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**MINIMUM SOCIAL PROTECTION FOR FAMILIES WITH  
CHILDREN IN THE CEE/CIS COUNTRIES IN 2009**

**A REPORT FOR UNICEF**

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## BACKGROUND

The transition to the market economy and new political institutions that accompanied this process largely destroyed the system of benefits and services that had supported families with children in the Soviet era. Employment, family benefits, insurance benefits, Kindergartens, were swept away. Eventually transition countries began to recover and economies began to experience a re-bounce of economic growth fuelled by the global expansion of the early 2000s. Inequality grew as well, especially in the early and mid 1990 and did not decline when conditions improved. There is evidence that the benefits of growth have not trickled down to children, especially poor children, as much as to other groups in these countries. In fact in many ways children became the victims of transition<sup>4</sup> - their parents incomes fell, state effort on their behalf was strikingly reduced, and in many countries large numbers of parents left their children to work abroad.

Recently the region experienced the consequences of the rise in food and energy prices and then the economic crisis. Arising from a concern about the social costs of the economic crisis, the UNICEF Regional Office for CEE/CIS launched a project to investigate its impact. There were a number of elements in this package of work<sup>5</sup>, including the comparative analysis of the social protection schemes reported in this paper.

The analysis concludes that state support for families in the region is, with some exceptions, extremely low. Families with children are often worse off than childless couples as a result of the charges they have to pay for the childcare, education and health care of their children. Levels of expenditure are much below what one would expect in countries that are concerned about developing modern social social protection systems, tackling demographic decline and building their future around investing in human capital.

## OBJECTIVES

The objective of this paper is to review the level and structure of the minimum social protection scheme for families with children in CEE/CIS countries. There are a variety of approaches that could be used in pursuit of this task.

One approach would be to compare the child poverty rates (and gaps) before and after transfers and assess the extent to which state transfers reduce market generated child poverty rates. In the EU, the Statistics on Income and Living Conditions survey (SILC) is being used to produce this kind of comparison and the data is used in the *Social Inclusion Indicators*<sup>6</sup>. The OECD also undertakes this kind of analysis every five years or so most recently in *Growing Unequal*<sup>7</sup>. Independent scholars use the Luxembourg Income Study to produce similar kinds of analysis. In

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<sup>4</sup> World Bank (2005) *Growth, poverty and inequality: Eastern Europe and the former Soviet Union*, World Bank: Washington

UNICEF (2006) *Innocenti Social Monitor 2006. Understanding Child Poverty in South Eastern Europe and the commonwealth of independent states*. Florence: UNICEF IRC.

<sup>5</sup> UNICEF local offices were asked to complete a questionnaire on the impact of the crisis and the responses to it. This material has been used in a joint UNICEF/ILO paper being presented to the Ministerial Conference: Mitigating the Impact of Financial Crisis and Preparing for Recovery at Almaty 7/8 December 2009<sup>5</sup>. Over the last three years, Bradshaw and Chzhen on behalf of the UNICEF Regional Office have been undertaking secondary analyses of Household Budget and Living Standards Monitoring Surveys. We produced a comparative analysis of child poverty rates and the impact of transfers in five countries (Serbia, Kosovo, Bosnia, Georgia, and Armenia). The UNICEF Regional Office has commissioned two case studies of the effectiveness of social protection in Slovenia<sup>5</sup> and Russia.

<sup>6</sup> European Union (2009) Portfolio of indicators for the monitoring of the European strategy for social protection and social exclusion -2009 update, EU: Brussels

[http://ec.europa.eu/employment\\_social/spsi/docs/social\\_inclusion/data\\_inclusion\\_en.xls](http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/data_inclusion_en.xls)

<sup>7</sup> OECD (2008) *Growing Unequal? Income Distribution and Poverty in OECD Countries*, OECD: Paris.

the CEE/CIS countries there is not as yet any common survey or process of collecting consistent data that would enable such an analysis across all countries.

Another approach is to expand the range of outcomes from income poverty and to compare the well-being of children using a multi-dimensional approach. We have made various attempts to do that for the EU<sup>8</sup> and UNICEF has supported comparisons for OECD<sup>9</sup> and CEE/CIS<sup>10</sup> countries. More recently the OECD has published a comparison of child well-being (including Turkey from this region)<sup>11</sup>. The most recent Innocenti Social Monitor<sup>12</sup> contains comparative cross country data on well-being measures.

