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Analyse of the Country's progress towards  
the 2020 objectives –

Focusing on child poverty and child well-  
being

A Study of National Policies

Liechtenstein

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Analysis of the Country's progress towards the  
2020 objectives –

Focusing on child poverty and child well-being

A Study of National Policies

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COUNTRY REPORT - LIECHTENSTEIN



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## **1. Liechtenstein and Europe 2020**

As a Non-Member State of the EU, Liechtenstein was not obliged to adopt the Europe 2020 strategy, including a National Reform Programme or National Social Report as the EU Member States had to. Nonetheless, strategic planning in Liechtenstein is very much influenced by the respective activities of the EU and its Member States.

For its strategic long-term planning – i.e. planning which covers more than a single mandate period of the parliament and the government – the so-called Agenda 2020 was set out by the government on 5<sup>th</sup> of October 2010. The Agenda 2020 contains six strategic targets which have a high degree of coverage regarding the European Strategy 2020 goals:

- Make use of small state opportunities in globalisation;
- Increase domestic political effectiveness;
- Preserve ability to act on fiscal policies;
- Strengthen the country as a centre of finance and commerce;
- Secure the natural foundations of life;
- Increase the quality of life.

In addition, there are several strategic papers - such as outline plans and guidelines - relating to various political areas and policies.

To ensure a continuous implementation and promotion of the Agenda 2020, the government has set up an effective system of monitoring the Agenda 2020 progress by an independent institution. For all of the six targets, a series of indicators has been developed. In 2012 the first review of the progress of the Agenda 2020<sup>1</sup> was made by ecopol<sup>2</sup>.

Finally it has to be mentioned that statistical data are only partly available. For the poverty report 2008 (referred to later on in this report) specific statistical data and analysis has been made on the basis of a one-time data collection. Wherever possible, the report refers to figures from 2012, and only in cases of non-availability is older data used.

### **1.1. Overview of the overall country situation vis-à-vis the Europe 2020 objectives**

From the launch of Agenda 2020 until today, two years of government activities have passed and some milestones have been reached. Nevertheless, it is a rather short time period in terms of estimating the long-term positive or negative trends of the indicators.

Overall it can be reported that by the end of 2012, Liechtenstein's economy shows a slow recovery in the direct importation and exportation of goods since the decrease in 2009. From January to December 2012, the direct exportation of goods increased by about 1.2% (current value is 3'369 Mio. Swiss francs) compared to the previous year.

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<sup>1</sup> Source: [http://agenda2020.li/fileadmin/Dokumente/Monitoringbericht\\_FL\\_2012.pdf](http://agenda2020.li/fileadmin/Dokumente/Monitoringbericht_FL_2012.pdf)

<sup>2</sup> Ecopol homepage: <http://www.ecopolag.ch/Home.18.0.html>

Similar positive effects have been noticed in the labour market. As of 30 March 2013, the unemployment rate had dropped by 0.1%, to an average of 2.5%. Within this period, the population reached 36,636 persons. This represents a 1% increase in population vis-à-vis the previous year.<sup>3</sup>

## 1.2. Update on the progress of Liechtenstein Agenda 2020

In the following chapters we comment on progress in three out of the six main targets of the Agenda 2020, which have a strong impact on social inclusion and will create the basis for understanding Liechtenstein's situation regarding child poverty and child well-being. These are namely: "preserve ability to act on fiscal policies", "strengthen the country as a centre of finance and commerce", and "increase the quality of life".<sup>4</sup>

### 1.2.1. Preserve ability to act on fiscal policies

The economic and financial crises have left their mark also in Liechtenstein. In 2008 the **financial result of the profit and loss account** showed an expenditure surplus of 126 million Swiss francs after a clear revenue surplus in 2007. In 2009 the national balance sheet again showed a revenue surplus, slightly below the level of 2007, but from 2010 onwards it became more and more obvious that national income was being highly influenced by the structural problems in state finance. Thus the government of Liechtenstein began a restructuring process in 2010. The outcome of this is a variety of proposals for measures with the goal of saving up to 180 million Swiss francs and – for the period 2013 to 2016 – to realise a reduction of 2% in the operating expenses per year. As one can see by the 2012 end-of-year results these measures will not be sufficient to bring a stable and final turn-around. The government has therefore proposed further cost-cutting measures to the Liechtenstein parliament 2013. The budget for 2013 estimates a deficit of about 205 million Swiss francs (22.6% of the total estimated expenditure for 2013). Nonetheless, the state and the municipalities can still count on considerable financial reserves of approximately 1.5 billion Swiss francs.

Currently, Liechtenstein faces two main **financial challenges**. One is the **tax act**, which was revised and came into force in 2011 with some sustainable changes in the bases of taxation resulting in lower tax earnings for the government. Another challenge is the **public pension fund** for civil servants and for employees of several public institutions and enterprises (PVS), which suffered a financial shortfall of approximately 331 million Swiss francs (as per December 31, 2012). Finally, the very well-known problems of the **Old-Age and Survivor's Insurance** (AHV) have not been solved and have resulted in a sustainability gap of approximately 68.6% of the gross domestic product (GDP) as published in March 2013.

In respect of the AHV, the main reasons for this result are the weaker fiscal position (2012 compared to 2005), the 2012 newly introduced care allowance, and the income foregone due to the not completely revenue neutral total revision of the tax system.

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<sup>3</sup> Source: Central Statistical Office Liechtenstein, [http://www.llv.li/amtstellen/llv-as-wichtige\\_zahlen.htm](http://www.llv.li/amtstellen/llv-as-wichtige_zahlen.htm)

<sup>4</sup> Further information is given by the report "Liechtenstein survey and comparison of the country's challenges towards 2020" of December 2012, W. Marxer.

These figures were published in a study by independent experts combined with the conclusion that the existing financial reserves are not sufficient to grant actual and future pension benefit claims. Further measures to increase AHV income (e.g. increase of the contribution payments) and reducing costs (e.g. years needed for a full pension, raise of pension age) are necessary to ensure long term sustainability.<sup>5</sup>

During 2011/2012 an expert commission was installed by the government to analyse the situation and the extent of a financial shortfall of the **public pension fund** (PVS) in Liechtenstein. On 16 March 2013 the commission presented the final report of the investigation. It is clear that at least some of the deficit can only be reduced by cutting employees' benefits. This issue has been discussed by the government, and various measures had been proposed by the end of 2012.<sup>6</sup> According to the government's report to the parliament, the main changes will be:

- General reduction of the performance target of approximately 10% of the last eligible salary;
- Restructuring of the financial status and closing the budget gap by liquidating the fund for cost-of-living adjustments (effect on the amount of pension payment for actual pension beneficiaries), reduction of the performance target by up to 5% based on the last eligible salary for all actively insured employees and a major contribution (nearly 100%) to be made by the employer;
- Conversion from a defined benefit to a defined contribution system.

The National Administration of Liechtenstein as the main policyholder of the PVS will be very strongly affected by the measures to restructure the PVS. The question of how far these additional financial expenses might have an effect on the public services provided by the government, cannot be answered today. The political parties are distinctly and unanimously dedicated to achieving a balanced budget, but there is still much to do to reach this goal.

There is a broad consensus existing within the political elite as well as among the public in Liechtenstein that a small state like Liechtenstein should not run into public debt at all. Based on the financial forecast 2013 to 2016, the state financial income (without external borrowings) will not be sufficient to finance the net investments for even one year of the above mentioned time period. This effect is basically the result of the estimated excess spending. This can also be seen in the indicator "self-financing" which is expected to be between -500% to -100%, whereas the defined target value by the government for Agenda 2020 is >90% (see also Art. 27 of the Financial Budget Act).<sup>7</sup>

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<sup>5</sup> Source: *Erste Ergebnisse der Generationenbilanz 2012*, Stabstelle für Finanzen.  
<http://www.regierung.li/index.php?id=158&uid=1206>

<sup>6</sup> Source: *Bericht und Antrag der Regierung an den Landtag betreffend die Schaffung eines Gesetzes über die betriebliche Vorsorge des Staates sowie die Ausfinanzierung der Deckungslücke der Pensionsversicherung für das Staatspersonal*, Nr. 135/2012.  
[http://www.llv.li/pdf-rk-llv\\_bua\\_135\\_2012.pdf](http://www.llv.li/pdf-rk-llv_bua_135_2012.pdf)

<sup>7</sup> Source: [http://agenda2020.li/fileadmin/Dokumente/Monitoringbericht\\_FL\\_2012.pdf](http://agenda2020.li/fileadmin/Dokumente/Monitoringbericht_FL_2012.pdf)  
add. Source:  
<https://www.gesetze.li/Seite1.jsp?LGBI=2010373.xml&Searchstring=Finanzhaushaltsgesetz&showLGBI=true>



Combining these aspects, we conclude, that during the period 2013 to 2016 Liechtenstein will have to finance the planned investments by reducing its financial reserves. In the absence of official statements, it can be assumed that these circumstances will have an effect on social spending. This can already be seen in relation to the public debate on establishing a new education centre for pupils, which might not be realised due to the high investment costs involved.

As the financial reserves at the end of 2012 are almost sufficient to cover annual expenditure for two years, it is still possible to reduce public expenditure without disastrous effects. But as the forecast for national income shows no turnaround for the years up to 2016, additional expenditure cuts will have to be implemented. Despite this, the capital reserves are likely to be exhausted within the short to medium term.

