

CZECH FAMILY BENEFITS AND COSTS: REFORMS, REGIMES AND CONTRACTS

Jaroslav Vostatek¹

Abstract

Family policy has its typical features in individual welfare regimes, and it is reflected not only in public expenditures, but also in intergenerational relations and in the overall economic and social development of individual countries. It has also made a distinctive mark in Czechia, where the re-familiarisation of family policy occurred during the 1990s. Changes in governments have also brought reforms to individual benefits, marketing methods have likewise been put to significant use in public policies. This paper presents comparative analyses both the role of family policy within the individual welfare regimes and especially Czech family benefits and their developmental tendencies. At the same time, it also uncovers incorrect calculations of the full wage equivalent for Czech parental benefits and analyses the existing proposals, including the introduction of bonuses for children into pension provision. Czechia needs a paradigm reform of family benefits and at least a technical reform of its public pensions in the interests of significantly increasing the efficiency of the entire system, including the strengthening of intergenerational cooperation.

Keywords

Czech Family Benefits, Tax Credits, Childcare Services, Generational Contract, Welfare Regimes

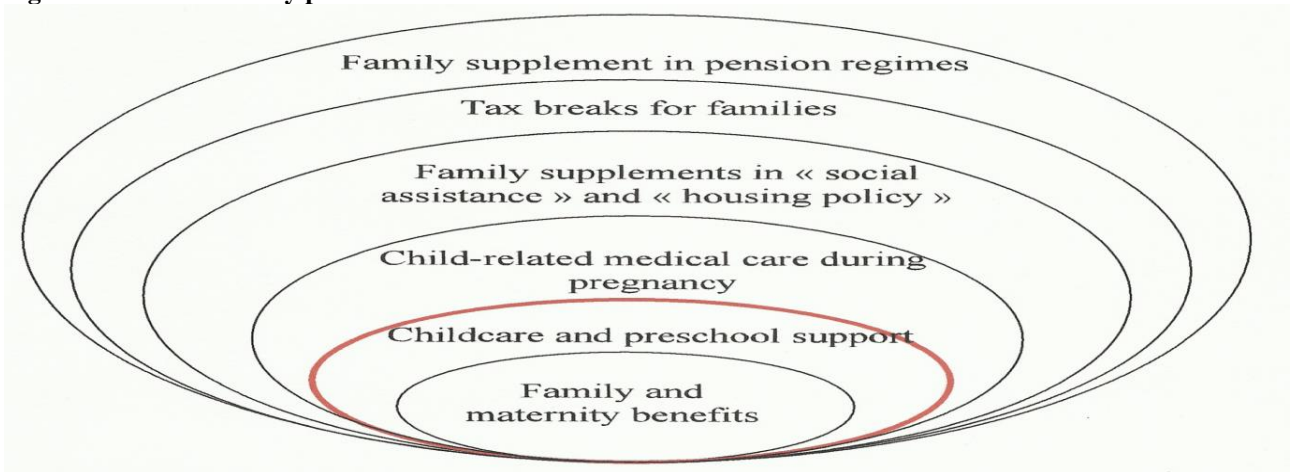
I. Introduction

Family policy has become a core part of the social protection systems. Public spending on families has grown in almost all the OECD countries. The objective of this paper is to analyse the key public expenditure on Czech family policy within the context of the welfare regimes of the family policy and their efficiency, including their connection to intergenerational cooperation which manifests itself in public expenditure on pensions, using comparison as a scientific research method. The topic of the paper exceeds the framework of expenditure on family benefits as it is regularly monitored, for example, in OECD reviews. Math and Thévenon (2009), for example, designate this overlap as a form of “circles of family benefits”; see Figure 1. The public expenditure included in the innermost circle stated here (family and maternity benefits, childcare, and preschool support) and the tax breaks for families are regularly published; see Figure 2. We will also deal with the family supplement in pension regimes within the context of intergenerational cooperation and with the Czech “child benefits” which belong to the circle of family supplements in social assistance. We will omit the same supplements in housing policy and child-related medical care during pregnancy.

According to Figure 2, Czech public spending on family benefits is above average for the OECD and the European Union. The share of tax breaks for families in this expenditure is relatively higher than in most countries, in the whole range of countries we find not these tax breaks. We must, however, be cautious when evaluating this information, because reported public spending is also influenced, amongst other things, by the prices or fees for the provided services. It is also important that family policy is significantly cross-sectional in that, for example, the expenditure on credits for raising children included in the pension system is not reported in family policy expenditure. Moreover, it also applies that high or higher expenditure on family policy does not generally mean support for the overall family or social policy – it may be at odds with, for example, intergenerational cooperation or balance.

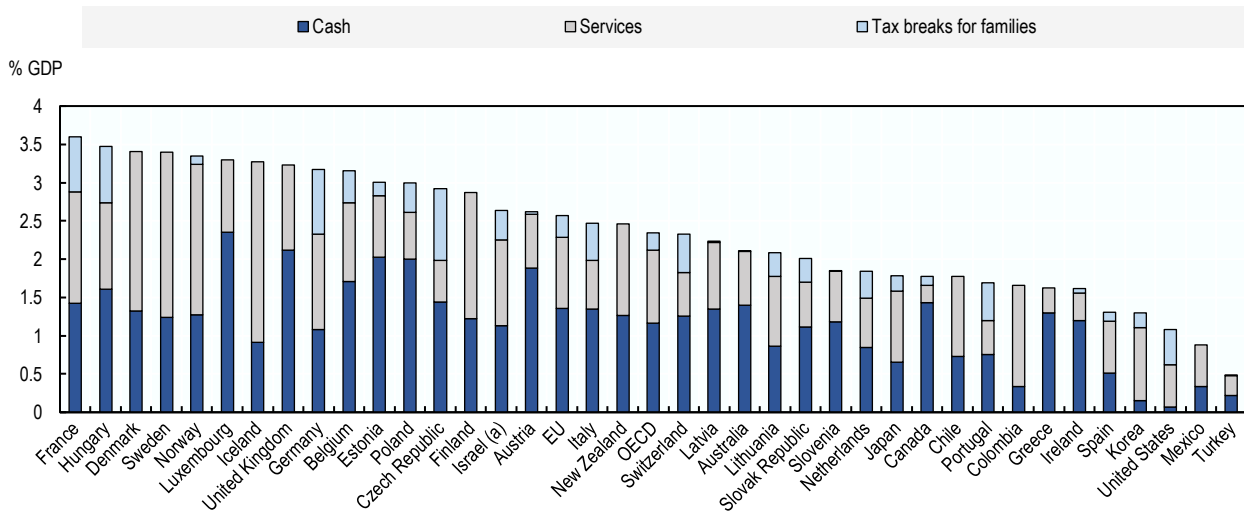
¹ University of Finance and Administration, Estonská 500, 101 00 Prague 10, Czechia.
E-mail: jaroslav@vostatek@vsfs.cz.

Figure 1: Different family policies circles



Source: Math and Thévenon (2009)

Figure 2: Public spending on family benefits, in percent of GDP (2017)



Source: OECD (2021)

Czech family policy usually differentiates between three pillars of its realisation: the tax system, (direct) social support and public services. “The Czech Republic concentrates its family support in tax breaks which constitutes a risk for families during a period of any economic decline when they may lose both their income and their tax support. As such, it is critical to reinforce the significance of the other two pillars – the benefits and public services – in the future” (MPSV, 2017). Table 1 shows the strengths and weaknesses of Czech family policy according to the government material. Amongst other things, the impulse to undertake the analysis was also the rejection of the previous (2017) government family policy by one of the governing parties and the recent reform of the 1st and 2nd pillars of the family policy.