Another approach to evaluating the impact of social protection is to compare the effort made by governments to support families with children by analysing national account data on expenditure. The EU ESSPROS series has limited use because it excludes tax expenditures. The OECD analysis includes tax expenditures and the most recent comparison shows that on average countries in the OECD spent 2.4 per cent of GDP on families with children in 2005 in cash benefits, services and tax breaks<sup>13</sup>. Turkey, the only country included in that analysis from this region was bottom of the league table spending 0.024 per cent of GDP. There is no similar consistent series for CEE/CIS countries but the latest Innocenti Social Monitor produces a table (3.4) which includes nine countries from the region showing that they were all spending less than 1% of GDP on family allowances in 2004-2006.

This paper is based on another method of analysis for comparing social protection schemes - model family methods. This method has been used for many years by OECD to compare social protection packages in its *Benefits and Wages* series. We have also undertaken a series of studies since 1980 using the method to compare child benefit packages, social assistance, child support and policies for lone parents<sup>14</sup>. This is the first time the method has been used in CEE/CIS countries. This study coincides with a project using the method emanating from the University of

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<sup>8</sup> Bradshaw, J., Hoelscher, P. and Richardson, D. (2007) An index of child well-being in the European Union 25, *Journal of Social Indicators Research*, 80, 133-177.

Bradshaw, J. and Richardson, D. (2009) An index of child well-being in Europe, *J. Child Indicators Research*, 2, 3, 319.

<sup>9</sup> UNICEF (2008) Beyond Child Poverty: The well-being of children in rich countries, Innocenti Report Card 7, UNICEF: Florence.

<sup>10</sup> Richardson, D. Hoelscher, P. and Bradshaw, J. (2008) Child well-being in Central and Eastern European Countries (CEE) and the Commonwealth of Independent States (CIS), *Child Ind. Res.* 1: 211-250.

<sup>11</sup> OECD (2009) *Doing Better for Children*, Paris: OECD.

<sup>12</sup> UNICEF (2009) Innocenti Social Monitor 2009, Innocenti Research centre, UNICEF: Florence.

<sup>13</sup> <http://www.oecd.org/dataoecd/55/58/38968865.xls>

<sup>14</sup> Bradshaw, J. and Finch, N. (2004) Housing benefits in 22 countries, *Benefits*, 12, 2, 87-94.

Bradshaw, J.R. and Piachaud, D. (1980) *Child Support in the European Community*, Occasional Paper in Social Administration No. 66, Bedford Square Press: London

Bradshaw, J., Kennedy, S., Kilkey, M., Hutton, S., Corden, A., Eardley, T., Holmes, H. and Neale, J. (1996) *The employment of lone parents: a comparison of policy in 20 countries*, The Family and Parenthood: Policy and Practice, Family Policy Studies Centre: London

Bradshaw, J.R., Ditch, J., Holmes, H. and Whiteford, P. (1993) *Support for Children: A comparison of arrangements in fifteen countries*, Department of Social Security Research Report No.21, HMSO: London

Bradshaw, J. and Finch, N. (2002) *A Comparison of Child Benefit Packages in 22 Countries*, Department for Work and Pensions Research Report No.174, Corporate Document Services: Leeds

Bradshaw, J. and Mayhew, E. (2006) Family Benefit Packages in Bradshaw, J. and Hatland, A. (2006) (eds) *Social policy, family change and employment in comparative perspective*, Cheltenham: Edward Elgar.

Bradshaw, J. (2006) Child benefit packages in 15 countries in 2004, in Lewis, J. (ed) *Children, changing families and the welfare state*, Cheltenham: Edward Elgar. pp 69-89.

Eardley, T., Bradshaw, J., Ditch, J., Gough, I. and Whiteford, P. (1996) *Social Assistance in OECD Countries: Synthesis Report*, Department of Social Security Research Report No.46, HMSO: London

British Columbia of 17 OECD countries so we will be able to compare our results with those from the countries in that study.

