ABSTRACT

Family and career: The economic impacts of budget decisions

The compatibility of work and family life is a central challenge of the current social development. In this study, the IER - Institute for Economic Research of the Chamber of Commerce of Bolzano has analysed the financial aspects of family and career in detail. In detail, the study focused on the impact of family and career decisions on the income of South Tyrolean households and on the public budget.

The following questions were examined:

- What happens to the household income if one of the working partners retires from working life at the birth of a child or temporarily works part-time?
- How do family and work decisions influence income and public spending?
- What role do social transfers play?

In the present analysis, the possibilities for parents in the context of family and career are summarized in the following three "options" and applied to various structured households:

1. full-time option: full-time employment of both parents.

2. part-time option: temporary part-time employment of one parent.

3. exit option: one parent exits from working life completely.

The results of the simulation show that a family with a housewife or a househusband must manage the budget year by year with significantly fewer resources than a family with a part-time partner. In the part-time option, the loss of income of the household amounts to 7.5 percent of the full-time option, whereas in the exit option the family loses 25 percent of its disposable income compared to the full-time option. Households opting for the exit option receive the highest social transfer payments in South Tyrol, of which the contribution for rent and utility costs is particularly decisive. Under certain circumstances, this social support can be an incentive to exit from working life.

Especially households with several children can compensate for the loss of income through social transfers. From the point of view of the households, it makes sense for one of the parents to stay at home, primarily as this does not affect the economic situation. In the long run, however, household income will fall sharply. The study demonstrates the reason: Due to the missing payments into the pension fund, the pension of the housewife or househusband is significantly reduced. This pension effect leads to a collapse of the pension of approximately three quarters in the calculated example households.

From the point of view of the whole society, there is a loss of public funds when one of the two working partners decides to withdrawl from working life after their child is born. The lack of employment implies a lack of tax revenue. In addition, both indirect family support (e.g. deductions on spouses) and access to direct social transfer payments reinforce this negative effect.

The study clearly shows that these outcomes also apply to households living in an owner-occupied appartment. Only the exit option has fundamentally different effects here: Households that live in an owner-occupied appartment instead of a tenancy contribute a significantly higher net amount to the public budget, mainly because they do not receive a contribution for rent and utility costs.

The analysis shows the advantages of part-time work over full withdrawal: A partner who opts for part-time work can secure his pension himself and at the same time needs less funds from the public budget. Another advantage over leaving the labour market is that by returning to work, the know-how and experience of the part-time employee is retained. The analysis also reveals that the income of households with a part-time and a full-time partner is supported by social transfer benefits. The amount of benefits received depends on the number of children.

The study examined the dependency of transfer payments on income. It turns out that the contribution for rent and housing costs is strongly influenced by the level of household income. The family income bonus and the family allowance of the region are much less dependent on income. The country's family allowance is entirely independent of the income of a household. This social transfer benefit is also paid up to the highest income. The simulation model developed by the IER can be adapted continuously to current regulations and laws.In addition, future family policy decisions can be examined for their financial impact.