Table 1: The strengths and weaknesses of Czech family policy according to the Czech Government (2019)

Strengths	Weaknesses
The family has significant value for most society	Insufficient options for harmonising care for the family and paid employment – in particular a lack of flexible jobs and accessible care for preschool children
The main problems in family policy can be easily identified	High costs for the family's basic needs – especially housing. High costs for preschool care services
There are many examples of good practice in the EU, from which we can draw inspiration	Social stereotypes and the associated disadvantageous position of women and older individuals in the labour market, which may have a negative impact on their families
The family policy system in the Czech Republic enables the flexible drawing down of a paternal allowance	The significant impact of maternity on the employment of women – low employment among women with children up to 6 years of age – and the difference in earnings between men and women

Source: Government (2019)

II. Family policy models

Sapir analysed the European social models and came to these conclusions: „*Nordic countries* (Denmark, Finland and Sweden, plus the Netherlands) feature the highest levels of social protection expenditures and universal welfare provision. There is extensive fiscal intervention in labour markets based on a variety of “active” policy instruments. Strong labour unions ensure highly compressed wage structures. *Anglo-Saxon countries* (Ireland and the United Kingdom) feature relatively large social assistance of the last resort. Cash transfers are primarily oriented to people in working age. Activation measures are important as well as schemes conditioning access to benefits to regular employment. On the labour market side, this model is characterized by a mixture of weak unions, comparatively wide and increasing wage dispersion and relatively high incidence of low-pay employment. *Continental countries* (Austria, Belgium, France, Germany and Luxembourg) rely extensively on insurance-based, non-employment benefits and old-age pensions. Although their membership is on the decline, unions remain strong as regulations extend the coverage of collective bargaining to non-union situations. Finally, *Mediterranean countries* (Greece, Italy, Portugal and Spain), concentrate their social spending on old-age pensions and allow for a high segmentation of entitlements and status. Their social welfare systems typically draw on employment protection and early retirement provisions to exempt segments of the working age population from participation in the labour market. The wage structure is, at least in the formal sector, covered by collective bargaining and strongly compressed... This comparative analysis of the four models can be usefully summarised with a typology based on two criteria: efficiency and equity. A model will be considered efficient if it provides sufficient incentive to work and, therefore, if it generates relatively high employment rates. It will be deemed equitable if it keeps the risk of poverty relatively low” (Sapir, 2005).

Figure 3 provides the results of the comparative analysis for the four country groupings „in terms of the familiar trade-off between efficiency and equity. Nordic and Mediterranean countries apparently face no such trade-off. Nordics enjoy an envious position, with a social model that delivers both efficiency and equity, whereas Mediterraneans live in a social system that delivers neither efficiency nor equity. On the other hand, Anglo-Saxon and continental countries both seem to face a trade-off between efficiency and equity. Anglo-Saxons have an efficient but inequitable social model, while continentals enjoy far more equity but far less efficiency... This suggests that both Nordic and Anglo-Saxon models are sustainable, while continental and Mediterranean models are not and must be reformed in the direction of greater efficiency by reducing disincentives to work and to grow. On the other hand, there is no reason a priori to assume that such reform must go hand-in-hand with changes in terms of equity. It is perfectly possible for the continental model to become more like the Nordic one, and for the Mediterranean model to become more like the Anglo-Saxon model. Nonetheless, one cannot reject the possibility that a reform towards greater efficiency may also unleash a change

towards more or less equity if the previous political equilibrium were itself affected by the drive towards more efficiency” (Sapir, 2005).

Figure 3: The 4 European models: a typology

<i>Low efficiency</i>	<i>Low equity</i>		<i>High efficiency</i>
	Mediterraneans	Anglo-Saxons	
	Continentials	Nordics	
	<i>High equity</i>		

Source: Sapir (2005)

The concept of (European) social models supported by extensive data analysis in many countries and processed by Sapir and other experts has also provided particularly important findings for associated special analyses of family policy. In this case, we have used the analysis performed by Ciccina (2017), which includes all EU countries plus Switzerland, Norway, and Iceland; her paper applies „a two-step approach based on fuzzy-set ideal type analysis for the systematic analysis of hybrids at the level of both policies (step 1) and policy configurations or combinations of policies (step 2)“. She concentrates on the childcare policies and gender equality and starts with presenting four ideal types of these policies:

- *Male breadwinner*: Men are mainly responsible for paid work, while women are responsible for childcare and other unpaid work and depend financially from their husbands. The one-and-a-half breadwinner model with women working part-time represents a modern variant of this model.
- *Caregiver parity*: also maintains traditional gender roles, but the state compensates women for their unpaid work through allowances and other benefits linked to their caring role (maternalism).
- *Universal breadwinner*: promotes the equal engagement of men and women in paid employment but does not address unbalances in the division of care work. This type may (supported universal breadwinner) or may not (unsupported universal breadwinner) provide public supports for childcare (e.g. cash allowances, leave rights, childcare services).
- *Universal caregiver*: represents ... gender equality ideal, which promotes the equal engagement of men and women in paid and care work. This type acknowledges and values individuals’ right to time to perform care activities, which is considered equal to the right to access paid employment. Nonetheless, childcare is considered a societal responsibility that must be supported and shared among a range of actors (e.g. men, women, state, employers). The limited universal caregiver is a variant more focused on employment outcomes.

While these models describe normative ideals, feminist welfare state scholarship has demonstrated that these ideals are also translated into policies“ (Ciccina, 2017). Ciccina demonstrates the results of analyses on parental leave and early childhood and education services, using data from the year 2012. As for the fuzzy score parental leave duration, Czechia has the highest possible score 1.00, together with France and Spain, followed by Germany, Poland, Slovakia, Hungary, Lithuania and Estonia with score 0.96-0.97; the average of the EU was 0.44. In the same table Ciccina arrived at the highest fuzzy score of the male breadwinner model 0.94 for Czechia, followed by Poland (0.91), France (0.87) and Slovakia (0.84).

If we are to summarise it, the (international) analyses primarily assign us to the fundamental male breadwinner model which is typical for Mediterraneans. The opposite of this is the Nordic (social

democratic) model; Ciccia calculated score of parental leave policies of 0.00 for Sweden, Norway and Portugal, 0.01 for Iceland and 0.05 for Switzerland; the EU average is 0.44. Studies of this type should optimally be accompanied by detailed analyses of the family policies in individual countries. And vice versa: analyses and concepts for family policies in individual countries should clearly characterise an existing/predominant and targeted social model for family policy. However, marketeers do not approach it in this fashion.

III. Czech family benefits and their reforms

The current Czech system of family benefits and tax credits has been influenced significantly by the reforms over the past two decades. Up to 1995, universal child allowance paid out under the sickness insurance system had, for several decades, constituted the most significant benefit in this area. From 1996, child allowance was regulated by the State Social Support Act and was means-tested. The allowance had 3 levels: basic, upper and lower according to the income means-test result, with the criterion being a multiple of the subsistence minimum of the family. In 2008, the uniform level of allowance was introduced. The child allowance (CA) is differentiated according to the age of the dependent child. The last mini reform, introduced in 2018, was influenced by the neo-liberal policy of the KDU-ČSL political party: the amount of the allowance (500/610/700 CZK, according to age) was increased by 300 CZK per month but only for the children of working parents or the beneficiaries of a benefit based on employment and the replacement of income. It is purely unsubstantiated assumption that the reintroduction of universal child allowances as the sole form of support for families with children in Czechia would lead to reduced interest in gainful activities among those parents “who lounge about on social networks”. This is simply due to the fact that child allowances have also been fully taken into account when calculating the final social assistance benefit (the living allowance); see the test below. Irrespective of this, it should always be possible to stop any child allowances, if they are used in a manner that is clearly at odds with their purpose.