## **METHODS**

This method uses national informants (in this case Social Policy Officers in UNICEF Country Offices) to provide information on the tax/benefit system in their own countries. In order to compare like with like, they estimate what a set of standard model families would receive, at a specified set of earnings levels, by way of a specified set of taxes and benefits that make up the social protection package for families with children. The information is entered into a set of data matrices and these are used to explore the level and structure of the child benefit package, converted to a common currency (\$ purchasing power parities) or expressed as a proportion of average earnings<sup>15</sup>.

The family types included in this study are:

- Childless couple (for a base-line)
- Lone parent with one child aged 2 yrs and 11 months
- Lone parent with two children aged 2 yrs and 11 months and 7yrs
- Couples with one child aged 7yrs
- Couples with two children aged 2 yrs and 11 months and 7
- Pensioner couple (Social Assistance case only)

The earnings cases included in this study are:

- One earner with half average earnings
- One earner having average earnings
- No earners and receiving social assistance/minimum income scheme.
- Pensioner couple on social assistance/minimum income scheme

The package that this study has taken into account includes:

- Tax benefits for children,
- Income related child benefits,
- Non income related child benefits,
- Housing benefits,
- Exemptions from local taxes,
- Direct childcare subsidies,
- The value of health charges and benefits,
- The value of education charges and benefits,
- Child support (where it is guaranteed),
- Other benefits such as food stamps or social assistance.

There are advantages to the model family method. It enables comparisons of like with like to be made, and the results can be produced quite quickly. It also enables comparisons of the level and structure of the benefit package and how it varies by family type, earnings, number and ages of children as well as before and after housing and childcare costs. It is also possible to use the data

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<sup>15</sup> It should be acknowledged that there are problems with both these comparators, perhaps particularly in the CEE/CIS region. Purchasing power parities are estimated using average consumption and the consumption patterns and prices may be very different for poor households. Average earnings are estimated for people engaged in the formal economy and are likely to be much higher than basket of goods

to make estimates of notional marginal tax rates and replacement rates (the OECD use their *Benefits and Wages* series mainly with the latter in mind).

There are also a number of problems with the method. There are limits to the number of model families, income levels and parental employment permutations that can be covered. This means that the comparisons have to be illustrative rather than representative.

The method also gives a picture of the situation that should exist given the existing formal rules and laws. It does not represent how these rules and laws operate in practice and, although it can, it does not often attempt to take account of the non take-up of cash benefits. Nevertheless there is value in taking account of what the state seeks to do – it represents the intention of public policy.

Also there are particular problems in representing the education and health benefit elements of the package. But by far the most difficult problem is the treatment of housing costs and benefits<sup>16</sup>. Housing costs vary by tenure, age, size and location of the dwelling, and in the case of some countries, by the length of occupancy. In the case of owner occupiers they also vary by the age of the mortgage and the interest rate. In our earlier studies using this method, we asked national informants to specify a ‘typical’ housing cost for their country, but found that it was too variable to compare like with like. So we eventually followed the OECD method of taking rent as 20 per cent of national average earnings and then estimating housing benefit payable on that rent. This is not a very satisfactory solution because it means that rent does not vary with the size of the dwelling or income - 20 per cent of average income is far too low for better off families and far too high for poorer families. This is a problem without an adequate solution, but there is no denying that it is a serious one, given that housing benefits are such an important part of the child benefit package in many countries.

