



Simulation of an introduction of a basic security for children in Austria

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Current situation: Child poverty in Austria

- 16% of children (<18) are at-risk-of-poverty in 2022 in Austria (EM baseline)
- Current family support system consists of heterogenous tax/benefit policies:
 - Benefit: universal family allowance, universal child tax credit
 - Benefit: childcare benefit, child supplements for unemployment, pension, social assistance benefits
 - Tax: single earner tax credit, single parent tax credit, tax credit "*family bonus*" incl. negative tax for low-income families
- Especially tax credit *family bonus* tends to provide higher benefits for families with higher incomes,
- Thus, limited impact on counteracting (inheritance of) poverty

Policy reform:





Arguments for a basic security for children

- Reduces complexity, thus higher transparency for families and stronger perception of positive effects of welfare state
- Easier access to benefits by reducing bureaucratic hurdles in application process (e.g., take children out of social assistance)
- Higher (ideally full) take-up of benefits by parents/ guardians of eligible children
- Lower administrative costs

- In Austria proposed by NGO Volkshilfe, support by some political parties
- Introduction in Germany 2025 (lower amounts)

Total benefit amount (values 2022)

- In total up to € 872 per child and month
 - Universal component of € 285
 - Income-tested component of up to € 587
- Amount derived from reference budgets debt counselling

