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Article

"Costs of 'family working-time benefits model' (Familienarbeitszeit) manageable in the short term": Six questions to Kai-Uwe Müller

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Dr. Kai-Uwe Müller, Research Associate in the Public Economics Department at DIW Berlin

SIX QUESTIONS TO KAI-UWE MÜLLER

»Costs of ›family working-time benefits model‹ (*Familienarbeitszeit*) manageable in the short term«

1. Mr. Müller, what is the current state of the work-life balance in Germany? Since the introduction of *Elterngeld*, the situation has improved. Especially the expansion of subsidized day-care for small children has contributed to this development. On the other hand, there's still a relatively widespread dissatisfaction with the work-life balance. Mothers would like to participate more in the labor market; fathers are working much more and often would like to reduce their hours.
2. What role do fathers play in work-life balance? In Germany, the so-called single-earner model dominates, in which fathers usually work full-time and mothers—especially when the children are younger—are usually not employed or only working in negligible amounts. In this respect, work-life balance is for the most part a “mothers’ problem.” Reforms like *Elterngeld* and *ElterngeldPlus* were the initial approaches taken to bettering the work-life balance for fathers and mothers.
3. A while back, the Friedrich Ebert Foundation proposed the idea of wage compensation as part of *Familienarbeitszeit*. What's the basic idea behind it? *Familienarbeitszeit* starts in the phase following *Elterngeld*: That is, it is created for families with children between the ages of 1 and 3. The basic idea is a financial benefit for families in which the father and the mother are both engaged in three-quarters employment (working about 30 hours per week). The benefit partially replaces the difference in income between the three-quarters jobs and a full-time job.
4. DIW Berlin investigated new variants of the *Familienarbeitszeit* benefits model in a recent study. What distinguishes the new version from the old model? In the new model, we have expanded or complemented the concept in two areas in particular. The first change involves the form the monetary benefit takes: In the original model the benefit was based designed as “wage compensation” and varied with the working parents’ income levels. The new version involves a fixed monthly lump sum payment of 250 euros as an alternative, which simplifies the entire thing. The second change involves the eligibility requirements in terms of working hours: In the previous model, there was a rigid working-time requirement in which the benefit could only be obtained if both partners worked three-quarters jobs that consisted of exactly 32 hours per week. We have flexibilized this using a so-called “working-time corridor”: Now, both parents may work anywhere between 28 and 32 hours to qualify, which allows them more flexibility. This broadening of the entitlements will support a larger number of families overall.
5. Which families will benefit more from the new configurations and which families will benefit less? With regard to lump sum versus wage compensation, we have found that the overall effects are quite similar all around. The incentives for taking advantage of *Familienarbeitszeit* would be about the same. However, the flat-rate benefit would tend to be somewhat more favorable for lower-income households, as they would be getting proportionately more money. Inversely, higher-income households would tend to receive somewhat less funding. To that extent, the lump sum is slightly more redistributive—one might say, somewhat more “socially” configured.
6. What kind of costs does the government incur for *Familienarbeitszeit*? The costs incurred by the government arise directly [from?] the costs of the actual financial benefit being paid out, of course. But since most of the *Familienarbeitszeit* variants lead to an increase in work volume, the income tax revenues and social security contributions likewise increase. Compared to many other family benefits, the fiscal costs here are very manageable. We anticipate total costs of 130 to 320 million euros per year, depending on the respective version of the *Familienarbeitszeit*.

Interview by Erich Wittenberg



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