## **RESULTS**

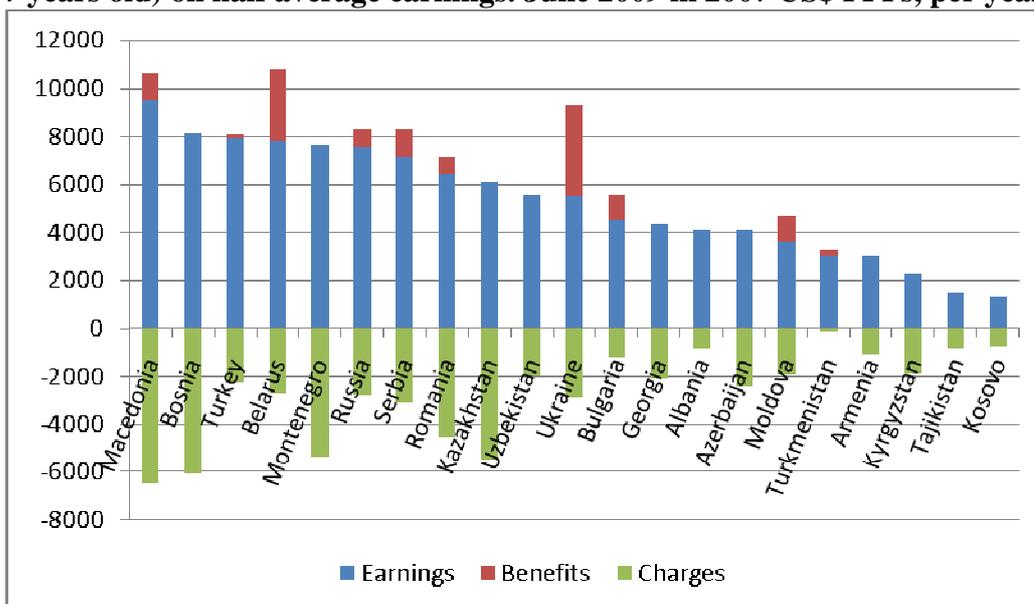
### **Net in-work income**

First in Charts 1-4 we compare the overall distribution of income for our two cases with earnings for two standard families. Above the line are the earnings and cash benefits and below the line are the income tax/social security contributions and charges they would have to pay for health and education. Cash benefits make a very small contribution to net income in all countries even at very low levels of earnings. The only exceptions are Belarus, which has a quite generous benefit for a child under 3, and the Ukraine. In most countries the taxes and charges exceed the value of the benefits, indicating that the net support of the state for even low income families with children is negative. We explore this picture in more detail below.

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<sup>16</sup> Bradshaw, J. and Finch, N. (2004) Housing benefits in 22 countries, *Benefits*, 12, 2, 87-94.

**Chart 1: Earnings, charges and benefits for a couple+2 children (aged 2yrs 11 months and 7 years old) on half average earnings. June 2009 in 2007 US\$ PPPs, per year**



Benefits: income-tested and non-income tested child benefits

Charges: income tax, social security contributions, health care, education costs, childcare

Most CEE/CIS countries provide some form of child benefit to families in employment but many do not (Bosnia and Herzegovina<sup>17</sup>, Montenegro, Kazakhstan, Uzbekistan, Georgia, Albania, Azerbaijan, Armenia, Kyrgyzstan, Kosovo). Of those which provide family benefits, most of these are means-tested. Only the Russian Federation<sup>18</sup>, Turkmenistan and the Ukraine provide both means-tested and universal child benefits (see Appendix 1). The level of child benefits is generally determined by the number of children in the family hence benefit levels are higher for the 2 children families (Chart 1) than for those containing only one child (Chart 2).

The largest share of charges is made up of social security contributions and health care charges. Social security contributions are especially high in some of the countries belonging to the former Republic of Yugoslavia: Former Republic of Yugoslavia Macedonia<sup>19</sup>, Montenegro, Bosnia and Serbia (Appendix 1).

