

ISF Report 2013:18

Child care allowance and  
future income – The long-  
term economic  
consequences of having a  
child with special needs

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# Summary

The Swedish Social Insurance Inspectorate (Inspektionen för socialförsäkringen, ISF) is an independent supervisory agency for the Swedish social insurance system. The objectives of the agency are to strengthen compliance with legislation and other statutes, and to improve the efficiency of the social insurance system through system supervision and efficiency analysis and evaluation.

The ISF's work is mainly conducted on a project basis and is commissioned by the Government or initiated autonomously by the agency. This report has been initiated by the agency.

## *Background*

Having a child with a disability or a chronic illness can mean extra attention from the parents is required, as well as additional expenses. If the child has special needs due to, for example, a disability this can affect parents' future decisions in various ways. It is, for example, conceivable that employment, earnings, continued fertility, divorce and own health can be affected.

A child care allowance was introduced in 1964 in order to provide financial assistance to parents with children with special needs. To be entitled to a childcare allowance, the child must require special supervision and care for a period of at least six months. It is also possible to obtain a childcare allowance if the parents need to incur large additional expenses due to the child's disability or illness. The level of compensation is not linked to previous income, or the loss of work income, but depends on the child's need for extra care and the additional expenses required due to the child's disability or illness. The compensation is relatively low in comparison with normal earnings. In 2013, the maximum level of childcare allowance (excluding the part for additional expenses) is 9,271 Swedish krona per month before taxes (about 1,040 Euro).

Since the mid-1990s, the number of childcare allowance recipients has almost doubled. In 2012, a total of 46,000 parents, predominantly women, received the allowance. They nursed nearly 50,000 children in between 0-19 years of age. It is mainly children with mental and behavioural disorders and allowances with less than full level of compensation that accounts for this increase. Between 1996 and 2012 the prevalence of the allowance among children aged 0-15 years of age increased from about 1.35 per cent to 2.28 per cent.

### *Objectives*

The aim of this study is to examine how parents' earnings, employment, absence through sickness and financial situation in general are affected by a child's disability or long-term illness. The analysis is based on families with children for whom the parents are receiving childcare allowance. In relation to other forms of public support for children with disabilities, such as personal assistance, the childcare allowance is numerically the most dominant.

### *Method and data*

The group of parents receiving a childcare allowance is generally different from other parents before the child is born. For example, on average this group of parents has children already, has a lower educational level, has lower employment rates, has a higher take-up rate of various types of social support and has higher levels of sickness absence. The analysis takes this into account by means of a matching approach. This analysis, therefore, examines the economic situation of parents who have disabled children and claim childcare allowance, in relation to other parents who had a child at the same time and who had similar characteristics before the child was born.

The data set for the analysis consists of the longitudinal register data on the individual level for the period 1993-2012. This includes detailed information on, among other factors, childcare allowances, diagnoses, incomes, sick spells, and demographic background. The children were born between 2001 and 2005 and parents were followed-up during a period of 7 years.

### *Findings and conclusions*

The main results show that the effects of the child's disability on the employment of the parents are considerable and persistent. In relation to other parents, the proportion of mothers who work is lower and, after a few years, the proportion of fathers who work is higher, if the child has a disability. The parents have lower earnings on average for a long time compared to other parents. The fathers' earnings recover after some years, compared with other fathers. For mothers the lower frequency of market work and the lower earnings are substantial and persistent. The levels of sick leave are higher than comparable parents if the child has a disability. For mothers there is also an increased likelihood of receiving disability pension. Temporary parental leave benefit is higher for both parents if the child has a disability.

Analysis also shows that mothers with a low income in the past, before the baby was born, reduces their employment rate slightly more than other mothers, if the child has a disability. Fathers with a low income are increasing their employment rate more than other fathers. Fathers with high incomes are not affected if the child is disabled. The earnings decrease for both parents, regardless of the individual's past income, if the child has special needs. Also, the distribution of paid work between the man and woman is affected by the relative income of the couple. A plausible interpretation for this is that parents who have a child with special needs compensate for each other in order to counteract the effect of the reduced household income.

The study also shows that parents who have a child with special needs are more likely to choose to have another child close to giving birth to the child with special needs, but they are also more likely to separate.

The study confirms the results of previous studies showing that mothers are affected by the reduction in their employment rate if the child has special needs. The extra care required has a greater impact on parents (mostly mothers) with low incomes, who usually also have a weak position in the labour market.