During the tax reform of 1993, a deductible (“tax-free amount”) from the income tax base was introduced for each supported child living in the household with the taxpayer; it amounted to 24,560 CZK per year in 2004. From 2005, this was replaced with a tax break for each supported child for one of the parents; this involves a (single) refundable tax credit meaning that the resulting tax obligation may also be negative. The amount of any such negative income tax is designated as a tax bonus in our country. The entitlement to the tax bonus applies to taxpayers with an income that is at least six times the minimum wage as of the beginning of the tax period. The amount of the tax break for each child since 2018 has amounted to 15,204 CZK for one child, 19,404 CZK for the 2nd child and 24,204 CZK per year for the 3rd and every subsequent child. The parameters of the tax credit and the child allowance change regularly according to the momentary political needs of their proponents, and they are not based on a clear concept (unlike in Germany). There is increasing fraud involving tax bonuses (for example, the reporting of fictitious rental earnings). From an international point of view, we rank among those countries with the relatively highest role of tax exemptions in the financing of the childcare costs. The Czech tax break and allowance for one child roughly corresponds to the German child allowance – in relation to the national average earnings; this illustrates the lower relative level of the tax break and the child allowance in our country. In the case of two children, some international comparisons have shown that the level of Czech benefits and credits is above average in the EU in relation to earnings.

In April 2021, the Chamber of Deputies approved an increase in the child allowance by 26% to the amounts of 630/770/880 CZK, as well as an increase in the “motivational bonus” from 300 to 500 CZK per month. The decisive earnings for the entitlement to a child allowance were raised to 3.4 times the living minimum. A Deputy’s proposal that increased the tax credit for the 2nd child and 3rd and subsequent children to 22,315 and 27,835 CZK per year was “appended” to it.

Let’s do a small test of the targeted Czech child allowances for a solo parent with three older children. The poverty at risk line (according to the EU) for an adult individual in December 2020 was 13,640 CZK per month and it was 34,100 CZK for a parent with 3 children over the age of 13. The Czech

subsistence minimum for a solo parent after last year's increase is 3,860 CZK per month and for 3 children over the age of 16 it is $3 * 2,770 = 8,310$ CZK. The subsistence minimum for this entire family with older children therefore constitutes a total of 12,170 CZK. A working solo parent is entitled to a tax credit for 3 children: $1,267 + 1,860 + 2,320 = 5,447$ CZK per month. If the solo parent earns up to $3.4 * 12,170 = 41,378$ CZK (which can be expected), they will be entitled to a child allowance of $3 * 1,380 = 4,140$ CZK. If our solo parent is not gainfully employed, she will receive child allowances of $3 * 880 = 2,640$ CZK. The living allowance will increase the monthly family income of a non-working solo parent with children to the subsistence minimum of 12,170 CZK. On the other hand, the same working solo parent will receive higher child allowances of 4,140 CZK in addition to the tax credit of 5,447 CZK, i.e. a total of 9,587 CZK. If we increase the child allowances for the non-working solo parent to 9,587 CZK, the living allowance would be reduced by this increase and the family's resulting benefit would be the same: 12,170 CZK. As such, we can see that our targeted children's allowances do not have any real significance – they are merely a complication. Similarly, the hidden provision of child allowances as part of income tax under the name of the child tax credit is also without any meaning. We can replace all of these benefits with universal child allowances that could be administered by the tax office, for example, their rate could even be 15% of national average earnings (5,316 CZK in 2021).

The birth grant was originally a universal sickness insurance benefit before it was re-classified as a universal state social support benefit. It became a means-tested benefit from 2011 initially only for the 1st child (13,000 CZK) and from 2015 also for the 2nd child (10,000 CZK). Currently, to qualify for the birth grant, the income of the parents must not exceed 2.7 times the family subsistence minimum.

Since 1987, the period of the receipt of the maternity benefit (MB) has been 28 weeks. It is a sickness insurance benefit, the calculation of which copies that of the sickness benefit but at a higher rate. Reduced rates apply to those on above-average earnings. Women with above-average earnings are thus discriminated; for example, in Germany no reductions apply, rather an earnings limit is in place for the calculation of the benefit which is set at around 200% of the national average earnings (NAE). The replacement rate of the MB, calculated on the assumption that the insured earns the NAE, is 90.2% of the net wage. The OECD (2019) mistakenly states a low replacement ratio of 62.6%, mainly because the MB is not taxed. Consequently, the OECD calculated the full wage equivalent (FWE) at 17.5 weeks, whereas the correct figure is 25.3 weeks. The EU generally recommends paying out maternity benefit at the amount of 100% for a period of at least 18 weeks. We generally comply with this, but we have a needlessly complicated method of calculating the benefit. Our recommendation for rationalising the system is simple: the MB should be paid in the amount of 100% of the gross wage (with a 200% earnings limit) for 25-26 weeks and the benefit should be taxed.

The parental allowance (PA) has long been regarded as the most “distinctive” Czech family benefit. The first variant of the benefit was the “maternity allowance” (MA), introduced in 1970 “to encourage population development; it is provided to working women provided they care for their children and do not earn income from work during this time.” The eligibility conditions of MA were analogous to those of maternity benefit; it was a sickness insurance benefit provided for children under the age of one year and subject to the suspension of work. The amount of the MA was universal (600 CZK with 1 child, higher rates with more children). The parental allowance was introduced in 1990 and applied to children up to 4 years of age subject to the parental full-time childcare. Working was allowed for a maximum of 2 hours per day subject to a very low-income limit; subsequently this restriction was lifted. In 1996 the PA was incorporated into the State Social Support Act and the (monthly) amount of the benefit was limited to 1.1 times the subsistence minimum for the child's personal needs. The PA was thus transformed into a universal benefit provided without regard to previous employment. If the mother was not entitled to the MB, she was entitled to the PA instead of the MB (this applies up to now). Since 2004 there is no limit for earnings of the parents.