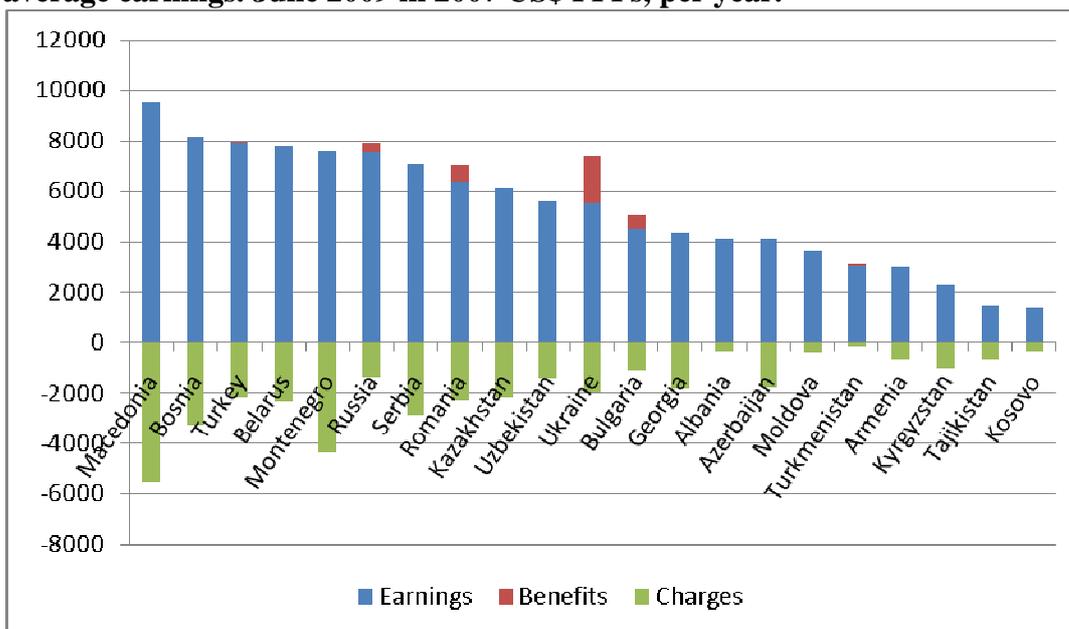
Chart 2 illustrates the income composition for a family with one school age child on half average earnings. Compared to the family with two children (Chart 1), this family type has less expenditure (i.e.: no childcare), but it also receives substantially less family benefits.

<sup>17</sup> From now on shortened to Bosnia

<sup>18</sup> From now on shortened to Russia

<sup>19</sup> From now on shortened to Macedonia

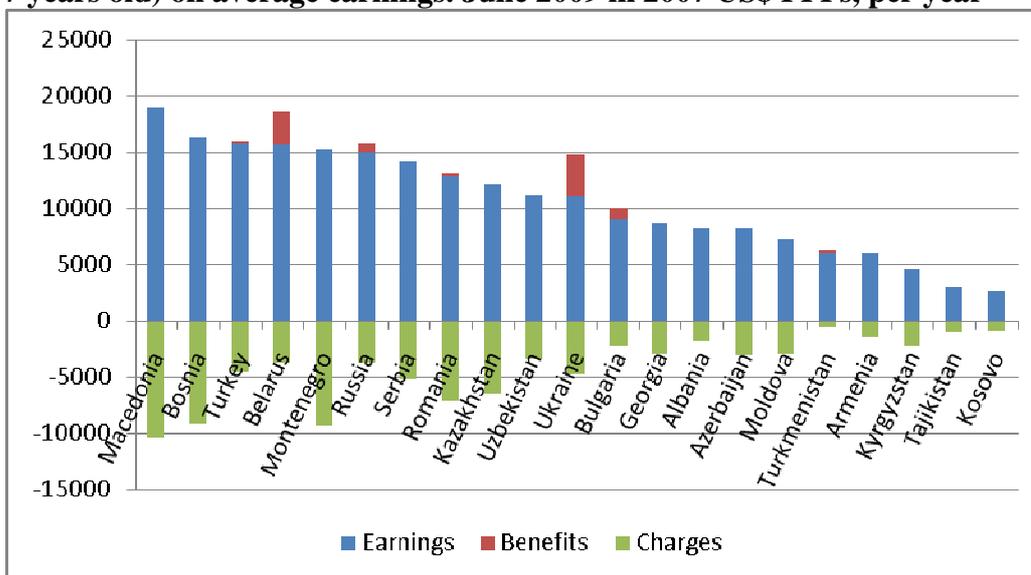
**Chart 2: Earnings, charges and benefits for a couple+1 child (aged 7 years old) on half average earnings. June 2009 in 2007 US\$ PPPs, per year.**



Benefits: income-tested and non-income tested child benefits  
 Charges: income tax, social security contributions, health care, education costs

As earnings levels increase, families are less likely to receive child benefits (Chart 3). On average earnings, a family with two children receives means-tested family benefits in the Ukraine, Bulgaria, and Russia. Only a handful of countries provide universal child benefits, of which the most generous providers are Belarus and the Ukraine (see Appendix 1).

