixed lump sum of EUR 29 per month for each dependent, the child supplement (pension insurance) or the family supplement (unemployment insurance).

Credit for child raising periods in the pension insurance scheme

The importance of child care as a form of work necessary for society is also acknowledged in the pension insurance schemes. The pension harmonisation (see

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Chapter 4) has provided substantial improvements for women: The level of the assessment base for months within child rearing periods was doubled from EUR 650 up to EUR 1,350. The length of time credited for child raising periods in the pension insurance was raised from 2 years to 4 years per child.

For persons who care for their disabled child, the possibility of entering a non-contributory self-insurance under the pension insurance scheme, financed via the Family Burden Equalisation Fund, was created. Persons caring for a family member have the possibility of continued insurance in the pension insurance scheme on favourable conditions.

Child care subsidy

In order to promote gainful employment of parents with children, the Public Employment Service grants – for incomes under a certain level – child care subsidies, aimed at a partial compensation of child care costs. This benefit is financed by the unemployment insurance scheme. In 2004, an average of about 3,100 persons received a child care subsidy.

9.4. Means-tested benefits

Subsidies for families from the Laender

On the level of the Laender there are special financial support schemes for families with small children, depending on the household income and the number of children (weighted per capita income). These family subsidies, varying from province to province, are granted mainly for a period between one and three years. The conditions for entitlement vary widely between the different Laender. In 2003, a total of EUR 55 million was paid by all Laender.

Family hardship compensation

Family hardship compensation is an instrument of the Family Burden Equalisation Fund and offers single payments to families in hardship situations (e.g. death, illness, disease, incapacity of gainful employment, accident, natural disaster). In 2004, approx. 350 benefits amounting to just under EUR 1 million were granted. More than half of the benefits (55%) were granted to single parents.

Family hospice leave – hardship compensation

By this accompanying measure for family hospice leave, introduced in 2002 (see Chapter 13), families with a lower income also have the possibility to claim family hospice leave. Persons claiming complete release from work with protection under labour and social law can receive a supplement from family hospice leave hardship compensation in cases of financial hardship. This is possible if the weighted monthly per capita income (except family allowance, housing allowance, care allowance and child care allowances) does not exceed EUR 700. In 2004, 123 benefits amounting to a total of EUR 165,000 were granted. The average monthly allocation amounted to EUR 483.

9.5. Tax benefits for families

Tax benefits for children consist basically in the tax credit for children, the tax credit for maintenance payments and the sole earner's tax credit.

Tax credit for children and maintenance payments

These benefits react to the reduced economic capacity of tax payers with maintenance duties for children. The tax

credit for children amounts to EUR 50.90 per child per month and is paid out together with the family allowance.

The tax credit for maintenance payments is granted to persons who are subject to pay tax and who are by law obliged to pay maintenance for a child that is not living in the same household and for who they do not draw family allowance. The tax credit for maintenance payments amounts to EUR 25.50 per month for the first child, EUR 38.20 per month for the second child and EUR 50.90 per month for any further child. It can be assumed that around 100.000 persons claim this tax credit.

Sole earner's tax credit and/or single parent tax credit

Single parents and sole earners are further entitled to a tax deduction of EUR 364 per year. If their income tax is low enough that this tax deduction is ineffective or only partially effective, or if they do not pay taxes at all, this amount or the difference is paid out to the sole earner/single parent in the form of a negative tax.

Per 1 January 2004 a graduated supplement towards the sole earner's/sole parent tax credit was introduced:

- for the 1st child EUR 130
- for the 2nd child EUR 175
- for the 3rd child and every further child EUR 220

According to an estimation, about 800,000 persons claim the sole earner's tax credit and about 100,000 (mostly women) claim the single parent tax credit.

9.6. Educational expenditures financed by the Family Burden Equalisation Fund

Free travel for schoolchildren and apprentices

For children and young persons attending a public school or a private school under public law on Austrian territory as ordinary students, and for apprentices, the federal state takes over the costs for the journey from home to school or to the place of apprenticeship. The cost share per schoolchild or apprentice amounts to EUR 19.60 per school/apprenticeship year. If no suitable free transport is available, there is a claim for a school "commuting grant for pupils" if the single way is longer than 2 km and for apprentices for a "commuting grant for apprentices". If schoolchildren and apprentices can not live at home because of their education (boarding-school, home) a home allowance is granted.

In 2004, EUR 344 million were spent on this benefit from the Family Burden Equalisation Fund.

School book programme

The school book programme financed by the Family Burden Equalisation Fund aims at providing all students with the necessary learning materials free of charge.

In the school year 2004/2005 a total of 8.5 million schoolbooks was acquired for 1.2 million pupils. The yearly expenditures for the school book programme amount to EUR 94 million. Per child and school year an average of 7.2 schoolbooks at a price of EUR 79 are provided.