### 1.2.2. Strengthen the country as a centre of finance and commerce

The economic strength of Liechtenstein is based on two main areas: industry and the financial services sector. Due to the limited size and purchasing power of Liechtenstein, both areas **need an economic** approach which is highly specialised and part of a strong international network. Liechtenstein has been part of the EEA since 1995 and due to its long historical relationship with Switzerland many Swiss entrepreneurs use Liechtenstein as a conduit into the EU and the EEA states.

Liechtenstein, in common with all the EU Member States, is facing the pressure of increasing international competition. As the average tax rates on company profits decreased between 2004 and 2007 within the EU due to the accession of 12 new Member States, Liechtenstein could not protect itself against deep structural changes. Furthermore, the transformation process in the financial sector led directly to strengthened cooperation with third countries on tax issues.

Liechtenstein completed the revision of its tax law by the end of 2010. The **new tax law** is based on Liechtenstein's low taxation principle. It strengthens the country's commercial attractiveness through the introduction of a flat rate for operating companies and a scheme of privileged taxation for the private asset structures. In addition to revising the tax law, Liechtenstein used the latest EU Directives on investment funds (AIFM) as the occasion to totally overhaul the Investment Undertakings Act. This makes the Liechtenstein marketplace much more attractive for investment funds and offers additional competitive advantages for investment funds companies operating from Liechtenstein.

From a European perspective, the good fiscal framework for individuals and companies is the main factor for the high attractiveness of Liechtenstein's market place. Liechtenstein is, however, much less attractive from the point of view of educational standard of the population and of the accessibility of public and private transport. These were the findings of the 2012 monitoring report on the Agenda 2020.<sup>8</sup>

Improvement in the country's **economic performance** is a very important condition for the success of the entire commercial location in general. This means that as much as possible must be produced from a given amount of physical capital, environmental resources, technological knowledge and manpower. The result is stated as the headline figure for labour productivity. Based on statistical research, labour productivity in Liechtenstein increased from 173,000 Swiss francs in 2009 to 181,000

<sup>8</sup> Source: [http://agenda2020.li/fileadmin/Dokumente/Monitoringbericht\\_FL\\_2012.pdf](http://agenda2020.li/fileadmin/Dokumente/Monitoringbericht_FL_2012.pdf)

Swiss francs in 2012 per full-time-equivalent (FTE), which brings Liechtenstein back to the year 2000, where the labour productivity was equal high.

Whereas the gross value of the financial services sector decreased from 1.92 Mio. Swiss francs in 2008 to 1.28 Mio. Swiss francs in 2011 (a fall of 33%), the gross value of output from the industrial sector increased by around 27% from 2000 to 2011. Nevertheless, a decrease due to the economic crisis was also recorded in 2008 and 2009.

In respect of **unemployment**, Liechtenstein remains in a very good position. The average unemployment rate in 2006 was 3.2%. In the following five years the percentage of unemployed persons decreased to 2.4% by the end of 2012 (when 492 persons were recorded as unemployed and seeking work). Within this time period, the unemployment rate reached its highest level of 2.9% in 2009 – corresponding to the financial crisis. As of the end of March 2013, the unemployment rate is 2.5%. This reflects a slight increase compared to the previous month. The youth unemployment rate (ages 15 – 24) is 2.7%, reflecting an increase of 3.1% in comparison to the same month in the previous year. At the end of 2012 the total population of Liechtenstein was 36,636 persons of whom 18,550 were in employment, with 12,671 of them working in the service sector (mainly the financial services industry). By comparison, at the end of 2011 Liechtenstein had 35,253 workplaces (representing an increase of 2.7% compared to the previous year), 24.8% of which were part-time workplaces. As of the end of 2011, 51.9% of those employed were commuters (from neighbouring countries).

### 1.2.3. Increase the quality of life

Income and prosperity are major components of the quality of life. In creating the economic basis for satisfying individual and global social policy needs, these two factors have an important impact on attaining the goals of the Agenda 2020.

In describing the quality of life in Liechtenstein, the unusual factor of the high number of commuters and their significant contribution to the gross domestic product (GDP) has to be taken into consideration. To avoid distortion, we therefore focus on the GNI (gross national income) as this figure concentrates on the resident population of a country. In 2006 the GNI of Liechtenstein amounted to 4,396.9 Million Swiss francs and had increased to an estimated 4,495.0 Million Swiss francs by 2010 (official provisional figures). During this period, GNI fell only in 2009 by approx. 15% compared to the previous year. Per-capita income also increased during the period 2006 to 2009 (figures for later than 2009 were not available at the time of this report). In 2009, per-capita income was 61,650 Swiss francs, reflecting a decrease of about 6.2% over the 2008 figures. The reduction was a direct result of the 2009 financial crisis.<sup>9</sup>

The field of **social activities** in Liechtenstein is very diversified, covering activities in the areas of culture and music, sports, environmental projects, care projects, and

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<sup>9</sup> Source: Amt für Statistik: <http://www.llv.li/amtstellen/llv-as-volkswirtschaftliche-gesamtrechnung.htm>

education. The number of officially registered social organisations was 234 at the end of 2011, which represented an increase of 7.8% over the previous year. From an official point of view, the government supports – mostly financially – various social activities. For many of these organisations this is the most important source of both income and planning security for future activities. In the context of the current state of public finances, voluntary and unpaid activities will need to be promoted and supported more strongly in future if the current levels of social activity in Liechtenstein are to be maintained.

The level of **political interest** of the Liechtenstein population has fallen in recent years. The 2013 parliamentary elections had a turnout of 79.8% whereas in 2009 it was up to 84.6%. Despite the negative trend in the turnout, Liechtenstein ranks quite high on the international scale in this respect. In terms of the spectrum of political parties, Liechtenstein has a slightly greater diversity in 2013 than in previous years. Currently, four parties represented in the parliament, whereas in the two previous legislative periods (commencing in 2005 and 2009) three parties were represented.

The **demographical trend** has a significant impact on the Liechtenstein economy. As a result, specific attention has been given in recent years to the development of relevant measures in the area of family and child education. The main focus was on the aspect of economic support for families by combining the elements of individual needs during the different family phases, e. g. setting up of child care facilities, support for education and part-time work models, and financial assistance.

Taking into account the above-mentioned financial situation of the public budgets, pressure on the social system and social benefits can be expected sooner or later. Indeed, some of the budget savings are already having an impact on the social security system. However, it must also be mentioned that the political parties say that they are quite aware that at-risk groups should not be affected by the savings – if possible.

### 1.3. Summary of the Agenda 2020 in Liechtenstein

With respect to the three pillars of the Agenda 2020 outlined above, Liechtenstein is performing quite well for the time being. Liechtenstein's current position is not as bad as in most other European countries with respect to the level of unemployment, public finance and the amount of social assistance. Nevertheless, given the facts presented in the foregoing chapter, there is an increasing pressure on the social system of Liechtenstein which cannot be ignored. One can observe that social benefits are affected in several respects, e.g. health insurance, pensions, etc. It will depend on how the general savings target is implemented in detail before one can see whether specific population groups will suffer in a more extensive way than others from these measures. Up to now, implementations of cost saving measures have in most cases been tailored to avoid social injustice. But it is clear that additional expenditure cuts will have to be implemented in order to finally reach the goals of the Agenda 2020.

In the following chapters we will focus on the aspects of child poverty and promoting child well-being under the given situation in Liechtenstein.

## 2. Child poverty and promoting child well-being

Within the Agenda 2020, the Liechtenstein government has promoted an action plan for a modern family policy including the promotion of child and youth welfare. The official statement by the government points out that a sustainable development of Liechtenstein can only be successful within a framework which gives young persons the perspective that having a family is meaningful, desirable and compatible with the requirements of the employment system. From this follows the task of setting up an action plan which combines the interaction between families, the labour market and government policy. There is also the need to consider how these various factors influence child poverty rates. All in all, a weighty agenda.

The demographic trend challenges Liechtenstein to find solutions which balance traditional and modern family structures within society. Family life, education and child care must be compatible with employment. Within this action plan, the aspects of child poverty and child well-being are integrated components even in the absence of explicit statements on these elements. For Liechtenstein, with a 33.3% share of non-nationals, an employment rate of 50.63%, and with pensioners accounting for 14.6% of the total population, the current situation is still comfortable. None-the-less, attention has to be given to the social inclusion of specific groups of the Liechtenstein population.

In the following chapters we want to focus on these aspects and give an insight into Liechtenstein's approach across a range of policy areas to tackle and prevent child poverty and the transmission of socio-economic disadvantage across generations.

### 2.1. Current situation in Liechtenstein

Going back to the UN Convention on the Rights of the Child of 1989, Liechtenstein has supported the international efforts to create a comprehensive legal framework for the rights of children by signing the Convention in 1990 and incorporating it into national legislation in 1995. Liechtenstein continued the process by signing the Convention on the Rights of the Child on the Involvement of Children in Armed Conflicts in 2000 (incorporated in 2005) and the Convention on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography in 2000 (incorporated in 2013). The principles of the Convention establish a framework for eliminating child poverty. But even if children are given the first call on social resources as is done by the Liechtenstein government, practical challenges stand in the way. These are mainly:

- the definition of a minimum standard of living to secure children's normal physical and social development;
- having a clear concept and understanding of the capabilities and limits of families and markets in providing this standard;
- the development of an evidence-based awareness of the impact government policy and budgetary decisions actually have on children.

As mentioned above, the Liechtenstein government addressed these problems in a series of statements and measures to bring the wellbeing of children into the focus of

the social welfare structure within family policies. The main areas affected so far are material well-being, health and safety, and education.