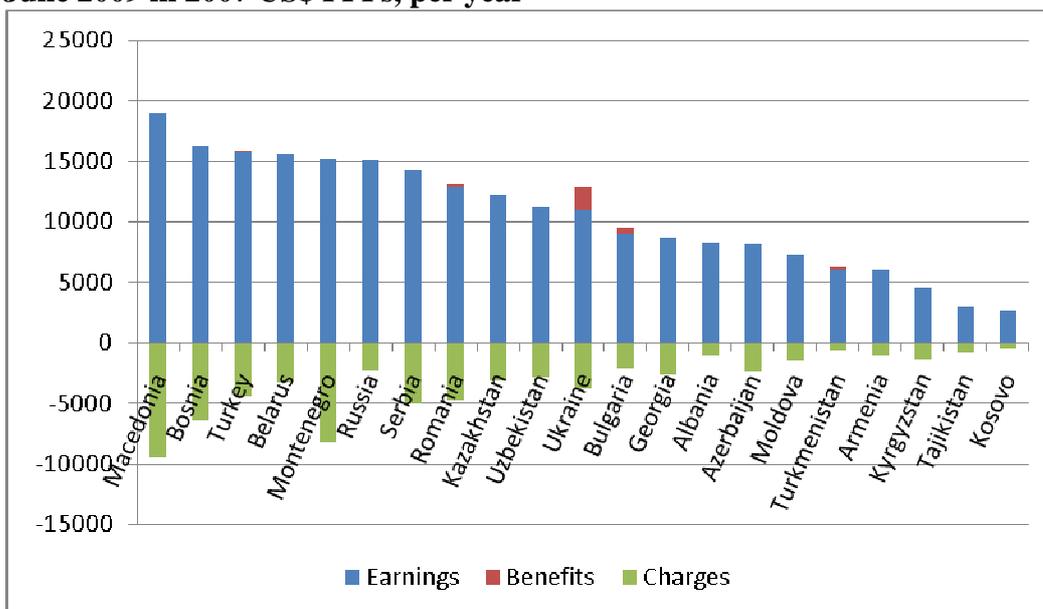
**Chart 3: Earnings, charges and benefits for a couple+2 children (aged 2yrs 11 months and 7 years old) on average earnings. June 2009 in 2007 US\$ PPPs, per year**



Benefits: income-tested and non-income tested child benefits  
 Charges: income tax, social security contributions, health care, education costs, childcare

There are nearly no family benefits to speak of to compensate for the expenditures for a family on average earnings with one school age child (Chart 4). On this earnings level, the Ukraine provides the most generous family benefits.

**Chart 4: Earnings, charges and benefits for a couple+1 child aged 7 on average earnings. June 2009 in 2007 US\$ PPPs, per year**



Benefits: income-tested and non-income tested child benefits

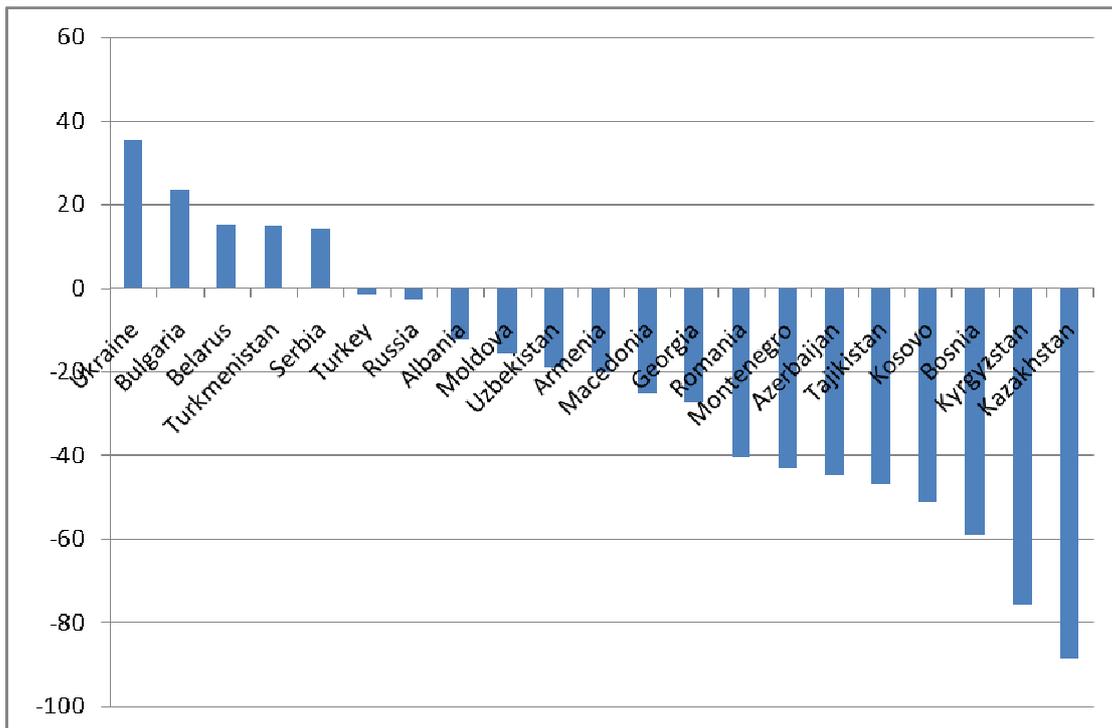
Charges: income tax, social security contributions, health care, education costs