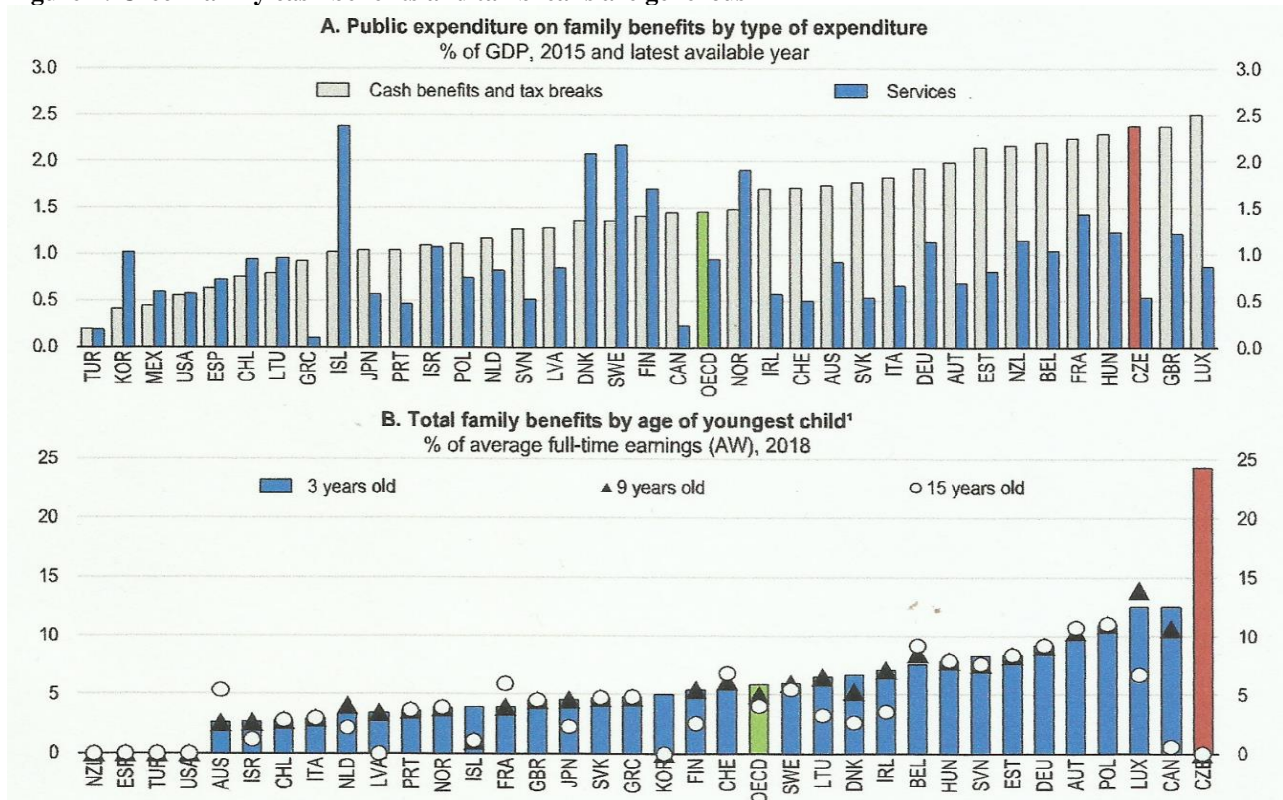
With some reservation the original MA can be characterised as a modern liberal benefit. From 2008 the Christian-democratic model has predominated: the PA was transformed into a “three-speed”

universal benefit involving the choice between the claiming of the benefit up to the child reaching 2, 3 or 4 years of age, with each “speed” associated with a different benefit amount (11,400; 7,600; 3,800 CZK). The development of the benefit continued with the unification of the total maximum amount of the PA at 220,000 CZK with a maximum monthly amount of 11,500 CZK from 2012. The benefit also applies to parents whose children attend childcare facilities. From 2 years of age, children can attend such facilities on an unlimited basis. This construction had a significant effect on the behaviour of mothers: the majority opted to remain at home until the child reached 3 years of age. The PA thus became a significant barrier to women returning to work, most of whom preferred to care for the child at home with an PA of 7,600 CZK than to return to the labour market. In addition, working husbands are unable to claim the spousal tax credit of 2,070 CZK monthly.

From 2018 the monthly limit of PA of 11,400 CZK was abolished, and the benefit was effectively transformed into a “baby bonus” of 220,000 CZK, which can theoretically be used up in 6 months, but in practice 6.74 months. If the PA were calculated from the NAE (in fact, the wages of young women are significantly lower), the baby bonus could have been used up in 10.5 months. The dominant parameters in today’s PA consist of the baby bonus, from 2020 increased to 300,000 CZK and a monthly limit given by the amount of the MB.

The full wage equivalent (FWE) of the Czech paternal allowance amounted to 29.8 weeks in 2018 according to the OECD. If we divide the erstwhile baby bonus of 220,000 CZK by the calculated average weekly net wage of 5,229 CZK in 2018, we reach an FWE of 42.1 converted weeks – which is the correct calculation according to the OECD methodology based on NAE. If we add up our corrected calculations of the FWE for MB and PA, the total FWE constituted 67.9 weeks in 2018. In the ranking of OECD countries for 2018, we move from 5th to 3rd place, behind Estonia (84.4) and Hungary (68.2). The total Czech FWE of 67.9 weeks tells us that, if we moved to paying out maternity benefit and parental allowance at the amount of the previous net NAE, the existing funds expended on MB and PA in 2018 would have been sufficient for 67.9 weeks. For 2021, we get a FWE of 24.3 + 45.7 = 70 converted weeks – the increase in relation to 2018 is given by the increase in the baby bonus to 300,000 CZK and the (counteracting) growth of the average net wage.

Figure 4: Czech family cash benefits and tax breaks are generous

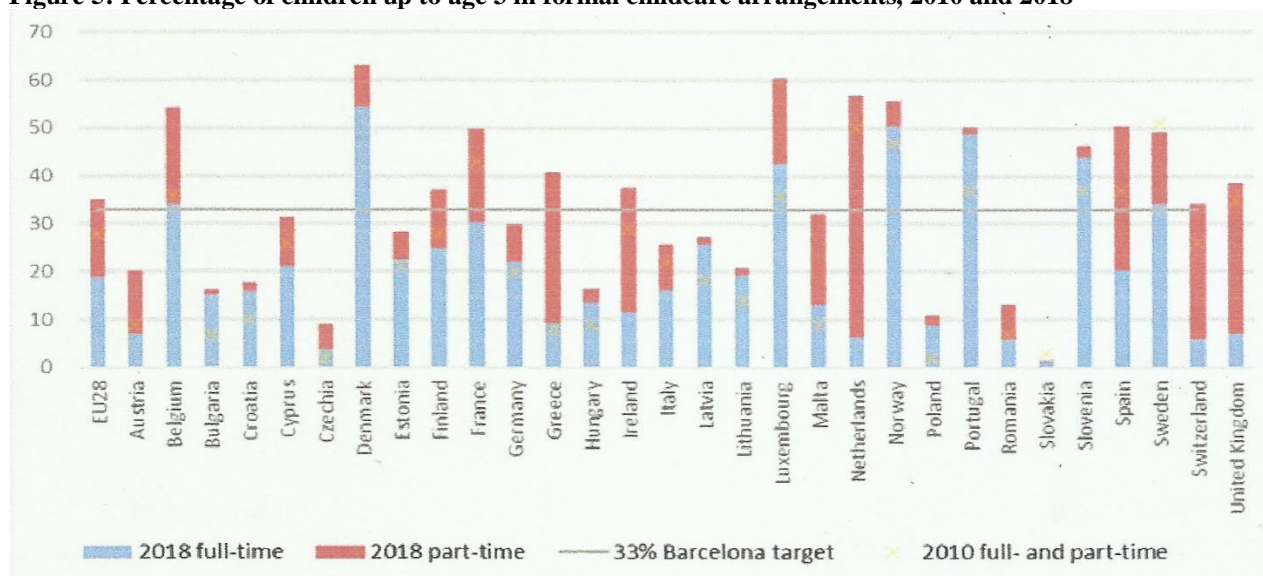


Source: OECD (2020)

The OECD (2010) summarized the overall characteristic of the Czech maternity benefit and paternal allowance as follows: “Parental allowance and other benefits available to families with young children reflect the Czech authorities’ preference for family-based childcare and are therefore tilted towards de-activating parents for relatively long periods.” For these reasons, Czechia is ranked amongst those countries that are not family-friendly (Chzhen et al., 2019). In its recent Economic Survey of Czechia, the OECD documented the extreme Czech policy in the area of paternal allowance shown in Figure 4; these estimates are based on a two-parent, two-earner, two-child family, with one parent working full-time and one parent half-time, both on wages at the median earnings. The two children are aged 3 years apart, with the youngest child at the given age (OECD, 2020). In 2014, the OECD recommended us to shorten the duration of MB and PA to just one year. The latest recommendations reflect a certain development in childcare institutions. The OECD has combined this issue with the issue of female employment: „Generous cash benefits and limited childcare places discourage mothers’ return to work. Family benefits are generous, mostly in the form of cash benefits to families with young children, and parental leave lasts until the child’s age of three. At the same time, childcare availability, while growing in recent years, is limited“ (OECD, 2020). Czechia thus continues to apply the classical Christian-democratic model of the financing of all-day childcare in the family for 2-3 years.