In relation to material well-being, the Liechtenstein social welfare structure distinguishes between direct and indirect financial support. Furthermore, there are financial allowances for all families, regardless of their income (e. g. child allowance), and other benefits which are means tested (e.g. rent allowance). Finally, there is a group of financial support measures which are dedicated to specific individual living circumstances (e.g. the allowance for single parents).

In the face of increasing pressure on public expenditure the approach of ensuring a needs-oriented way of granting social help has a high relevance within the social structure. The different types of social help can be best explained using the following chart:

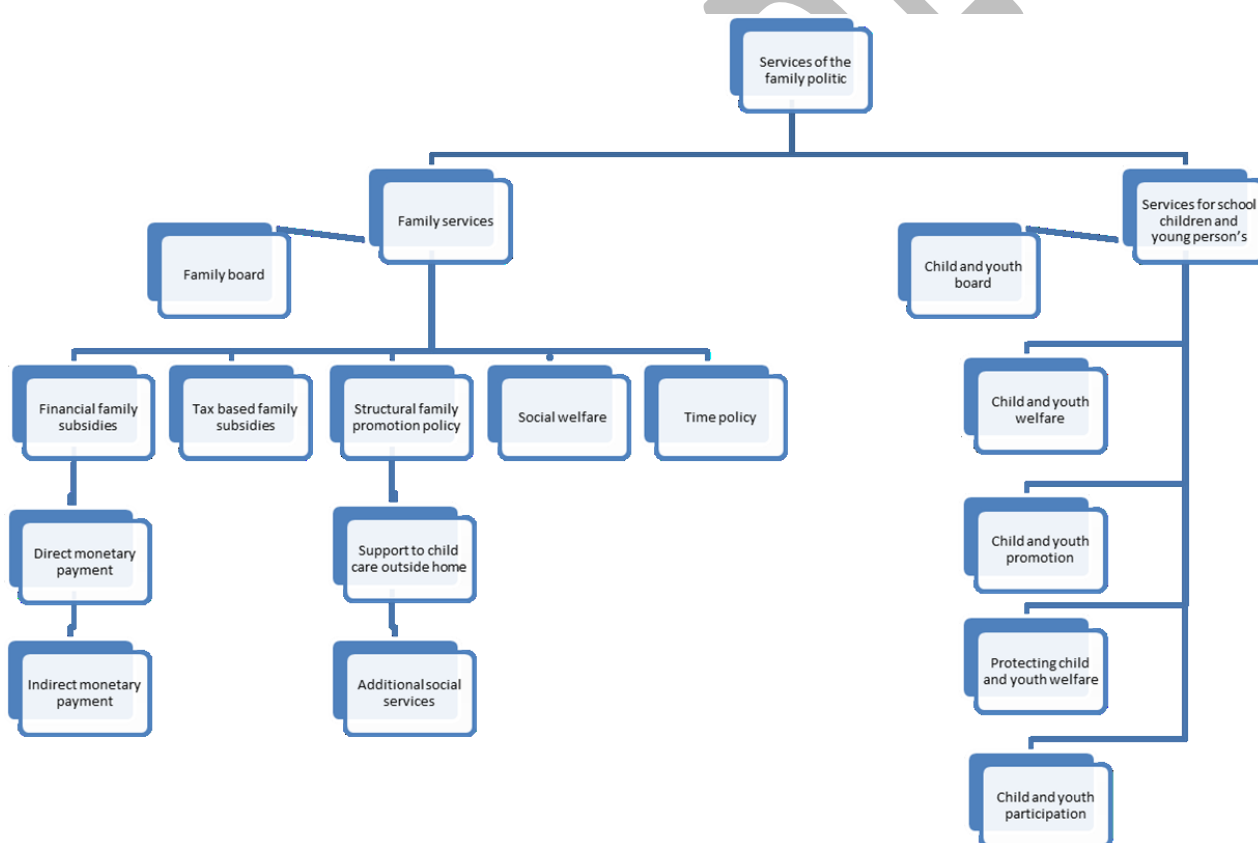


Figure 1: Overview of the services

## 2.2. A minimum standard of living

When discussing the minimum standard of living we have to deal with the question of the definition of poverty. Is someone who is living on the breadline classified as poor and is there an **income bracket** just above the breadline which can be classified as indicating relative poverty?

Following the EU definition, the percentage of the population living in households with an equalised income below 60% of the national median, counts as poor. According to

the Liechtenstein poverty report of 2008, the threshold was at an annual disposable income<sup>10</sup> of less than 27,754 Swiss francs. As a result, in 2008 11% of all the households in Liechtenstein were classified as households with a low income, meaning below the above-mentioned minimum income. If social welfare benefits are taken out of the calculation, the number of households with a low income has to be adjusted upwards to 19.2%. Those mostly affected are single parent households (23.4% of the 19.2%) and couples with two or more children (14.7% of 19.2%). These figures reveal nothing about how far children are living below that mark. In order to gauge the depth of relative child poverty, it would also be necessary to look at the distance between the above-mentioned minimum income and the median incomes of those households below the poverty threshold. There are no such figures for Liechtenstein at present.

In relation to the annual disposable income different official breadlines exist for various forms of social assistance in Liechtenstein. In respect of any definition of a breadline in Liechtenstein, two important regulations can be mentioned as they are relevant to financial support from insurance companies and the authorities in Liechtenstein. The primary reference is Art. 1 of the Act on Supplementary Aid to the National Old Age and Widow's/Widower's Pension (ASANP). Within this article the breadline is defined as a minimum of taxable income as follows:

▪ Single living person	Swiss francs	17,090
▪ Married / registered same sex couples	Swiss francs	24,990
▪ Orphans	Swiss francs	8,330

Besides the ASANP, the Act on Rent Allowance for Families (ARAF) defines the breadline also on the basis of chargeable income with respect to the Liechtenstein tax law, but it gives different minimum amounts of household income per year due to the fact that there must be at least one child (which has no income) in the same household (e. g. 2-person-household = single parent plus child):

▪ 2-person-household	Swiss francs	55,000
▪ 3-person-household	Swiss francs	65,000
▪ 4-person-household	Swiss francs	70,000
▪ 5-person-household	Swiss francs	75,000
▪ 6-person-household or more	Swiss francs	80,000

Additionally, the subsistence level for social welfare benefit is laid down in Art. 12a of the Regulation to the Law on Social Assistance (Verordnung vom 7. April 1987 zum Sozialhilfegesetz, LLGB 1987 no. 18, Art. 12a<sup>11</sup>). This definition is based on the four factors: minimum subsistence level, cost of living, premium on compulsory health insurance, and occupational extra costs. For each of these factors the regulation contains additional criteria. Art. 20a of the Regulation to the Law on Social Assistance defines the amount of lump sums per household and month to meet the basic needs mentioned above as follows:

<sup>10</sup> Disposable income = all sources of income and government welfare after taxes, educational costs based on the Liechtenstein tax law and social security costs. Not included are: capital gains, lottery winnings, income from immovable property etc.

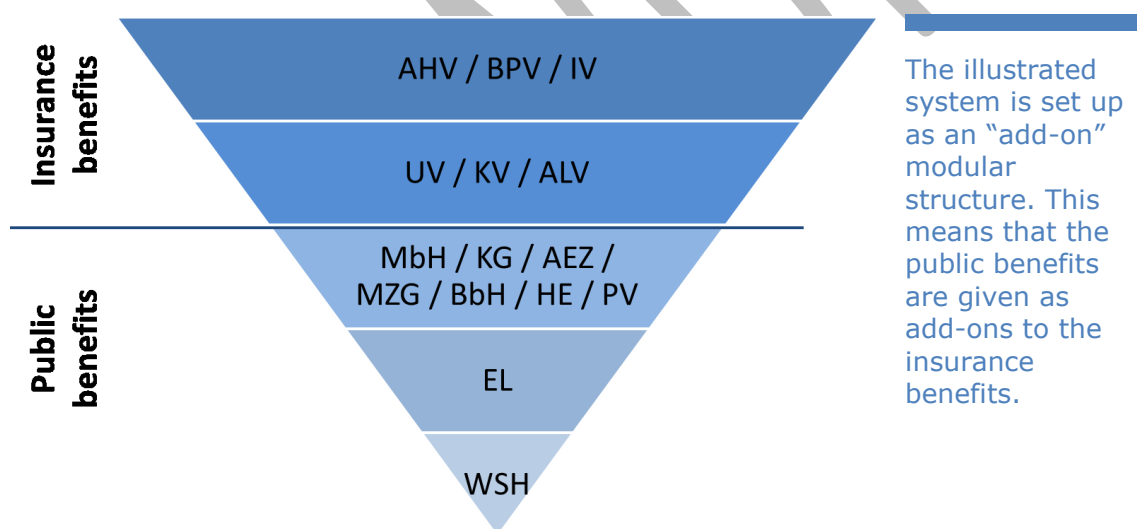
<sup>11</sup> Sozialhilfegesetz vom 15. November 1984, LGBl 1985 no. 17  
source: [https://www.gesetze.li/get\\_pdf.jsp?PDF=1985017.pdf](https://www.gesetze.li/get_pdf.jsp?PDF=1985017.pdf).



▪ 1-person-houshold	Swiss francs	1,110
▪ 2-person-houshold	Swiss francs	1,700
▪ 3-person-houshold	Swiss francs	2,070
▪ 4-person-houshold	Swiss francs	2,375
▪ 5-person-houshold	Swiss francs	2,660
▪ 6-person-houshold	Swiss francs	2,940
▪ 7-person-houshold	Swiss francs	3,225
▪ For each additional person	Swiss francs	461

Consequently, if someone in Liechtenstein achieves an income from employment and/or social transfers (including pensions) which is below the above-mentioned breadlines; this person is generally entitled to social assistance. The social assistance is legally defined as a guaranteed basic income. It follows from the above-mentioned definitions that the overall model of social help in Liechtenstein is very much suited to the individual situation of the person involved and contains step-up options in addition to the given lump sums of social welfare benefit.

