



New reform of the family benefits scheme in Greece

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As of January 2018, a new reform of the family benefits scheme has been put in place. It concerns mainly the consolidation of existing family/child benefits into a single, new means-tested "Child Benefit" scheme. Compared with the previous one, the new benefit focuses more on needs and on improving equity and fairness. This is likely to lead to improved impact on poor families with children.

Description

Income support policy for families with children in Greece consisted, until 2012, of various low-level universal (non means-tested) family/child benefits and tax reductions. In 2013, a change in policy direction took place, mainly dictated by the need to curtail public social spending, as agreed in the framework of the Second Economic Adjustment Programme for Greece (MoU II). In this context, all tax-relief arrangements relating to families with children were abolished, while most of the family/child allowances were converted into two means-tested benefits: the "Single Child Support Allowance" and the "Special Large-family Benefit" (for families with three or more children).

Five years later, in January 2018, a new reform of the family benefits scheme was put in place, as foreseen in the Supplemental Memorandum of Understanding for Greece (signed on 5 July 2017). The reform focused mainly on the consolidation of these two family/child benefits into a single new "Child Benefit". A total annual budget of €910 million has been allocated for this benefit, representing an increase of 40% (or €260 million) compared to the annual budget of the previous family benefits scheme. However, prior to this reform, in May 2017, two small family/child allowances were abolished: the allowance for low-income families

with children up to 16 years of age attending compulsory education in public schools, and the allowance for unprotected children living in families with very low income. The rationale behind this abolition was that these allowances overlapped with the minimum income scheme, namely the "Social Solidarity Income", and/or with the then existing family/child benefits.

The newly established "Child Benefit", which is now in force, is paid to families with -unmarried- children up to 18 years of age, or up to 24 years of age if they are enrolled in institutions of higher education or have been certified with a degree of disability of over 67% or are orphans of both parents. It requires the beneficiaries to be legal and permanent residents of the country during the last 5 years prior to their application, while their children must live in the country.

The benefit is means-tested, and eligible beneficiaries must fulfil specific income criteria. These are determined by the annual pre-tax family income and the size of the family, in accordance with a specific equivalence scale. This scale is defined as the weighted sum of the family members, where the one parent has a weight of 1, the other parent a weight of ½ and each dependent child a weight of ¼. In single-parent families the first child has a weight of ½ instead of ¼. The total pre-tax family income is divided by the family's weighted sum to determine the eligible family equivalised income. The

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latter must fall within one of the three pre-determined equivalent annual income categories. The first category concerns families with an equivalent income of up to €6,000, the second category concerns families with an equivalent income from €6,001 to €10,000 and the third category concerns families with an equivalent income from €10,001 to €15,000.

The amount of the new “Child Benefit” decreases as family equivalent income increases. For the first category (up to €6,000 annual equivalent income), the monthly amount of the benefit is €70 for each of the first two children and €140 for the third and every child thereafter. For the second category (€6,001-€10,000), it is €42 for each of the first two children and €84 for the third and every child thereafter. For the third category (10,001-€15,000), it is €28 for each of the first two children and €56 for the third and every child thereafter. So, for a household consisting of two parents and two dependent children, with an annual total pre-tax family income of €13,776 (i.e. each parent receives the minimum monthly pre-tax wage of €574), the calculation is as follows: a) $\text{equivalence scale} = 2.00$ ($1 + \frac{1}{2} + \frac{1}{4} + \frac{1}{4}$); b) $\text{equivalent annual family income} = (\text{€}13,776 / 2.00) = \text{€}6,888$; c) $\text{income category: 2nd}$; d) $\text{monthly total benefit: €}84$ (€42 for each child). This household would thus receive an annual total benefit of €1,008.

The “Child Benefit” is exempted from any tax and is not subject to any deduction or seizure by the State or a third party. The benefit is paid on a bimonthly basis and, unless otherwise stated in the legislative framework regulating other welfare benefits, it does not count towards total family income.

Outlook & commentary

The new reform of the family benefits scheme undoubtedly makes the scheme better targeted at those in need. It is therefore expected to lead to improved impact on poor families with children. This is particularly crucial because child poverty in Greece remains extremely high: in 2016, latest figures available, 37.5% children below 18 were at risk of poverty or social exclusion in Greece as opposed to 26.4% for the European Union average (Eurostat figures).

The rationale and design of the new benefit resembles to a great extent the “Single Child Support Allowance” that had been in force until the end of 2017. However, it introduces certain modifications, focusing more on needs and on improving equity and fairness. These changes concern the specific equivalence scale used to determine the eligible equivalent income, which now gives greater weight to each child than before, along with the fact that the amount for each child has been increased. The combination of these elements, in turn, results in increased amount of benefits paid to: i) all eligible families with one or two children; and ii) poorer families with three children or more.

Moreover, this combination compensates -to a greater or lesser extent- for the elimination of the “Special Large-family Benefit”, which was paid, until December 2017, to families with three or more children. Yet, some large families with income above the ceiling of the third -highest-equivalent income category, who were receiving the “Special Large-family Benefit”, are not entitled to the new “Child Benefit”.

It is worth noting that the reform of the family benefits scheme has no impact on the poorest families who are beneficiaries of the “Social Solidarity Income” (SSI). For them, the increase in the “Child Benefit” entitlement is offset by a corresponding decrease in the SSI benefit because the amount of the “Child Benefit” is counted when determining SSI entitlement.

Yet, overall, the new reform is a positive development, though it is too early to assess its impact on reducing child poverty and social exclusion. It will be important to ensure that data with regard to the socioeconomic characteristics of the beneficiaries become publicly available so as to allow carrying out a proper social impact assessment of the reform.

Further reading

Law 4512/2018, Official Journal of Government (2018), Issue No. 5, Vol. A', 17 January 2018 (in Greek).

Ziomas, D., Bouzas, N., Capella, A. and Konstantinidou, D. (2017), ESPN Thematic Report on Progress in the implementation of the 2013 EU Recommendation on “Investing in children: Breaking the cycle of disadvantage [Greece], European Social Policy Network (ESPN), Brussels: European Commission, available at:

<http://ec.europa.eu/social/BlobServlet?docId=18194&langId=en>

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