„At the Barcelona Summit of the European Council in 2002, Member States set childcare provision targets of at least 33% of children under age 3, and at least 90% of children between age 3 and the mandatory school starting age with access to formal ECEC services by 2010. In spite of efforts and progress made, the extent of child participation in formal ECEC services varies considerably among EU Member States. On average, 35.1% of under-3-year-olds were enrolled in childcare in the EU in 2018 ... However, there are considerable differences in enrolment among Member States, varying between 63.2% in Denmark, 54.4% in Belgium and 50% in France, to only 11.0% in Poland, 9.0% in Czechia and less than 1.6% in Slovakia“ (Bruckmayer et al., 2020) – see Figure 5.

Figure 5: Percentage of children up to age 3 in formal childcare arrangements, 2010 and 2018



Source: Bruckmayer et al. (2020)

The Babiš government has not really tried to achieve the Barcelona target: its manifesto in 2018 promised to secure “sufficient capacity at kindergartens through increases and the efficient use of national and European funds and better coordination between the Ministry of Education, Youth and Sport and the Ministry for Local Development. We will ensure a legally guaranteed entitlement to childcare from two years of age, while considering the options of the organisations running the facilities... The caregiving parent must have the ability to choose, and we therefore support the

development of public services for the family. We will increase the family allowance to 300,000 CZK (Government, 2018). The government's marketing policy has focused on a substantial increase in the paternal allowance (since 2020), which is directly at odds with the family policy. A further endeavour involves the current attempts to transform "child groups", which were established in 2014 mainly for the purpose of drawing down European subsidies (ESF), into nurseries. In this case, the providers are and should remain employers (so that they can be under the remit of the Ministry of Labour and Social Affairs). This subsidy program will end by 2022 at the latest. According to these plans, the nurseries should be financed from three sources: the parents, the operating organisations/providers and the state budget. I would like to join those voices that have stated that this involves a non-systemic solution: childcare up to the age of 3 years belongs to the resort of the Ministry of Health and is primarily not a matter for employers.

The "preschool" family policy of the previous government also displayed fundamental conceptual errors. In 2016, the gradual implementation of the right to a place at kindergarten for pre-schoolers, children aged 4, 3 and 2, was enshrined in law. Material and interpretative inconsistencies in the regulation contributed to the fact that Parliament subsequently happily annulled the "legally guaranteed entitlement of public childcare from two years of age", which the Babiš government had pledged to implement. Generally speaking, this involves a "public choice" of family policy in the widest sense of the word, including education, gender equality and pensions. As far as care for preschool children is concerned, we have inherited a developed system of kindergartens and nurseries from the time of the communist regime. Fundamental reform took place in the 1990s: „the most significant change in the policy was the drop in the availability of day-care for the youngest children and that this coupled with the extended parental leave allows for a classification of our country as the case of explicit familialism. ... the decentralisation of services took place having major impact on the decline in the offer of publicly provided childcare centres for smallest children... The state explicitly supports the traditional division of labour within the family. Higher family support, more explicitly placing women as carers (lowest enrolment of children in the nurseries, longest periods of the leave). Result: dropping fertility rates and/or fewer women on the labour market" (Szelewa, 2006). "This combination of a long leave period with low benefit rates constitutes an explicit re-familiarisation policy, which promotes separate gender roles for men and women, since few men will be willing to utilize their right to parental leave under these conditions... At the same time that the post-communist regimes have extended parental leave, they have also radically reduced state aid to nursery schools for 0–3-year-olds. In addition, they have transferred responsibility for running them to the local authorities. The local authorities in turn have increased the enrolment fees and closed most of the nurseries. From 1989, the number of nursery schools dropped dramatically in Slovakia and in the Czech Republic, while in Poland their number was already low... Hungary provides the exception, as the percentage of children in nursery schools decreased by little more than one per cent" (Saxonberg and Sirovátka, 2006).

The simplest partial reform of Czech family benefit system would be to change the rate of the maternity benefit to 100% of the net wage accompanied by the abolition of reduction limits, which could be accomplished by moving the MB to 100% of the gross wage accompanied by the taxation (incl. social security contributions) of the MB. MB would thus change into a wage compensation concept during pregnancy and in motherhood. This reform should also include an earnings limit of 200% of NAE. And if we also add a minimum MB of 50% of NAE, it is possible to abolish the non-systemic "replacement" of the provision of the PA to uninsured women from the birth of the child. All of this can relate to the repeal of the tested birth allowance or its replacement with a material benefit in the form of the (Finnish) maternity package.

We can also reform the paternal allowance similarly: minimal progress would involve increasing its maximum assessment/rate to full wage replacement. The maximalist variant involves the integration of the parental allowance into the maternity benefit (as in Sweden), which would also mean incorporation into the sickness insurance system. It is advisable to repeal the tax credit for the spouse at the appropriate juncture, if we wish to apply a socially democratic welfare regime and eliminate

this barrier to mothers returning to the job market; and the same time, we can also refer to the OECD recommendation and local research. We likewise support the policy of modern countries such as Germany and Sweden who guarantee the right to a place in a preschool facility from the child's first year of age. The only question is how big the subsidies to these facilities should be. Or perhaps even more: where should we place the "kindergarten allowance" – an income tax credit in case of placing a child at a kindergarten or other care facility for preschool children which was introduced "on the quick" in the autumn of 2014. What sense does the kindergarten allowance make? "None at all for low-income parents who do not pay any income tax thanks to tax credits. For others, it is a pleasant contribution to the family budget. The introduction of the kindergarten allowance was not well thought through, calculated and it would have been possible to have achieved much more with the same money" (Münich, 2015). The family policy concept (Government, 2019) merely mentions the existence of the kindergarten allowance and requires the Ministry of Finance to review the tax breaks designated for families without any further explanation.

An analysis of the costs and earnings of Czech public kindergartens has shown that "one additional placement at a kindergarten represents a net positive gain for the public budgets, even under highly conservative assumptions. If we also include the private benefits for families with children in the form of increased immediate and future earnings, improved quality of life for the parents, increased willingness among young people to have children motivated by the improved conditions for combining a family and a career and simpler socialisation and preparation for school for children from socially disadvantaged environments, then the public support for places at kindergartens seems to be an unequivocally beneficial social project. Financial support for kindergartens is admittedly costly for public budgets, but it also brings in the same or even more money to public budgets, albeit less visibly" (Kalíšková et al., 2016).