In terms of an overview of the social welfare system in Liechtenstein, we are talking about a two-component modular structure as shown below:



**Figure 2: Overview of the social welfare system in Liechtenstein**

WSH	=	social welfare benefit
EL	=	supplementary social benefits
MbH	=	rent allowance
KG	=	child benefit
AEZ	=	allowance for single parents
MZG	=	maternity allowance
BbH	=	allowance for blind persons
HE	=	helplessness allowance
PV	=	health insurance premium reduction
UV	=	accident insurance

KV	=	health insurance
ALV	=	unemployment insurance
AHV	=	National Old Age and Widow's/Widower's Pension
BPV	=	company old age pension, IV = invalidity insurance

The insurance benefits are made up of different insurance types, divided into national basic insurance benefits and company add-on benefits. The company benefits are much more based on the individual income and therefore on the premium level paid, whereas the national insurance benefits are focused on a basic income protection. Of the six types mentioned, the IV and ALV are the ones with the highest, although indirect, relevance to children, because their parents could be affected by invalidity or unemployment and be therefore in financial need. Both types of insurance are mandatory for all employees. In the case of the IV, the insurance and the jobs market service help to prevent unemployment in the first instance, and to reduce its negative effects if individual unemployment becomes inevitable. The service does not only provide assistance when an employee loses a job. The jobs market service works proactively, offering financial assistance for vocational training in order to safeguard employment at a given workplace, or to secure another job.

On the following pages we will focus on the public benefits and their effect on poverty, excluding insurance benefit effects at this stage.

### 2.3. Legal framework - Children's rights

The legal background for social security, including the above-mentioned regulations, is wide-ranging. The following table gives an overview of the most important acts of the relevant Liechtenstein legislation:

topic	legal act	link	content
Health care	Gesetz vom 24. November 1971 über die <b>Krankenversicherung</b> (KVG), LGBI. 1971 no. 50	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=1971050.xml&amp;Searchstring=Krankenversicherung&amp;showLGBI=true">https://www.gesetze.li/Seite1.jsp?LGBI=1971050.xml&amp;Searchstring=Krankenversicherung&amp;showLGBI=true</a>	Health insurance
Health care	Gesetz vom 28. November 1989 über die <b>obligatorische Unfallversicherung</b> (Unfallversicherungsgesetz; UVersG), LGBI. 1990 no. 46	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=1990046.xml&amp;Searchstring=Krankenversicherung&amp;showLGBI=true">https://www.gesetze.li/Seite1.jsp?LGBI=1990046.xml&amp;Searchstring=Krankenversicherung&amp;showLGBI=true</a>	Accident insurance
Health care	<b>Gesundheitsgesetz</b> (GesG) vom 13. Dezember 2007, LGBI. 2008 no. 30	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=2008030.xml&amp;Searchstring=Krankenversicherung&amp;showLGBI=true">https://www.gesetze.li/Seite1.jsp?LGBI=2008030.xml&amp;Searchstring=Krankenversicherung&amp;showLGBI=true</a>	Health act
Health care	Gesetz vom 23. Dezember 1959 über die <b>Invalidenversicherung</b> (IVG), LGBI. 60 no. 5	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=1960005.xml&amp;Searchstring=invalidenversicherung&amp;showLGBI=true">https://www.gesetze.li/Seite1.jsp?LGBI=1960005.xml&amp;Searchstring=invalidenversicherung&amp;showLGBI=true</a>	Invalidity insurance
Health care	Gesetz vom 17. Dezember 1970 über die Gewährung von Blindenbeihilfen, LGBI. 1971 no. 7	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=1971007.xml&amp;Searchstring=invalidenversicherung&amp;showLGBI=true">https://www.gesetze.li/Seite1.jsp?LGBI=1971007.xml&amp;Searchstring=invalidenversicherung&amp;showLGBI=true</a>	Allowance for blind persons
Family Support	Gesetz vom 25. November 1981	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=1982008.xml&amp;Searchstring=Maternity allowance">https://www.gesetze.li/Seite1.jsp?LGBI=1982008.xml&amp;Searchstring=Maternity allowance</a>	Maternity allowance



topic	legal act	link	content
	betreffend Ausrichtung einer <b>Mutterschaftszulage</b> , LGBl. 1982 no. 8	chstring=Krankenversicherung&showLGBl=true	
Family Support	Gesetz vom 14. Dezember 1952 über die <b>Alters- und Hinterlassenenversicherung</b> (AHVG), LGBl. 1952 no. 29	<a href="https://www.gesetze.li/Seite1.jsp?LGBl=1952029.xml&amp;Searchstring=Krankenversicherung&amp;showLGBl=true">https://www.gesetze.li/Seite1.jsp?LGBl=1952029.xml&amp;Searchstring=Krankenversicherung&amp;showLGBl=true</a>	<b>National Old Age and Widow's/Widower's Pension (NOWP)</b>
Family Support	Gesetz vom 10. Dezember 1965 über <b>Ergänzungsleistungen zur Alters-, Hinterlassenen- und Invalidenversicherung</b> (ELG), LGBl. 1965 no. 46	<a href="https://www.gesetze.li/Seite1.jsp?LGBl=1965046.xml&amp;Searchstring=Mietbeitr%E4ge&amp;showLGBl=true">https://www.gesetze.li/Seite1.jsp?LGBl=1965046.xml&amp;Searchstring=Mietbeitr%E4ge&amp;showLGBl=true</a>	<b>Act on Supplementary Aid to the National Old Age and Widow's/Widower's Pension (ASANP)</b>
Family Support	Gesetz vom 20. Oktober 1987 über die <b>betriebliche Personalvorsorge</b> (BPVG), LGBl. 1988 no. 12	<a href="https://www.gesetze.li/Seite1.jsp?LGBl=1988012.xml&amp;Searchstring=invalidenversicherung&amp;showLGBl=true">https://www.gesetze.li/Seite1.jsp?LGBl=1988012.xml&amp;Searchstring=invalidenversicherung&amp;showLGBl=true</a>	Occupational pension
Family Support	Gesetz vom 18. Dezember 1985 über die <b>Familienzulagen</b> (Familienzulagen-gesetz; FZG), LGBl. 1986 no. 28.	<a href="https://www.gesetze.li/Seite1.jsp?LGBl=1986028.xml&amp;Searchstring=familienzulage&amp;showLGBl=true">https://www.gesetze.li/Seite1.jsp?LGBl=1986028.xml&amp;Searchstring=familienzulage&amp;showLGBl=true</a>	Family allowance
Family Support	Gesetz vom 30. Juni 1977 über die <b>Förderung des Wohnungsbaues</b> (Wohnbauförderungsgesetz; WBFG), LGBl. 77 no. 46.	<a href="https://www.gesetze.li/Seite1.jsp?LGBl=1977046.xml&amp;Searchstring=wohnbauf%C6rderung&amp;showLGBl=true">https://www.gesetze.li/Seite1.jsp?LGBl=1977046.xml&amp;Searchstring=wohnbauf%C6rderung&amp;showLGBl=true</a>	Support for house-building
Family Support	Gesetz vom 13. September 2000 über <b>Mietbeiträge für Familien</b> , LGBl. 2000 no. 202	<a href="https://www.gesetze.li/Seite1.jsp?LGBl=2000202.xml&amp;Searchstring=Mietbeitr%E4ge&amp;showLGBl=true">https://www.gesetze.li/Seite1.jsp?LGBl=2000202.xml&amp;Searchstring=Mietbeitr%E4ge&amp;showLGBl=true</a>	<b>Act on Rent Allowance for Families (ARAF)</b>
Family Support	<b>Sozialhilfegesetz</b> vom 15. November 1984, LGBl. 1985 no. 17	<a href="https://www.gesetze.li/Seite1.jsp?LGBl=1985017.xml&amp;Searchstring=Sozialhilfe&amp;showLGBl=true">https://www.gesetze.li/Seite1.jsp?LGBl=1985017.xml&amp;Searchstring=Sozialhilfe&amp;showLGBl=true</a>	<b>Act on Social Welfare Benefit (ASH)</b>
Children and minors	Gesetz vom 19. September 2012 über die <b>Kinder- und Jugendzahnpflege</b> (KJZG), LGBl. 2012 no. 343	<a href="https://www.gesetze.li/Seite1.jsp?LGBl=2012343.xml&amp;Searchstring=kinder&amp;showLGBl=true">https://www.gesetze.li/Seite1.jsp?LGBl=2012343.xml&amp;Searchstring=kinder&amp;showLGBl=true</a>	Children and minors dental care allowance
Children and	<b>Kinder- und Jugendgesetz</b> (KJG)	<a href="https://www.gesetze.li/Seite1.jsp?LGBl=2009029.xml&amp;Searchstring=kinder&amp;showLGBl=true">https://www.gesetze.li/Seite1.jsp?LGBl=2009029.xml&amp;Searchstring=kinder&amp;showLGBl=true</a>	<b>Act on Children</b>

