

Financial Support for Young Adults Through Tax and Social Transfers – Defamilialisation Scenarios – *Adélaïde Favrat, Vincent Lignon and Muriel Pucci*

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o Key Question

The aim of this paper is to measure the indirect financial support, associated with the familialisation of tax and social security schedules, provided to young adults aged 18-24 treated as dependents for the purpose of calculating both family and social benefits and tax. The family disposable income supplement indeed benefits young adults by increasing the standard of living of the household to which they belong.

o Methodology

The study uses the Myriade microsimulation model from the *Caisse nationale d'allocations familiales*, or CNAF (the Family allowance fund). A situation in which the sums involved are re-allocated in the form of an individualised allowance paid directly to all young adults, whether or not they are dependents, is simulated. Two scenarios are evaluated: the first involves introducing a flat-rate universal allowance, while the second consists in introducing an allowance that decreases with income.

o Main Results

- Nearly 50% of the support provided to young adults aged 18-24 is channelled through their parents.
- Replacing indirect support with a universal allowance would increase the disposable income of 62% of young adults by an average of 88 euros per month, although 38% of young adults would lose out (by a monthly average of 134 euros). The gains would be significant for young adults living independently and not receiving child support from their parents. However, 65% of tax-dependent young adults, particularly those who live with their parents and/or are students, would lose.
- Under the scenario of a degressive allowance introducing a condition on the young adult's income, the percentage of winners would be 48% (by a monthly average of 105 euros) and the percentage of losers would be 37% (monthly average of 124 euros), while 15% of young adults would see no change in their situation. The gains would remain high among young adults living independently, whereas co-residing students would suffer significant losses.
- In the bottom three living standard deciles, the proportion of losers ranges between 24% and 40% depending on the scenario, with monthly losses invariably above 100 euros.

Impact of the defamilialisation of indirect support on the poverty rate (%)

	2015 legislation	Universal allowance	Degressive allowance
All young adults	18.7	18.2	17.1
Co-residents	13.4	15.1	13.4
Non-co-residents dependent for tax purposes	29.0	26.3	25.6
Non-co-residents receiving child support from their parents	10.9	9.3	9.3
Young adults living independently	36.5	29.9	30.4

The universal allowance is 117 euros per month and the degressive allowance is capped at 226 euros per month, from which the young adult's earned income is deducted. Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update; young people aged 18-24 living in ordinary housing.

o Message

The scenarios envisaged show that the defamilialisation of indirect support would reduce the average poverty rate of young adults. But granting an allowance to young adults regardless of their family situation could benefit some young adults from the wealthiest households while conversely penalising young adults still in education and from poorer families. This defamilialisation of indirect support should be accompanied by an increase in the value of student grants based on social criteria which, though paid directly to young adults, take into account the family's standard of living.