Also, in our country it is an essential question of public choice as to whether family policy should focus on a modern liberal, Christian-democratic, social democratic or neoliberal welfare regime. The optimal solution is to "choose" one of these models and then gradually realise it in a coordinated fashion. As a partial argument, we can also state that the degree of poverty among children is admittedly below-average in our country, but it is double the rate of poverty for the overall Czech population. At the same time, these rates of poverty are at the same level as in Sweden, Great Britain and Germany! Not even the USA has such a big difference to the disadvantage of families with children as is the case in Czechia.

IV. Family policy and intergenerational relations

From the point of view of intergenerational financial relationships, the most important period of economic activity is the one in which decisive incomes are created for the family and the state. EU (2018) states the average time before working, working time and retirement duration in the 28 countries of the EU in 2017; in comparison with the EU, we have a longer period of school attendance and a shorter period of work activity. The manifesto of the Czech government states, amongst other things: "The resort of education is a priority for us because the nation has no future without quality education. Investments in our children are investments in our future... We understand quality education to mean education that is open, accessible, and professional... We promote the maximum development of the potential of every child. This is currently mainly limited by the high degree of selectiveness in the Czech education system where pupils are divided into various educational streams at an overly early age, usually on the basis of their family background" (Government, 2018). "The main directions for the educational policy of the Czech Republic up to the year 2030+" are more specific, for example they state that "pupils and students are overburdened with information, the material covered at all levels of schooling is overly wide and contains a large amount of unnecessary knowledge and information. Teachers do not have time to practice the compulsory material and pupils do not have sufficient room to learn the knowledge and apply it in real situations. Moreover, there are efforts aimed at further supplementing the curriculum material. Naturally, this all leads to pupils and students being unable to truly understand the covered material. It is clear that a significant

reduction of the covered material is necessary” (Veselý et al., 2019). To illustrate this, I can give an example of my own experience of recent online lessons: my granddaughter or pupils in year one at primary school have English lessons, even though they do not yet know how to read and write in Czech sufficiently. Findings of this type can be combined with information about the above average period of school attendance in our country and lead us to the conclusion that nine years of compulsory school attendance can be reduced to eight and that it is likewise expedient to shorten secondary and university schooling (at the same time the semesters could be extended). At the current EU average as for the average time before working we already were in the past...

Family policy in modern countries has been strongly associated with an offer of “all-day schooling” for free or for a small fee (for example to cover lunches). In Czechia we have expensive “clubs”, predominantly held outside school buildings... All-day primary school can also take place during the holidays! As is well known, all-day nurseries and kindergartens bring the greatest effects for human capital. It generally applies that the return on investment in human capital is usually the greatest for young people. We need to replace quantity with quality!

In the wider meaning of the word, family policy also includes pension entitlements for taking care of a child and other family members which are part of the public pensions for all OECD countries, except the USA. The international comparison ranks us among the countries with the highest valuation of childcare when converted into pension. The construct of these pension entitlements usually fits into the scheme for the calculation of an old age pension in the given country. For example, Germany uses the so-called point system and the childcare (for a child born from 1992) generates an entitlement to 3 points; as such, this care is valued at the average national wage in the given year (1 point has been valued at €34.19 since 1.7.2020 in western Germany, so the pension for 1 child is approximately €102 per month). The author recommends using the Austrian system of a pension account, in which the (additional) pension entitlement is calculated every year and where childcare in 2021, for example, contributes $1.78\% * €1,996.04 = €35.35$ per month; after 4 years of childcare, the pension for a child amounts to $4 * €35.35 = €141.40$ per month.

The Ministry of Labour and Social Affairs judges that “the state does not compensate women for childcare and because of that they have pensions that are 2,856 CZK lower than those of men on average” (MPSV, 2021). Based on this, it recommends introducing “a childcare allowance for current and future pensioners of 500 CZK per month for each child for the primary caregiver” with a ceiling of a maximum of 3 children. The new childcare allowance might (?) replace the existing recognition of this childcare in the form of a replacement insurance period of up to 4 years per child: using the given insured individual’s average wage entering the pension formula (personal assessment base), as well as her gainful activities. At the same time, no mention is made of the fact that the average lower old age pensions for women are predominantly the result of Czech family policy (Pertold, 2019) and also the lower retirement age for women (or at present only for mothers! Women with children still retire at an earlier age than men – this is a gender discrimination. The gender pension gap in our country amounts to about 13%. Czech governments have failed to take heed of the OECD recommendation to raise the retirement age for women. Currently, for example, the retirement age for women with two children is more than two years earlier than the retirement age for men. If such a mother deferred her retirement by 2 years and 2 months, the percentage assessment of her pension would increase by approximately 13 percentage points and her total assessed pension would be almost identical to that of a man of the same age (under otherwise identical conditions). As such, the lower pensions of Czech women with children do not constitute a current problem from this point of view.

Increasing the existing pensions of mothers for their raised children by 500 CZK per month has been proposed by the Christian Democratic Union (KDU-ČSL) party for several years. As part of its proposals for pension reform, it has promoted bonuses for both parents in return for raising a child, lower rates of pension insurance contributions for parents and even the provision of public pensions exclusively to parents – in return for their children.

The social-policy project of providing old age pensions to parents regardless of their earnings is known as a child pension (Kinderrente) in Germany. According to this concept, parents with one child would be entitled to one third of the child pension, while parents with two children would be entitled to two thirds of this pension. Childless elderly would receive nothing because they had not invested in getting and rearing children. The child pension is a central building block for the given pension reform which is intended to eliminate any disadvantaged positions for families and children in the existing pay-as-you-go financed systems of social pension insurance (Werding, 2014). The advocates of the concept of the child pension seek full or the maximum possible reimbursement of the parents' costs associated with bringing up children (investments in human capital) from the pension system. They justify this by stating that the pay-as-you-go financed social pension insurance unilaterally redistributes money from the younger generations to the older generations. As a result, contemporary young people will pay much more into this system than what they receive from it in the form of their future pensions.

According to the supporters of the concept of the child pension, childless citizens should secure their old age by means of compulsory private insurance – this should not constitute a problem for them, because – unlike parents who are bringing up children – they do not have any costs associated with rearing children in the widest possible sense, including any opportunity costs because of the limitation of their gainful opportunities. Werding (2014) anticipates that the compulsory private pension insurance would have a full insurance premium rate of 9% or 6% in the case of two children or 3% with one raised child. According to Werding, the existing old age pension insurance should be fully or predominantly transformed into a basic pension or rather a universal (flat) pension (Werding, 2014). A proposal for the introduction of a child pension was published in Czechia by a group of experts from the ING Group in 2004. They propose gradual replacing the existing Czech public pensions with two new pension pillars of approximately the same significance: a child pension and a mandatory private pension (Hyzl, Rusnok, Řezníček and Kulhavý, 2004):

- The child pension is a PAYG system where all economically active citizens pay contributions towards the pensions of their parents and the full amount of the child pension (at least 50% of the average national earnings) goes to those who have brought up at least 3 children. Parents with one or two children receive a reduced pension.
- The compulsory private pillar is fully funded (FF), defined contribution (DC). Full contributions are paid by clients without any children, for example 12% of their wage. Clients with one supported child could pay 9%, for example, those with two children 6% and those with three or more children 3% of their wages. Alternately, the authors suggest that the parents of three raised children would not have to pay any contributions.