topic	legal act	link	content
minors	vom 10. Dezember 2008, LGBl. 2009 no. 29	<a href="#">chstring=Krankheit&amp;showLGBI=true</a>	<b>and Youth (ACY)</b>
Children and minors	<b>Jugendgerichtsgesetz (JGG)</b> vom 20. Mai 1987, LGBl. 1988 no. 39	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=1988039.xml&amp;Searchstring=kinder&amp;showLGBI=true">https://www.gesetze.li/Seite1.jsp?LGBI=1988039.xml&amp;Searchstring=kinder&amp;showLGBI=true</a>	Youth court act
Working Environment	Gesetz vom 24. November 2010 über die <b>Arbeitslosenversicherung und die Insolvenzentschädigung</b> (Arbeitslosenversicherungsgesetz; ALVG), LGBl. 2010 no 452	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=2010452.xml&amp;Searchstring=arbeitslosenversicherung&amp;showLGBI=true">https://www.gesetze.li/Seite1.jsp?LGBI=2010452.xml&amp;Searchstring=arbeitslosenversicherung&amp;showLGBI=true</a>	Unemployment allowance and insolvency compensation
Education	<b>Schulgesetz</b> (SchulG) vom 15. Dezember 1971, LGBl. 1972 no. 7	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=1972007.xml&amp;Searchstring=invalidenversicherung&amp;showLGBI=true">https://www.gesetze.li/Seite1.jsp?LGBI=1972007.xml&amp;Searchstring=invalidenversicherung&amp;showLGBI=true</a>	<b>Act on School Education (ASE)</b>
Education	Gesetz vom 20. Oktober 2004 über die <b>staatlichen Ausbildungsbeihilfen</b> , LGBl. 2004 no. 262	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=2004262.xml&amp;Searchstring=Krankheit&amp;showLGBI=true">https://www.gesetze.li/Seite1.jsp?LGBI=2004262.xml&amp;Searchstring=Krankheit&amp;showLGBI=true</a>	Support for further education and training act
Education	Gesetz vom 13. Dezember 2001 über die Stiftung <b>"Kunstschule Liechtenstein"</b> (LKSG), LGBl. 2002 no. 22	<a href="https://www.gesetze.li/Seite1.jsp?LGBI=2002022.xml&amp;Searchstring=kinder&amp;showLGBI=true">https://www.gesetze.li/Seite1.jsp?LGBI=2002022.xml&amp;Searchstring=kinder&amp;showLGBI=true</a>	Promotion of education in the arts

**Table 1: Excerpt of legal acts relating to the social welfare system in Liechtenstein**

To address this topic of child poverty within the context of the given legal framework it seems to be necessary to define who is treated as a child under Liechtenstein law. The Youth court Act states in Art. 2<sup>12</sup>:

- A Child is a person who has not reached the age of 14,
- A young person is a person who has not reached the age of 18.

The definition of children and young persons is important since some acts of the social welfare structure are explicitly limited to a maximum age. Besides the given legal definitions, some social welfare benefits are tied to different limits. A well-known example is the health insurance which provides free insurance cover (i. e. the state covers whole premium) only up to the age of 16.

## 2.4. Children's participation in society

In addition to the legal based rights, various initiatives by associations and public agencies support children's participation in social, sporting and cultural activities

12 Jugendgerichtsgesetz (JGG) vom 20. Mai 1987, LGBl 1988 no. 39:  
<https://www.gesetze.li/Seite1.jsp?LGBI=1988039.xml&Searchstring=jugend&showLGBI=true>

regardless of their nationality, their social standing or their age. The following table presents a selection of these initiatives:

topic	association	link	content
Social	Association of playgroups	<a href="http://www.spielgruppenverein-fl.li">www.spielgruppenverein-fl.li</a>	Umbrella organisation for all playgroups - age 3 – 6 years, social interaction and child welfare
Social	Consultancy Services by the Office for Social Services (Amt für Soziale Dienste)	<a href="http://www.asd.llv.li">www.asd.llv.li</a>	Educational counselling, family guidance; support in case of problems due to difficulties of integration
Social	University of Liechtenstein	<a href="http://www.uni.li/kinderuni">http://www.uni.li/kinderuni</a>	Knowhow transfer for children with professional teachers on various topics
Social	Eltern Kind Forum	<a href="http://www.elternkindforum.li">www.elternkindforum.li</a>	Educational counselling, family guidance; child care facilities
Social	Vereinigung der Kindertagesstätten	<a href="http://www.kita.li">www.kita.li</a>	Umbrella organisation for all child-care facilities
Social and cultural	aha	<a href="http://www.aha.li">www.aha.li</a>	Recreational activities for children and young persons, counselling on education, money, organisation of vacation work
Social	Mütze	<a href="http://mueze.li/wordpress/?page_id=73">http://mueze.li/wordpress/?page_id=73</a>	Different activities for young children to support the interaction with other children (including parents)
Social	Verein Liechtensteiner Jugendorganisationen	<a href="http://www.vlj.li">www.vlj.li</a>	Open youth work with local meeting point and activities per municipality
Sport	Liechtensteiner Alpenverein	<a href="http://www.alpenverein.li/index.php/news/561/90/d,Touren-Details">http://www.alpenverein.li/index.php/news/561/90/d,Touren-Details</a>	Common sports activities
Sports	Sport clubs  For example:	<a href="http://sportlich.li/de/sportvereine.html">http://sportlich.li/de/sportvereine.html</a>	Almost all Liechtenstein sports clubs offer specific training, groups, activities for children and young people

topic	association	link	content
	Football associations Liechtenstein	<a href="http://www.lfv.li/spitze/fussball/u13-team-liechtenstein/meisterschaft.html">http://www.lfv.li/spitze/fussball/u13-team-liechtenstein/meisterschaft.html</a>	Football groups for boys and girls
Cultural	Theatre Liechtenstein	<a href="http://www.tak.li/KindergartenJugend.aspx">http://www.tak.li/KindergartenJugend.aspx</a>	Specific program and cultural workshops for children and young people
Cultural	Association for Intercultural Education	<a href="http://www.vib.li">www.vib.li</a>	Accredited establishment for the purpose of intercultural exchange and promoting understanding

**Table 2: Excerpt of social, sporting and cultural activities for children in Liechtenstein**

Liechtenstein offers a wide range of different activities for children. Participation in these leisure activities is also in many cases dependent on the financial income of the household. Nevertheless, many of the listed non-profit organisations are financially supported by the state or municipalities. The effect of participation in society itself has little to say about child welfare or child poverty. In order to arrive at a more complete picture of child poverty, further aspects would have to be taken into consideration, e.g. meals per day, clothing etc. For Liechtenstein no such data is available and information about the actual material deprivation cannot be given on this level.

Even in countries with a high standard of living and an above-average social network, child poverty exists due to various reasons. Within the following chapters we want to focus on the aspects of child poverty in Liechtenstein under the given definitions and framework.

## **2.4. Factors underlying child poverty**

In line with the common understanding, key determinants of child poverty can be classified into four main categories: demography, labour-market, income support, and age. As mentioned earlier, the aspects of the labour market and income support have a much deeper impact on the economic situation of families and children in Liechtenstein – and therefore on the risk of child poverty – than, for example, age.

### **2.4.1. Demography**

The pattern of family formation and the number of children people have are the most relevant factors regarding demography in Liechtenstein. Based on the 2010 population census in Liechtenstein, more than 58% of the existing private households are single adult households or couple households with no children. About 30% of the private

households are families with children, and 8% are single-parent households with children<sup>13</sup>.

#### Liechtenstein census 2000 and 2010

	2000	2010	change in %
<b>total</b>	<b>13,320</b>	<b>15,474</b>	<b>16.1</b>
<b>private households</b>	<b>13,282</b>	<b>15,463</b>	<b>16.4</b>
singel households	4,321	5,284	22.3
married / registered same sex couples	2,978	3,855	29.4
married / registered same sex couples with children	4,656	4,783	29.4
single parent with children	926	1,250	35.0
remaining households	401	291	-27.4
<b>collective households</b>	<b>43</b>	<b>11</b>	<b>-74.4</b>

**Table 3: 2010 population censuses in Liechtenstein**

Single parent households have traditionally been one of the groups most affected by poverty. Based on the statistical data for social welfare benefits, single parent households have been a dominant group within the social welfare benefit category for years in Liechtenstein. In respect of social benefits, the number of single parent households decreased from 2011 to 2012, whereas in the period 2000 to 2010 the same group had increased in number in relation to the total population. In 2012, 61 single parent households out of a total of 487 households were claiming social welfare. In 22 cases the reason for claiming social welfare was part-time work with a low income. Comparing these figures with the results of 2011, a decrease of about 1.6% was reported. The main reason for this positive development can be found in the family policy of the Liechtenstein government. Specific measures to promote efforts to reconcile work and family life for men and women, implemented in 2012, resulted in a denser network of out-of-house childcare. By the end of 2012, 459 children were in daily childcare facilities, 252 pupils used the possibility of afternoon child care, and 315 were registered for flexible out-of-house child care. Additionally, 92 children were supervised by private child-minders.<sup>14</sup>

#### 2.4.2. Labour-market

Lack of employment and related income is a major cause of poverty. By the end of 2012 the unemployment rate was at 2.4%, with a slight increase to 2.5% by the end of March 2013. The total expenditure on unemployment allowance was 12.3 million Swiss francs at the end of 2011, with 11.6 million Swiss francs of it relating to full unemployment. The total number of unemployment allowance recipients was 1,120 at the end of 2012, with 1,051 of these being completely without work. The average amount per recipient stood at 11,098 Swiss francs for those completely unemployed. The trend over the period from 1990 to 2011 shows the following picture:

<sup>13</sup> Source: Liechtenstein in Zahlen 2013, Amt für Statistik:  
[http://www.liechtenstein.li/uploads/media/pdf-llv-as-liechtenstein\\_in\\_zahlen\\_2013.pdf](http://www.liechtenstein.li/uploads/media/pdf-llv-as-liechtenstein_in_zahlen_2013.pdf)

<sup>14</sup> Source: Interview on 2012 annual report, Office for social services, Mr. Gstöhl

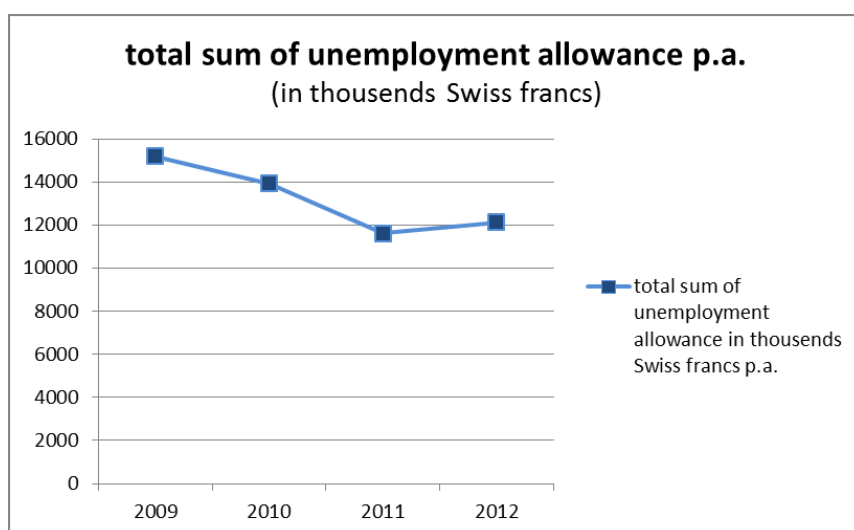


Figure 3: Unemployment allowance over a time period from 1990 to 2011

Unfortunately there is no detailed, current statistical data available regarding recipients of unemployment allowance and the households they belong to, as well as the effect of these circumstances on children/young persons living in these households. The latest reliable data dates from 2008. If the unemployment rate and the trend in social welfare benefit are linked, a correlation with a slight time lag can be observed. If the unemployment rate falls, there will be a fall in the number of social welfare recipients, and vice versa. The employment situation of Liechtenstein thus has a clear impact on the number of social welfare benefit recipients. A positive economic climate results in fewer recipients of social welfare benefits, as can be seen in the chart below.<sup>15</sup>



Figure 4: Social welfare benefit and unemployment quota from 1998 to 2007

<sup>15</sup> Explanation: in 2006 the definition of unemployment rate had been modified for more international comparison (orange line in the chart). The quotes of unemployment rate and social welfare benefits have different references. The social welfare benefits refer to the total amount of households, whereas the unemployment rate refers to the relation between unemployed persons and employed persons.



Unemployment = unemployment quota until 2006  
Unemployment \* = new unemployment quota

### 2.4.3. Age

Based on the figures of the 2008 poverty report and the 2012 annual report of the Social Services Office, the risk of poverty among children does not tend to increase with their age in Liechtenstein. Based on the social help structure the distribution of child-related benefits between children of different ages has no negative impact on the risk of child poverty with increasing age. Most of the financial social help is based on the legal definition of children and young persons (dependent child) with no differentiation regarding age. However, there are a couple of exceptions. The lump-sum birth allowance, for example, applies only to babies, whereas the monthly dependent child allowance takes into account the increasing cost of living with the increasing age of the children. This means that every family with children living in Liechtenstein receives 280 Swiss francs for each child up to the age of 10 years, and 330 Swiss francs from the age of 10 onward. A similar provision can be seen in the area of scholarships which are given to support the higher costs of education for young persons versus children.

### 2.4.4. Income support

As mentioned above, the social welfare structure is notably strongly developed in Liechtenstein. Thus the positive effect of avoiding child poverty can be clearly seen e.g. within the group of families with 2 or more children. The social welfare system achieved a decrease in the number of low-income households from 18% to 11% for families with 2 children and from 29% to 15% for families with more than 2 children. The basis for this comparison is the number of low-income households without any kind of social welfare (base level) and the number of low income households left after social welfare contributions have been made to these households.

Summarizing these facts, it can be said that e.g. 29% of all families with 2 or more children would be affected by poverty without the social welfare system in Liechtenstein (less than 30% of the total population in Liechtenstein are families with 2 children). One can thus state that the social welfare benefits have a clear positive effect on the avoidance of child poverty.<sup>16</sup>

Within all families with children, **child benefit allowance** is the most effective type of social welfare help. The more children there are in a family, the greater is the improvement on the family's wellbeing as a result of the child benefit allowance. For single-parent households, the second most important social benefit in relation to children is the **lone parents' allowance** (110 Swiss francs per child per month). In third place comes the **rent allowance**, given to families with children, based on a household income below certain thresholds.

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<sup>16</sup> Source: Poverty report Liechtenstein 2008: [http://www.llv.li/pdf-llv-asd-armutsbericht\\_2008\\_liechtenstein-2.pdf](http://www.llv.li/pdf-llv-asd-armutsbericht_2008_liechtenstein-2.pdf)

Figure 5 gives an overview of the trend in numbers of claims for child benefit (KG) and allowance for single parents (AEZ) from 2009 – 2011, based on monthly figures. It includes the number of families receiving child benefit (= grant claimants) regardless of their place of residence. For the time period given above, only 40% out of a total of 6,000 to 7,000 entitled families are living in Liechtenstein. 60% receive child benefit as a result of their status as commuters (working in Liechtenstein, living abroad).

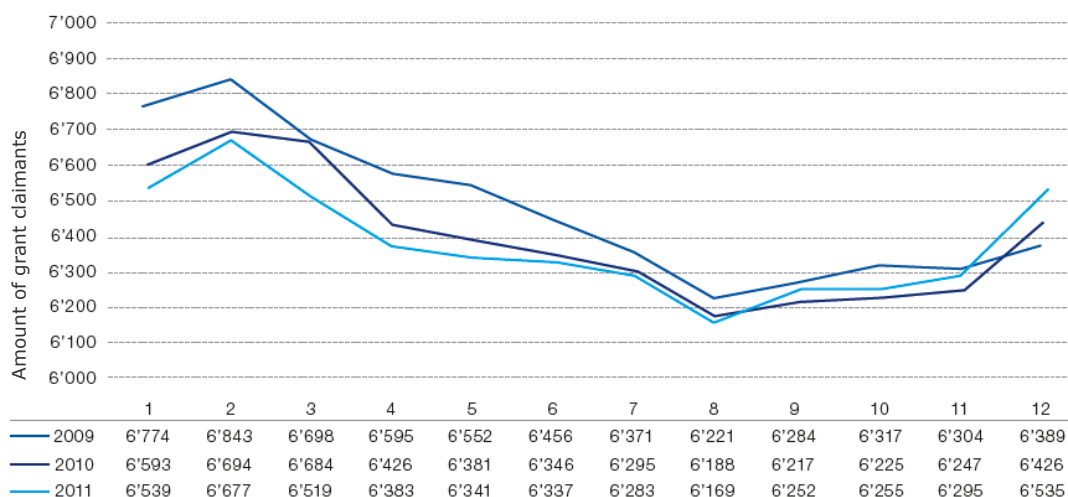


Figure 5: Child benefit over the time period 2009 - 2011<sup>17</sup>

**Child benefit and single parent allowance** are the most costly social benefits. In 2011 the total amount was 59 million Swiss francs. This social welfare help is not means-tested and is therefore given to all families with children.

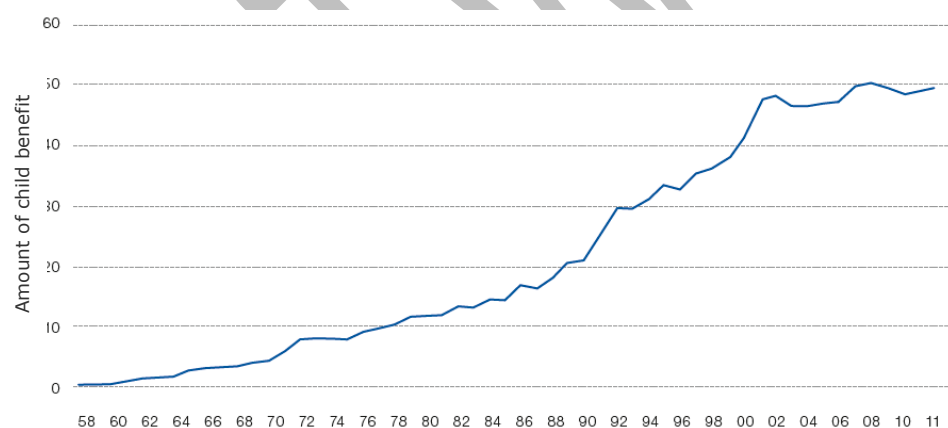


Figure 6: Pattern in expenditure on child benefit from 1958 to 2011

In 2012, 487 households with 772 persons received **social welfare benefit** (WSH). 126 were households with a total of 204 children and young persons. In 2012 the social welfare quota was 2.1% of the total number of inhabitants of Liechtenstein. In comparison to 2011 this reflects an increase of 0.1%. The percentage of households

<sup>17</sup> Source: Annual report 2012, FAK Liechtenstein: <http://www.ahv.li/ueber-uns/jahresberichte.html>



claiming social welfare increased in the same time period by about 8%.<sup>18</sup> The chart below shows the trend in numbers of social welfare recipients (=numbers of households).