Material Supply	Social participation	Health	Cultural Dimension
			
567 €	127 €	44 €	134 €
Maximum amount in total 872 €			

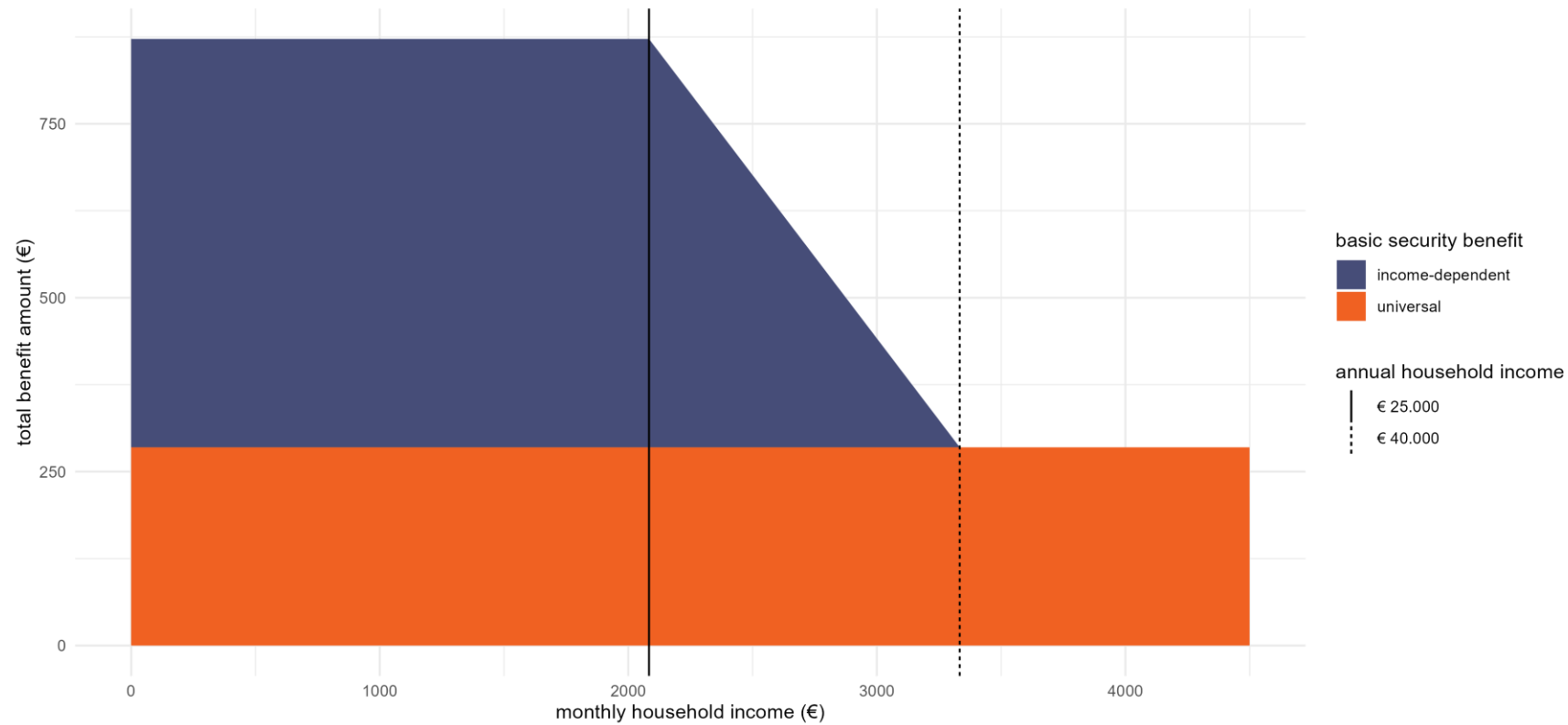
Universal component

- Derived from basic monthly family allowance for a child 10+ plus (universal) child tax credit, revalued in line with CPI 2000 from 2000
 - Replaces family allowance (incl. age and sibling-supplements, school start allowance) and child tax credit
 - Supplement for disabled children as well as benefits for children 18+ remain as in status quo

Income-tested component

- (Lower) limit for full amount (€ 587): yearly taxable family income of € 25,000
- Considerations:
 - Individual tax exemption limit in 2022 was € 11,000 per year ($2 * 11,000 = 22,000$)
 - Poverty threshold for 2 adults (EU-SILC 2021): € 24,678
- Upper Limit: yearly taxable family income of € 40,000
 - Primary budgetary considerations
 - Between € 25,000 and € 40,000 transfer is steadily reduced to 0
- Administrative setting (taxable family income) corresponds to more-children supplement within family allowance (up to € 55,000 yearly taxable family income)
- Replaces supplements for children in social assistance

Theoretical benefit distribution



For better presentation, the monthly household income was limited to € 4,500

EUROMOD

- Austrian microsimulation model part of EUROMOD
- Joint project covering all EU-27 countries (+UK, SOUTHMOD, LATINMOD...)
- Coordinated by the European Commission (JRC)
- Includes tax/benefit policies of all EU-27 countries
- Policies & data updated yearly
- Input data based on EU-SILC & register data
- Planned extensions in 2024/2025: Modeling indirect tax policies & household budget input data

EUROMOD modelling (Version 3.5.8)

Policy year 2022

Input data: EU SILC 2021 – incomes 2020 updated to 2022

New policies:

- Universal and income-dependent basic security components

Replaced policies:

- Universal: Family allowance (incl. age and sibling supplements, school start bonus) and child tax credit for children <18
- Income-tested: Child supplements in social assistance

Controls:

- Keep existing family allowance and child tax credit for children 18+
- Simulate social assistance only for receiving households in SILC (control for non-take up), in reform scenario drop supplements for children

Results

Fiscal costs

Total: 1.0% of GDP:

- Universal component: 0.3%
- Income-dependent component: 0.8%

Indirect profitability

- Combating child poverty yields:
 - Consumption return
 - Savings in children's health costs
 - In adult life higher taxes and contributions, less social transfers
- (Fiscal costs of tax credit family bonus, which hardly reduces child poverty: 0.5% of GDP)

Results

Benefitting children <18

Number of benefitting children:

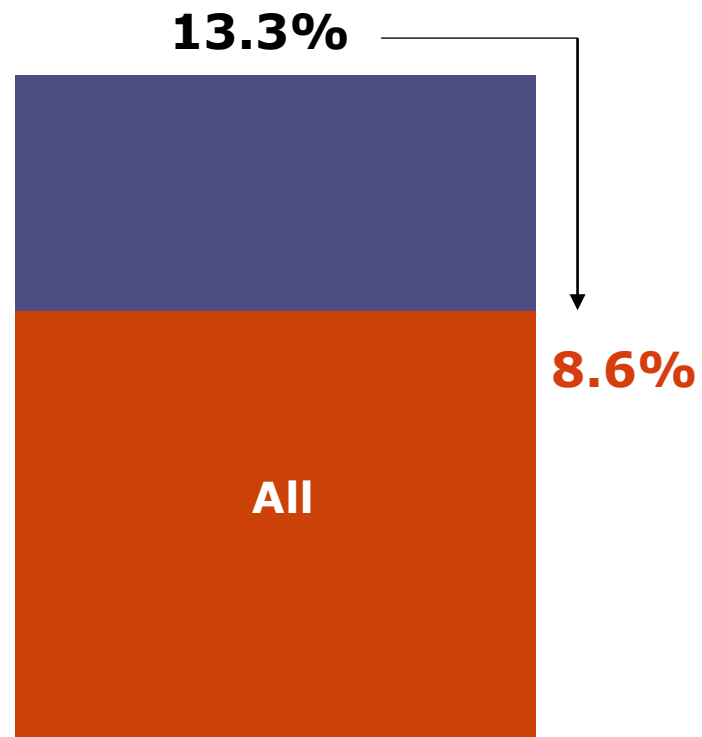
- Universal: 1,591,000 (100% of all children <18)
- Income-tested: 666,000 (42% of all children <18)
- Maximum income-tested component: 364,000 (23% of all children <18)

Benefit amounts:

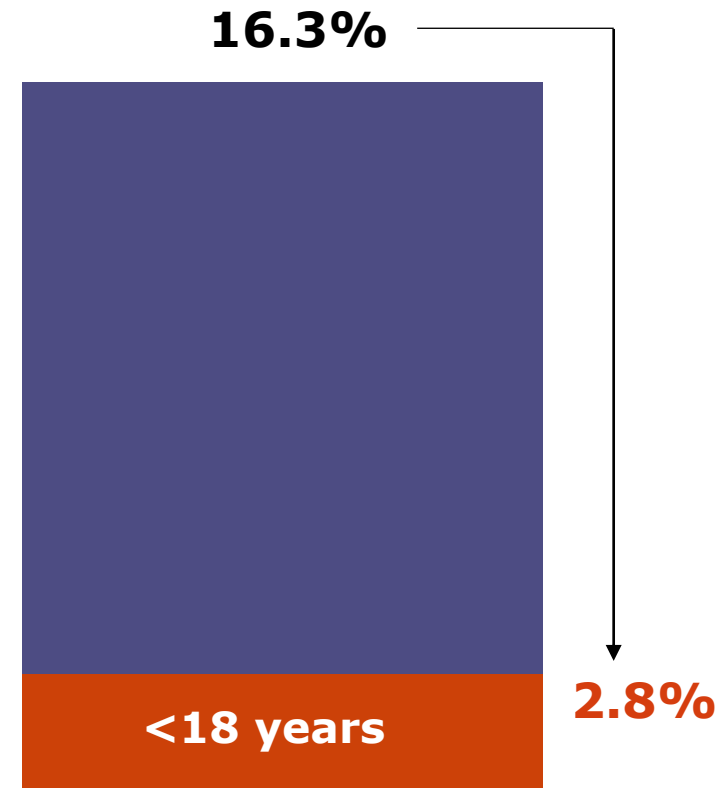
- Universal component per child and month: € 285
- Average income-tested component per child and month, related to:
 - All 1,591,000 children <18: € 187
 - 666,000 children with income-tested component: € 447