Fenge and Weizsäcker reached the conclusion that alternative family policy measures as part of the pension system – such as the deduction of upbringing costs from pension contributions or outside the pension system: such as child allowances – are equivalent fertility stimulation tools. I also set great store by these authors' concluding comments: “Child pensions create financial motivation relatively late in an individual's life cycle. As such, they are equal to other family policy tools which assist families earlier in life, only if the capital markets are perfect.... The introduction of a child pension constitutes a promise to help families in the distant future after 30 years and likewise. This is a long-term horizon, within which the future governments may revoke such a policy. Other financial assistance with instant realisation is more reliable and therefore may influence fertility more effectively” (Fenge and Weizsäcker, 2006).

The child pension project is substantially derived from an interpretation of the PAYG system of social pension insurance which is usually presented as an “intergenerational contract”. The essence of this intergenerational contract is supposed to lie in the fact that the pensions of today's seniors are financed by the economically active generation whereby they anticipate that the same will occur in the future – and that therefore the pensions of today's middle generation will be financed by today's and future generations of children. The supporters of the child pension point to the fact that the number of children has fallen significantly, so the existing intergenerational contract is not working. The new

intergenerational contract should be a “three-generation” contract: it is not sufficient for the economically active generation to pay insurance contributions, as they must also raise their children or bear the costs of raising them, including the opportunity costs involving the fact that parents taking care of children lose earnings (Rürup et al., 2003). At the same time, all welfare regimes contain a social intergenerational “contract”. The social contract in the European welfare states is primarily a contract about public pensions between age cohorts (Walker et al., 1996).

The concept of the child pension does not fit into any basic welfare regimes. From a purely ideological point of view, the child pension could fit into the continental (Christian-democratic) model, because it significantly refers to the role of the family in social security; but this does not appear that much in the benefit systems. We could just as easily put the child pension in the social democratic model, but this is also inappropriate since no child pension has ever existed anywhere.

The child pension project was constructed as a derivative of a unilateral interpretation of the PAYG financed system of social pension insurance. At the same time, the choice between FF and PAYG financing has always been the subject of a rational, economic choice or, more generally speaking, a “public choice”. However, the subject of the public choice is predominantly a decision as to whether social pension insurance should or should not exist, which is mainly based on the principle of the equivalence between the insurance premium and the pension while also considering the principle of social solidarity. Proposing or requesting the existence of flat public pensions provided exclusively for child raising is admittedly possible and fully legitimate in a democratic society, but it is not in any way associated with social pension insurance. The proponents should mainly explain the logic of providing a flat pension for children tens of years after the parents have finished raising the children in question as opposed to the provision of benefits to families during the period when they are bringing their children up. Likewise, it is very one-sided and non-systemic to endeavour to “push” childless people and people with small numbers of children from the social pension insurance into compulsory private pension insurance. It is no wonder that the child pension project has not been adopted anywhere – it is a highly “academic” project.

Like the non-work validated periods, the very concept of the child pension project as a special benefit paid to parents for bringing up their children could be incorporated (inserted) into any system of social old age pension insurance without any problem. It is not necessary to establish a new pension pillar due to this partial “pension”. However, it would have to be financed by the state (budget) – this is no social insurance, but a strange element to insurance (Rürup et al., 2003); the social pension insurance institution only realises the “public procurement”; it “adds” something like a further basic pension assessment to the insurance pension. If we introduce a flat pension as a basic pillar, then it could also include a flat bonus for (maybe all) children. However, we should cancel the non-work validated periods for taking care of children up to 4 years of age which results in the fact that childcare is remunerated commensurately to the insured person’s earnings. One way or another, the now generally understood “child” pension has already been incorporated into respective pension systems and models and it only makes sense to consider its design and amount. The “childcare allowance” or “bonuses for raised children” that have currently been proposed in Czechia have adopted the German academic concept of the “child pension”; they do not systemically belong to the pension insurance pillar, but to a basic flat pension.

According to the ministerial timetable for the realisation of the pension reform (MPSV, 2021), a basic pension at the amount of 10,000 CZK per month should be introduced for every pensioner from January 2023 and an allowance for taking care of 1-3 children at the amount of 500 CZK per month per child should be introduced from January 2024. The “completion of the system for valuing non-work validated periods” should take place from January 2025. We can leave the disjointed nature of these reform steps to one side and merely endeavour here to generally compare the 500 CZK allowance for each child from 2024 with the current increase of the pension for one child. For this purpose, let us start with this year’s average wage of 35,441 CZK per month, multiply it by a rate of 1.5%, a reduction rate of 26% and the non-work validated period for taking care of a child for 4 years and we receive the result of 555 CZK per month or, in other words an amount that is slightly higher

than the intended child allowance of 500 CZK per month. It is clear that the introduction of the allowance instead of the existing validated period for a child is not advantageous for the majority of mothers. These amounts are fully incomparable with the aforementioned valuation of the rearing of a child in Germany or Austria in the social pension insurance; the main reason is the (as yet hidden) dominance of the flat basic pension in the Czech “pension insurance”. It is a matter of public choice which pensions can be a “fair” valuation of work or the raising of a child. The same is also true regarding the “intergenerational contracts”.

Latest news suppose that the intended/proposed child allowance/pension of 500 CZK monthly should be an additional benefit, not a replacement for the hitherto non-work validated period for childcare of some 555 CZK per month. According to Pertold “it is a typical pre-election populism which ... aims mainly at the electorate of the parties who propose it” (Paulenková, 2021).

V. Conclusion

Czech family benefits require a paradigmatic reform that will anchor them in an efficient welfare regime. The Czech parental benefit has especially “enjoyed” the attention of the OECD and the EU, because it is one of the longest running benefits of its type in the world. The total full wage equivalent for the maternity benefit and parental benefit is 70 weeks when recalculated as a benefit provided at the amount of 100% of the national average earning. The earlier attempts to enable the entire parental benefit to be drawn down in the shortest possible period did not lead to a change in maternal behaviour in the period until the child reached the age of 3. Overcoming this neuralgic point requires reform that will at least lead to the payment of both benefits (and even better of a single integrated benefit) at the amount of the full net wage, with a minimum benefit amount (for uninsured mothers/parents) at the amount of half national average earning, for example. The (integrated) parental benefit would thus essentially acquire the nature of sickness insurance benefit for all parents. In order to achieve the required effect for the national economy, it is necessary to establish the right to place children in collective facilities such as nurseries and kindergartens for an affordable or zero fee from their 1st year of age, including the gradual expansion to all-day care, within a horizon of several years. In this regard, it is possible and indeed advisable to catch up with Germany or Sweden, for example.

Child allowances and the child tax credit also require a paradigmatic reform. The efforts of neoliberals both abroad and in our country to apply tax incentives only for working parents with low incomes are not sufficiently effective and lead to continuous attempts to make greater or smaller modifications to these benefits and to other complicated constructs. It is only an unsubstantiated idea that the reintroduction of universal child benefits as the sole form of support for families with children in Czechia would lead to a reduction of interest in gainful employment among parents who “loungue about on social networks”. This is also since child allowances are fully taken into account when calculating the final amount of social assistance benefit. The application of a simple and efficient social democratic social model is also rational in this regard.

The joint income taxation of couples and its Czech “replacement solution” in the form of tax credit for the spouse also discourage mothers from entering employment, along with the ongoing construct of the Czech parental benefit.