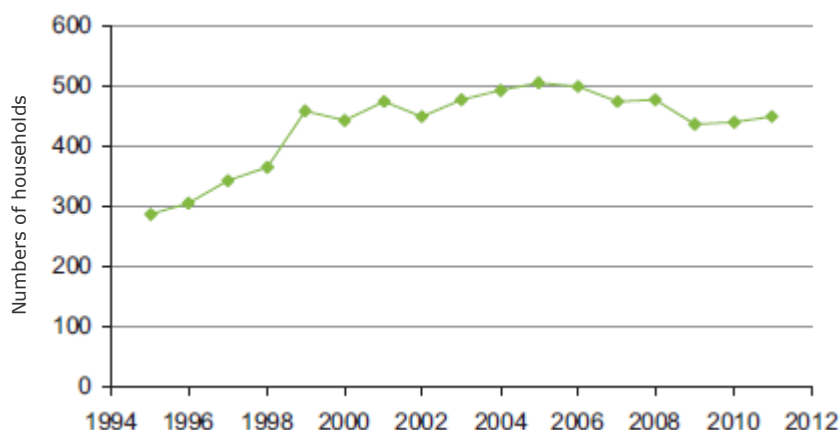


Figure 7: Pattern in numbers of social welfare recipients from 1994 to 2012

The increase took place in various types of households. The most significant increase was observed within households where there was unemployment and occupational disability as well as within households of low income. As Liechtenstein faces a continuously increasing number of claims for social welfare help from different types of households, the most probable reasons is simply shortages in family income. In 2012, 29% of the households claiming social welfare help were foreigners from within the EU. In many cases such households exhibit a lower level of education and job qualification skills which has a significant influence on their employment prospects. A further possible cause of the increasing amount of social welfare required might be a higher level of private over-indebtedness. But this factor can only be seen in combination with one of the other reasons, as by itself it does not entitle people to receive social welfare help.

The following table gives an overview of the most important reasons for social welfare benefit<sup>19</sup>:

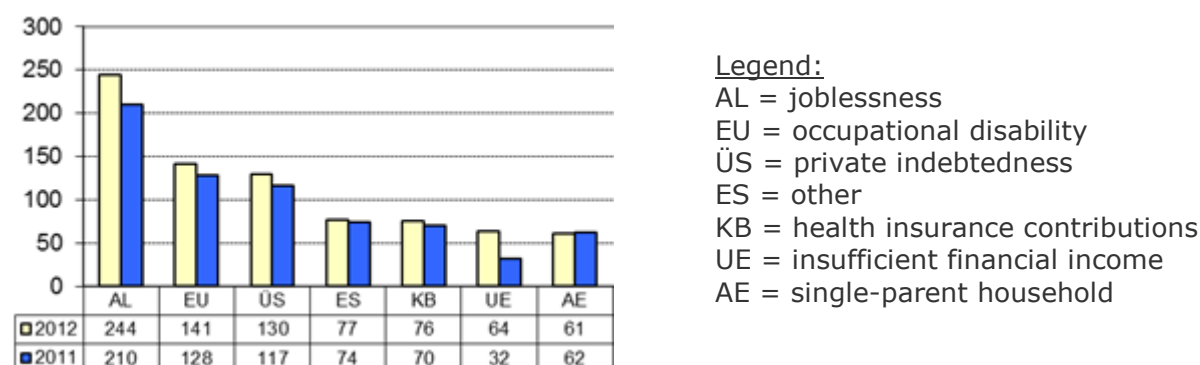


Figure 8: Most important reasons for social welfare benefit in 2011 and 2012

<sup>18</sup> Social welfare benefit recipients, Office for social services, 2012

Source: [http://www.llv.li/pdf-llv-as-indikatoren\\_2012](http://www.llv.li/pdf-llv-as-indikatoren_2012)

<sup>19</sup> Interview on 2012 annual report, office for social services, Mr Rainer Gstöhl.

Additionally, it has to be mentioned that the proportion of family households with children who receive social welfare benefit is regularly lower than that within the overall population. The same phenomenon can be seen in the figures of the neighbouring country Switzerland. The reasons for this cannot be clearly stated, but it seems that the personal effort in avoiding the need to claim social welfare tends to be higher in family households with children. Another aspect might be that these households are creating healthier living conditions which enable them to stay financially independent.<sup>20</sup>

The **rent allowance (MbH)** stood by the end of 2012 at 1.9 million Swiss francs for a total of 295 households. There were 172 single parent households receiving a total amount of rent allowance of 1.1 million Swiss francs. The remaining 123 households, mostly single person households, received rent allowance amounting 0.8 million Swiss francs.

Compared to the figures for previous years, the rent allowance shows a relatively constant number of recipients and amounts paid.

Year	Total number of recipients	Of which single parent households as %	Of which families with children as %	Total amount of rent allowance in Swiss francs
2012	295	58.3%	41.7%	1.95 million
2011	308	59.4%	40.6%	1.97 million
2010	322	56.8%	43.2%	2.14 million

**Table 4: Pattern of rent allowance from 2010 - 2012**

The figures above show that the proportion of single parent households receiving rent allowance is high. This is also reflected in the amounts paid per household. Rent allowance to single parent households with one child stood at 6,109 Swiss francs on average, representing 29.1% of the total amount paid. Within single parent households, it is especially the group of young mothers which receives the highest rent allowance. The reasons for this could be that:

- Young mothers very often have a lower employment education profile and less work experience than other job seekers;
- The group of young mothers shows the highest share of part-time employment, which is – among others factors- a result of the difficulty in finding reasonable out-of-house child care arrangements.

Correlating these figures with the number of child care facilities over the time period from 2011 to 2012 shows the positive effect of increasing child care facilities: a fall in the number of rent allowance recipients in the group of single parent households.

Another group at risk of poverty and thus one which shows an increasing number of rent allowance recipients are families where household income depends on part-time or occasional employment.

<sup>20</sup> Interview 2012 annual report, office for social services, Mr Rainer Gstöhl.

In relation to the **health insurance premium reduction**, 4,322 benefit allowances were granted in 2012. This reflects an increase of 0.8% compared to the previous year, whereas from 2010 to 2011 there was a fall of 0.2%. 50.6% of the benefit recipients were single households or single parent households with a relevant income below 30,000 Swiss francs - not necessarily households with children or young people. 14.4% of the recipients had a relevant income between 30,001 and 45,000 Swiss francs.<sup>21</sup>

The highest number of recipients within the single households were pensioners. According to the latest figures, the number of persons over the age of 65 living in Liechtenstein (official pension age is 64) increased from 2010 to 2011 by 4.26%.

	2012	2011	+/- in %
Total number of recipients	4,322	4,288	+0.8%
Percentage of recipients: single household Income 0 – 30,000 Swiss francs	50.6%	48.6%	+4.8%
Percentage of recipients: single household Income 30,001 – 45,000 Swiss francs	14.4%	14.7%	-0.8/
Percentage of recipients – 2 person household Income 0 – 36,000 Swiss francs	22.8%	22.7%	+1.0%
Percentage of recipients – 2 person household Income 36,001 – 54,000 Swiss francs	12.2%	14.0%	-12.0%

**Table 5: Pattern of health insurance premium reduction in 2011 and 2012**

The total amount of health insurance premium reduction stood at 6.3 million Swiss francs in 2011, which reflects a higher amount compared to the previous year.<sup>22</sup>

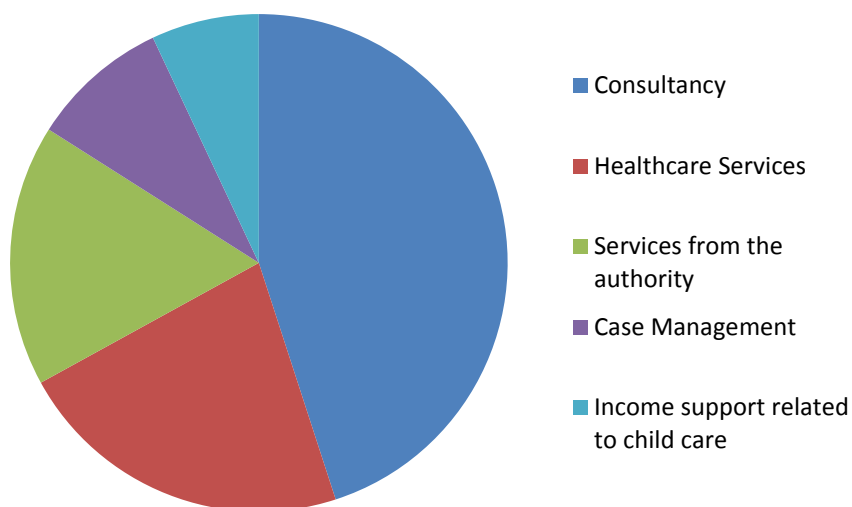
Finally, children and young persons up to the age of 16 are exempt by law from the state health insurance premium. The state health insurance covers all children up to the age of 16 living in Liechtenstein without exception.

**Income support related to child care** outside the home stood at 165'544 Swiss francs at the end of 2012. This represents an increase of 1.46% compared to the previous year. This amount consists of 78 benefit allowances to 64 families (multiple allowances possible). This reflects a support rate of nearly 7%, since in total 1,118 children were in childcare facilities throughout 2012. These figures were slightly lower in 2011, representing a support rate of about 6.1% with 68 benefit allowances for 62 families.

