

The large-family supplement in the child allowance – a general allowance that could be more efficient

Summary and recommendations

The Riksdag's objectives for economic family policy are to contribute to a good economic living standard for all families with children and reduce the economic disparities between households with and without children. The Riksdag has also decided that the redistributive profile of economic family policy should be strengthened. The Swedish National Audit Office (NAO) has examined how well the large-family supplement in the child allowance, which is part of economic family policy, helps achieve these objectives. The overall conclusion of the audit is that the large-family supplement in the child allowance is accurate in its construction, but that its efficacy and cost effectiveness could be improved in order to better achieve its objectives. Above all, the large-family supplement for child number two is not a cost-effective means of improving the economic living standard of families with children. The Swedish NAO recommends that the Government review the large-family supplement in the child allowance.

Audit findings

The large-family supplement improves the redistributive efficacy of the child allowance

The general child allowance of SEK 1 250 per month, which is paid for every child in Sweden, helps to even out the economic disparities between families with and without children. This occurs because the general child allowance has what is known as a progressive redistributive profile, that is to say it is paid more extensively to people in households with low incomes. The large-family supplement in the child allowance strengthens this progressiveness by being paid more extensively than the general child allowance to people in the lower part of the income distribution. The Swedish NAO considers that general support to the purchasing power of families with more than one child, in the form of the large-family supplement, is an efficient way for economic family policy to even out financial disparities in the population. This result is expected, in view of the fact that families with many children, on average, have a lower economic standard than families with few children. One observation is also that it is mainly parents living together who benefit from the design of the child allowance with a large-

family supplement. This follows from the fact that on average, parents who live together have more children than single parents.

The efficacy of the large-family supplement declined considerably when the large-family supplement for child number two was introduced in 2005

The large-family supplement was introduced in January 1982 and was paid to families with a minimum of three children. In October 2005, the right to a large-family supplement was extended to also include families with two children. The change was part of a major initiative within economic family policy to strengthen the financial situation of families with children.

However, one consequence of the initiative was that the redistributive efficacy of the large-family supplement declined. The redistributive profile of economic family policy was thus weakened as a result of the change.

The cost effectiveness of the child allowance can be improved within the framework of a general system

The introduction of the large-family supplement for child number two also weakened the cost effectiveness of this supplement in relation to the objective of a good economic living standard for all families with children. The ability of the large-family supplement to contribute to the objective of a good economic living standard for families with children has increased in pace with the extended scope of the large-family supplement. Over the period 1998–2019, expenditure on the large-family supplement increased in fixed prices from SEK 1.2 to SEK 3.7 billion. However, the SEK 1.3 billion that was paid out in 2019 in the form of large-family supplement for child number two in a family contributed to a minor extent to improving the economic living standard of individual families with children. One means of improving the cost effectiveness of the child allowance, within the framework of a general system, could be to redistribute more funds to groups that are over-represented among the financially vulnerable, such as families with several children and single parents. Special support to single parents, within the framework of the child allowance system, is available in our neighbouring Nordic countries, for example.

A comprehensive approach is needed on measures to improve the financial situation of families with children

It is important to regard economic family policy in a broader context, where different policy areas together allow for improvements in the welfare of families with children. Conflicts of objectives may also arise with other policy areas. In this report, we focus on the role of economic family policy in this context. The large-family supplement is part of economic family policy that could play an important role.

The Swedish NAO recommends that the Government review the large-family supplement in the child allowance. The review should consider whether the large-

family supplement for child number two is to be abolished, so that the central government thus funds released could be used in a way that could be expected to better achieve the objectives. Proposals that are submitted should be balanced against objectives that the Riksdag has approved within other policy areas that are relevant to the review.

Recommendations

The Swedish NAO recommends that the Government:

- review the large-family supplement in the child allowance in order to improve the ability of the child allowance to contribute to a good economic living standard for all families with children.