Family policy is not only strongly connected with education policy, but also with pension policy; all these areas are also projected into the tax system and social security financing. The “public choice” of a social model can also be considered to be a “three-generation contract”. Czechia needs not only a comprehensive system of family benefits and associated services, but also a pension reform that will primarily lead to a comprehensible public pension system. This also includes a simpler way of taking the raising of children into consideration in old age pensions. If we set aside the basic pension from today’s pension insurance and use, for example, the Austrian system of pension accounts or the German points-based system for the Czech residual old age pensions, this will lead to the fair valuation of bringing up children. Independent child-rearing allowances are not part of any standard

pension system, regardless of the academic considerations of the “child pension” which has not caught on anywhere.

Acknowledgement

This paper was created in solving the junior project "Possibilities of Supporting Cross-generational Cooperation in the Workplace" using institutional support for long-term conceptual development of research of the University of Finance and Administration.

References

Bruckmayer, M., Picken, N., Janta, B. (2020). *Developments in Child and Family Policy in the EU in 2019*. European Platform for Investing in Children: Third annual thematic report. European Commission. Retrieved from <https://ec.europa.eu/social/main.jsp?catId=1246&langId=en>.

Chzhen, Y., Gromada, A., Rees, G. (2019). *Are the World's Richest Countries Family Friendly? Policy in the OECD and EU*. Florence: UNICEF Office of Research. Retrieved from <https://www.unicef-irc.org/family-friendly>.

Ciccia, R. (2017). *A Two-Step Approach for the Analysis of Hybrids in Comparative Social Policy Analysis: a Nuanced Typology of Childcare Between Policies and Regimes*, 51(6). Retrieved from <https://doi.org/10.1007/s11135-016-0423-1>.

EU (2018). *The 2018 Pension Adequacy Report: Current and Future Income Adequacy in Old Age in the EU*, 1. Brussels: European Union.

Fenge, R., Weizsäcker, J. von (2006). *Mixing Bismarck and Child Pension Systems: An Optimum Taxation Approach*, 1751. Retrieved from http://econpapers.repec.org/paper/cesceswps/_5f1751.htm.

Government (2019). *Aktualizovaná Koncepce rodinné politiky. Verze 29. května 2019*. Retrieved from <https://socialnipolitika.eu/wp-content/uploads/2019/09/Aktualizovaná-Koncepce-rodinné-politiky-2019.pdf>.

Hyzl, J., Rusnok, J., Řezníček, T., Kulhavý, M. (2004). *Penzijní reforma pro Českou republiku. (Inovativní přístup)*. ING Česká a Slovenská republika. Retrieved from http://www.skvara.cz/_cw_files/d%C5%AFchodov%C3%A1%20reforma/ing_navrh_penzijni_ref_ormy/.69/.66/.742c52d81bf40ba8e83d9c38d1aefaa81121206669/INGnavrhpenzijnireformy.pdf.

Kalíšková, K., Münich, D., Pertold, F. (2016). *Veřejná podpora míst ve školkách se vyplatí: analýza výnosů a nákladů*. Praha: Národohospodářský ústav AV ČR. Retrieved from https://idea.cerge-ei.cz/files/IDEA_Studie_3_2016_Verejna_podpora_mist_ve_skolkach/files/downloads/IDEA_Studie_3_2016_Verejna_podpora_mist_ve_skolkach.pdf.

Math, A., Thévenon, O. (2009). Family Policy Instruments Helping to Cope with the Cost of Children. In: Letablier, M.-T., Luci, A., Math, A., Thévenon, P. *The Costs of Raising Children and the Effectiveness of Policies to Support Parenthood in European Countries: A Literature Review*. Retrieved from https://www.academia.edu/24168851/The_costs_of_raising_children_and_the_effectiveness_of_policies_to_support_parenthood_in_European_countries_a_Literature_Review.

MPSV (2017). *Koncepce rodinné politiky. Verze 4. září 2017*. Retrieved from https://www.mpsv.cz/documents/20142/225508/Koncepce_rodinne_politiky.pdf/5d1efd93-3932-e2df-2da3-da30d5fa8253.

MPSV (2021). *Spravedlivá důchodová reforma. 3 největší problémy současného důchodového systému*. Retrieved from <https://www.mpsv.cz/spravedliva-duchodova-reforma>.

Münich, D. (2015). *Školkovně: drahá sleva nic nevyřešila*. Retrieved from https://idea.cerge-ei.cz/files/Munich_16062015.pdf.

OECD (2010). *OECD Economic Surveys: Czech Republic 2010*. Paris: OECD Publishing. Retrieved from https://read.oecd-ilibrary.org/economics/oecd-economic-surveys-czech-republic-2010_eco_surveys-cze-2010-en#page2.

OECD (2019). *OECD Family Database. PF2.1. Parental leave systems*. Retrieved from https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf.

OECD (2020). *OECD Economic Surveys: Czech Republic 2020. Overview*. Paris: OECD Publishing. Retrieved from <https://www.oecd.org/economy/surveys/Czech-Republic-2020-OECD-economic-survey-overview.pdf>.

OECD (2021). *OECD Social Expenditure Database*. Retrieved from <http://www.oecd.org/social/expenditure.htm>.

Paulenková, K. (2021). 500 Kč k penzi za dítě budí pochyby. *Mladá fronta DNES*, 1. 7. 2021.

Pertold, F. (2019). *Nízké důchody žen jsou výsledkem prorodinné politiky. Komise pro spravedlivé důchody řeší následek, nikoliv příčinu*. Retrieved from <https://archiv.ihned.cz/c1-66476210-nizke-duchody-zen-jsou-vysledkem-prorodinne-politiky-komise-pro-spravedlive-duchody-resi-nasledek-nikoli-pricinu>.

Rürup, B. et al. (2003): *Nachhaltigkeit in der Finanzierung der Sozialen Sicherungssysteme. Bericht der Kommission*. Berlin: Bundesministerium für Gesundheit und Soziale Sicherung. Retrieved from http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/c318-nachhaltigkeit-in-der-finanzierung-der-sozialen-sicherungssysteme.pdf?__blob=publicationFile.

Sapir, A. (2005). Globalisation and the Reform of European Social Models. Background document for the presentation at ECOFIN Informal Meeting in Manchester. Brussels: Bruegel. Retrieved from <https://graspe.eu/SapirPaper.pdf>.

Saxonberg, S., Sirovátka, T. (2006). Failing Family Policy in Post-Communist Central Europe. *Journal of Comparative Policy Analysis*, 8(2). Retrieved from <https://is.muni.cz/el/1423/podzim2008/SPP453/um/failing.pdf>.

Szelewa, D. (2006). *Three Faces of Familialism: Comparing Family Policies in the Czech Republic, Hungary and Poland*. Annual Conference: Social Policy in a Globalizing World: Developing a North-South Dialogue. Florence. Retrieved from <https://www.dsps.unifi.it/upload/sub/szelewapaper.pdf>.

Veselý, A. et al. (2019). *Hlavní směry vzdělávací politiky ČR do roku 2030+*. Praha: MŠMT. Retrieved from <https://www.msmt.cz/file/51582/>.

Werdning, M. (2014). *Familien in der Gesetzlichen Rentenversicherung: Das Umlageverfahren auf dem Prüfstand*. Gütersloh: Bertelsmann Stiftung. Retrieved from http://www.bertelsmannstiftung.de/cps/rde/xbcr/SID-3C3F7D36-1F449E9A/bst/xcms_bst_dms_39223_39224_2.pdf.