

1. There was a need for a national minimum income in employment no less than in unemployment: pre-war surveys had shown that considerable want existed, even when a wage earner was at work.

2. There was an anomalous situation by which, without additional assistance for children, wages might be no more, or even less, than unemployment benefits.

3. Lastly, there was the need with a falling birth-rate for the utmost care for children, and the greatest possible encouragement for having them.

The family allowance fitted into the Beveridge policy of socializing demand rather than production, in that it was to help attack directly the central weakness of the unplanned market economy of the interwar period—failure to generate effective demand for products.

The current family allowance is paid to families with two or more children under certain age limits.⁵ The allowance is 15 shillings a week for the second child and 17 shillings a week for subsequent children. For example, a family with three children would receive 32 shillings a week, and a family with five children would receive 66 shillings a week. The family allowance is paid to all families, but must be declared for income tax purposes. It is financed out of general tax revenues.

The average earnings of adult male workers in Great Britain in 1967 were 21 pounds, 7 shillings a week (\$51.24). For a family with three children, the 32 shillings (\$3.64) would represent around 7 percent of average weekly earnings. If the family had five children, the 66 shillings (\$7.92) would amount to around 15 percent of gross income.

The British family allowance, when compared to the French family allowance, is considerably less important as a source of income to families with children. In 1961 the family allowance expressed as a percentage of average gross monthly earnings amounted to 5.7 percent in Great Britain compared to 28.7 percent in France.

Under the British tax system, allowances are given for children. They vary with the age of the child; thus for children under 11, an allowance of 115 pounds is given; for children between 11 and 16, the allowance is 140 pounds; and for children who are 16 years or over, the allowance is 165 pounds so long as they are in full-time education.

The tax allowance for children is more valuable than the family allowance. To a British family with an income of 1,000 pounds a year, and with three children under 11 years of age, the family allowance in 1967, as a percentage of earned income before taxes amounted to 4.7 percent and the value of the tax allowance for children in reducing the tax bill amounted to 12.3 percent before taxes. To a family with an income of 2,000 pounds before taxes, and with three children under 11, the value of the family allowance on the same basis amounted to 2.3 percent of earned income, and the value of the tax allowance amounted to 7.1 percent of earned income.

THE FAMILY ALLOWANCE—A SUMMARY

The five countries reviewed in this prepared statement use the family allowance. Four of the five introduced it during the immediate post World War II period for a variety of reasons—to stimulate aggregate demand, to increase the birth rate, etc. Its importance as a source of revenue to families has declined as a family incomes have risen.

The allowance varies in amount among countries and can be summarized as follows:

1. In Canada, the amount is \$72 per child a year for children under 10, and \$96 a year per child for children between 10 and 16. This amount can be compared to average gross Canadian family income of \$6,500 a year.

2. In Denmark, the amount is \$110 a year per child. The amount can be compared to average gross Danish family income of \$4,300 a year.

3. In France the allowance is \$180 a year for the second child if under 10, and more if over 10, and \$262 a year for successive children through the sixth (assuming that each is under 10) and more if the children are over 10. This can be compared to average gross wages for production workers of \$190 a month.

4. In Sweden the allowance amounts to \$175 a year per child. This can be compared to average gross family income of \$5,300 a year.

⁵ To count for family allowances, a child must be under the minimum school-leaving age of 15, or if over that age, under 19 and undergoing full-time education.