Results: Income poverty

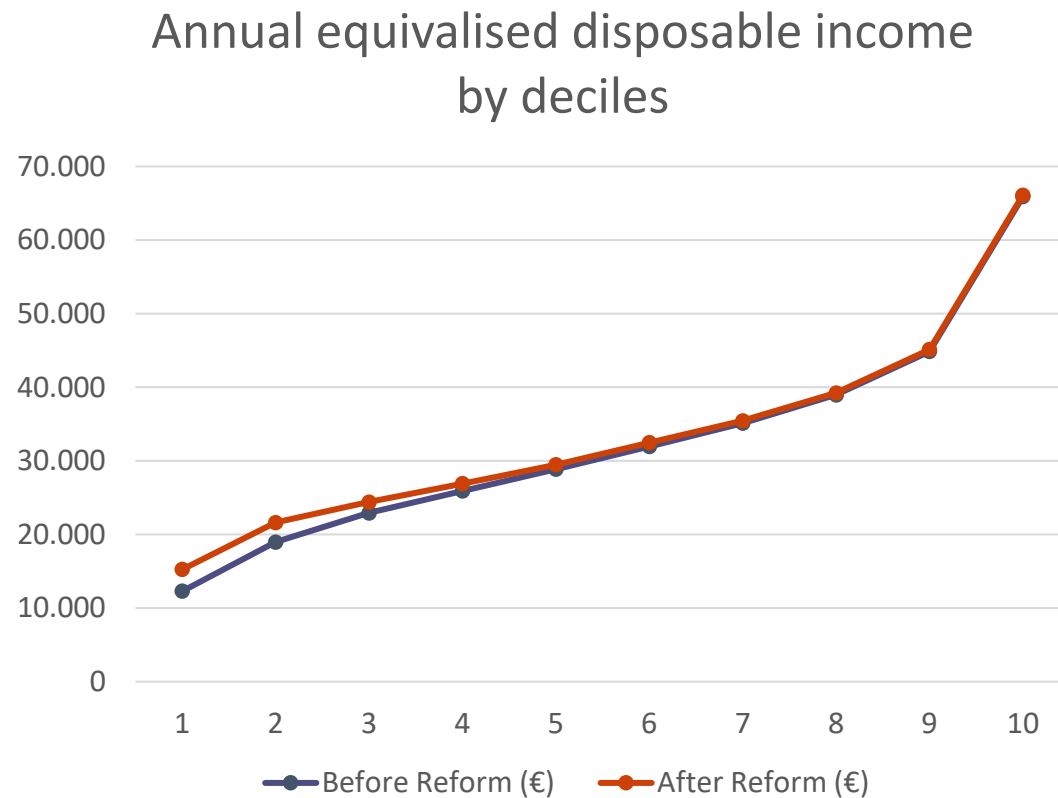
Total population
- 4.7pp



<18 years
- 13.5pp



Results: Income distribution



Annual equivalised disposable income

Deciles	Before Reform (€)	After Reform (€)	Change in %
1	12,279	15,236	+24.1
2	18,963	21,613	+14.0
3	22,929	24,393	+6.4
4	25,902	26,907	+3.9
5	28,856	29,454	+2.1
6	31,936	32,460	+1.6
7	35,114	35,452	+1.0
8	38,972	39,218	+0.6
9	44,861	45,112	+0.6
10	65,889	66,091	+0.3
TOTAL	32,564	33,588	+3.1

Conclusion

- Pooling of benefits, higher take-up, less administrative burden
- Employment incentives?: loop-in regulation, but relatively high amounts
- Drastic reduction of income poverty (vicious circle of child poverty)
 - All: - 4.7pp
 - <18: - 13.5pp
- Very progressive: especially persons in lowest 3 income deciles profit
- Additional fiscal costs
 - 1.0% of GDP
 - (Costs hardly poverty-reducing tax credit family bonus: 0.5% of GDP)



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