As in 2011, one of the main reasons in 2012 for consulting the child and adolescent service department of the Social Services Office was to request financial support as a result of insufficient household income. Of the total of 77 requested consultations in 2011, 6 were directly related to insufficient income. The proportion of income support from official sources related to child care in comparison with other services related to child issues is shown in figure 9:

<sup>21</sup> Due to missing further detailed statistical data, a differentiation between single households and single parent households cannot be made.

<sup>22</sup> Official date for 2012 regarding the total amount of health insurance premium reduction has not been available at the time writing this report.



**Figure 9: Proportion of issues when making an application to the Social Services office, child and adolescent services section**

By the end of 2012, the supply of child care facilities had grown due to the official series of measures as part of the national welfare programme. This positive development resulted, as mentioned before, in a lower figure of social welfare benefits for single parents. Additionally, the importance which the government gave to this topic in 2011 helped to create at least a little more sensitivity on the part of employers. At least one initiative for a company-based child care centre was launched in 2012.

#### 2.4.5. Education

In considering the educational welfare of children, we have to distinguish between mere participation in school education and achievement levels. For school-age children there is some data on educational development, but for younger children almost no data on developmental progress exists. Furthermore, in recent times the acknowledgement that the foundations of educational success are laid down before formal education begins, raises the question as to how good the actual education system in Liechtenstein is and how the need for child care structures might be combined with pre-school education.<sup>23</sup> Thus better and more child oriented data is necessary.

In principal, kindergarten attendance in Liechtenstein is voluntary. Nevertheless, Art 23 of the school law (Schulgesetz)<sup>24</sup> states that kindergarten attendance is mandatory for non-German speaking children for at least one year before compulsory schooling starts. After that time, the current legal situation in Liechtenstein gives the right and the obligation for children domiciled in Liechtenstein to participate in the state school system from the age of six and thence continuously for 9 school years.

<sup>23</sup> There is no evidence that early (pre-6) formal education confers any advantages in terms of ultimate achievements.

<sup>24</sup> Schulgesetz (SchulG) vom 15.12.1971, LLGB 7, 1972:

<https://www.gesetze.li/Seite1.jsp?LGBI=1972007.xml&Searchstring=Schulgesetz&showLGBI=true>

It is difficult to measure the quality of the school system on an internationally comparable basis, and we thus refer to the 2011 Pisa study and the conclusions found for Liechtenstein. The Pisa study states that in recent years Liechtenstein has been failing to adequately support children from deprived economic backgrounds within the educational system. Pupils from an immigrant background show a lower rate of educational at secondary school (Gymnasium) than pupils without such a background (both groups assessed in terms of the same performance outcomes in the field of reading, mathematics and natural science).<sup>25</sup> Successful passage through the years of compulsory schooling is also associated with a wider range of opportunities at the beginning of adult life. At this stage Liechtenstein is facing a challenge to find solutions for closing the gap between children with an immigration background and those without, in terms of their educational development. On the other hand, Liechtenstein has a very low youth unemployment rate. The youth unemployment rate as of March 2013 was 2.7%, i.e. 66 persons within the age range 15 – 24 years with no employment. Taking the impact of the economic crisis into consideration, a low level of education makes the transition from school to work substantially more difficult, as those with higher education levels and those with more work experience are favoured over new entrants into the labour force.

The official commitment of the school system is to fulfil every child's right to be adequately prepared for the demands of the society in which the child is living. Managing and negotiating that world, i.e. making decisions about jobs, families, finances and community participation, needs the ability to acquire and analyse new information and to adapt to changing circumstances. In such a society, the educationally disadvantaged are likely to be very much more disadvantaged than in the past.

## **2.5. Measures taken to tackle child poverty and promote child welfare**

Summarizing the above mentioned aspects of child poverty and children's welfare we come to the conclusion that the highest risk of child poverty results from low or insufficient household income. The reasons for low or insufficient income can be varied. The most relevant are unemployment, part-time work, and insufficient professional qualifications. As the social security system is well developed in Liechtenstein and offers different types of social help, it can be said that children living in Liechtenstein find a solid and helpful social network to avoid financial poverty. In relation to child well-being/welfare, the support given by the authorities as well as by social institutions and private associations is very extensive. The combination of the three main factors - high labour-market participation of parents, low in-work poverty, and effective income support – is the key to the current low poverty rate in Liechtenstein.

### **2.5.1. High labour-market participation of parents**

It must be said that the positive results from the official family programme are still not sufficient to support all parents' need for child care facilities. Unfortunately, there are no figures available to analyse the number of households with low or insufficient income due to the lack of child care facilities. It is clear that without more child care facilities, the need to secure employment cannot be met which might result in more financial difficulties for various households. At the end of 2011 250 children were listed requesting admittance to a child care facility. At the end of 2012 it was 266 children,

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<sup>25</sup> Forschungsgemeinschaft 2011, S. 20; Konsortium PISA.ch.

of whom 30% were aged below 1 year or had not even been born. As a result, official financial support for extracurricular day-care facilities, offered by three different institutions, was prolonged through a pilot project extending from 2011 to the end of 2013. At the beginning of this timeframe the authorities mandated an expert group to come up with a detailed plan for out-of-house childcare and how it should be financed, which has to be presented by the end of 2013. A key challenge for this plan will be the answer to the question of how households with low or insufficient income can receive special consideration for increasing their possibility of securing full time employment or increasing their part-time employment to avoid poverty and inadequate child well-being.

From the author's point of view the following points need governmental support in order to be more effective:

- A wide availability of low-cost child care for families in social need (granted and free of charge child care facility);
- Combining young mothers' vocational training with child care facilities;
- Forcing employers to set up company-based/in-house child care centres and offer flexible working structures for parents by means of flexible legal frameworks, attractive social insurance and tax models, etc.

### **2.5.2. Low in-work poverty**

The current situation in respect of unemployment is very good, with extremely low figures compared to other European countries. Supportive measures to bring parents, mostly mothers, back to employment are in progress. Special attention is also given to young persons with various measures to avoid unemployment and to increase their educational level by e.g. a voluntary extracurricular year with very individual focuses on education and integrated work internships.

Within the area of low income employees there are still open issues which have not been resolved yet. The number of people who have an insufficient income despite full time employment is relatively low in relation to the total employment figure, but remains a problem. These groups of people are facing an increasing risk when they reach pension age or are faced with unemployment. The insurance benefits at the state level are given, but in most cases they are not sufficient to cover the whole costs of living. As the employer's contribution to supplementary pension insurance is linked to the employees' annual level of income, in some cases companies tend to hire and fire workers in order to avoid additional social insurance premiums.

### **2.5.3. Effective income support**

Looking at the social welfare benefits, we mentioned earlier that Liechtenstein face an increase of 8% in the number of supported households from 2011 to 2012. The increase comes from the three areas of unemployment, disability, and low household income. It can be seen that the social welfare benefit structure has a very good target achievement and thus offers direct support to those households which are in real need of social welfare help. To reduce the level of poverty, the most effective social welfare help is the one which enables low income households to exceed the low income threshold defined by the Law on Social Assistance.



Additionally, the new tax system which was implemented in 2010 and effective from 2011 onwards has to be mentioned when speaking of income effects. By switching from the formal progressive tax rate to a new model with seven tax brackets, the new system had a positive effect on low income households. Income up to 15,000 Swiss francs for single households or 30,000 for married couples is free from income tax.

An increase of the maximum tax rate for top earners was given based on the financial challenges and the actual situation of the Liechtenstein national budget in 2012. But beside this, households with low income have benefited from the new tax system and will do so in the coming period.

## **2.6. Outlook**

Based on the given explanations and the detailed analyses in the 2008 poverty report, it can be said that the households receiving social welfare help are enabled to attain a standard of living which is not lower than that one of low income groups in employment in Liechtenstein. The authors of the report come to the conclusion, that with the given measures and legal definitions of social welfare, people living on the breadline in Liechtenstein have sufficient financial sources to obtain their costs of living in a humane way.

As a moral imperative, the need to promote child welfare is widely accepted within the Liechtenstein population and political parties. As a pragmatic imperative, it needs continuous prioritisation and a framework of coherent activities within the social welfare system. To cope with these challenges it seems necessary to the authors to install a series of indicators to monitor the various developments and report on a regular basis to reflect influences on family life, the labour market, and government policy on the material welfare situation of children in Liechtenstein. Based on the low level of available figures regarding widely used definitions when measuring child welfare in Liechtenstein no long-term comparison with other countries is possible. The advantage of such analyses would be to record the standards achieved, to discuss the results shown by other nations and to adopt measures that were implemented with success in other highly developed economies at the local level of Liechtenstein.

Nevertheless, Liechtenstein faces financial challenges and has to keep these constraints in mind when finding the right solutions for the future.

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## **ANNEX 3: Abbreviations**

ACY	Act on Children and Youth
AEZ	Allowance for single parents
ARAF	Act on Rent Allowance for Families
ASANP	Act on Supplementary Aid to the National Old Age and Widow's/Widower's Pension
ASH	Act on Social Help
ASE	Act on School Education
BbH	Allowance for blind persons
BPV	Company old age pension
EL	Supplementary social benefits
HE	Helplessness allowance
IV	Invalidity insurance
KG	Child benefit
KV	Health insurance
MbH	Rent allowance
MZG	Maternity allowance
NOWP	National Old Age and Widow's/Widower's Pension
PV	Health insurance premium deduction
UV	Accident insurance
WSH	Social welfare benefit

## **ANNEX 4: Definitions of terms**

Office for Social Services	Amt für Soziale Dienste
Finance Department	Stabstelle für Finanzen
Central statistical Office	Amt für Statistik
Social assistance act	Sozialhilfegesetz

## ANNEX 5: References and Links

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