### Value of the child benefit package

We estimate the value of the child benefit package by comparing the net income of a family with children with that of a childless couple with the same earnings. Chart 5 does this for couple families with one parent employed on half average earnings with two children. The child benefit package is expressed as a proportion of the net income of childless couples. In effect it is an evaluation of the extra support provided by the state to families with children.

The net income of families with children exceeds the income of childless couples only in the Ukraine, Bulgaria, Belarus, Turkmenistan and Serbia. In the other countries families with children are worse off than childless couples on the same earnings – as a result of the charges they have to pay for the childcare, education and health care of their children. Effectively the child benefit package is negative.

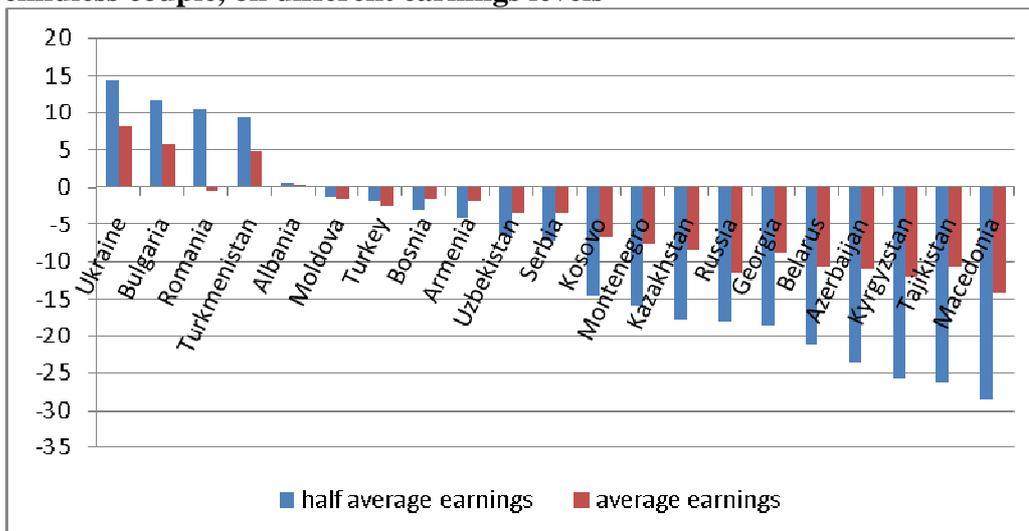
**Chart 5: The child benefit package for a couple plus 2 (2 years 11 months and 7) as a proportion of net income of childless couple with one earner on half average earnings, June 2009.**



**Variation by earnings**

Chart 6 shows how the child benefit package varies for a couple with one child by the level of earnings. In countries with positive child benefit packages the package is more generous at half average than average earnings. With the exception of Moldova and Turkey, the net child benefit package is lower for families on half average than average earnings in the other countries.

**Chart 6: Child benefit package for a couple +1 aged 7 as proportion of net income of childless couple, on different earnings levels**

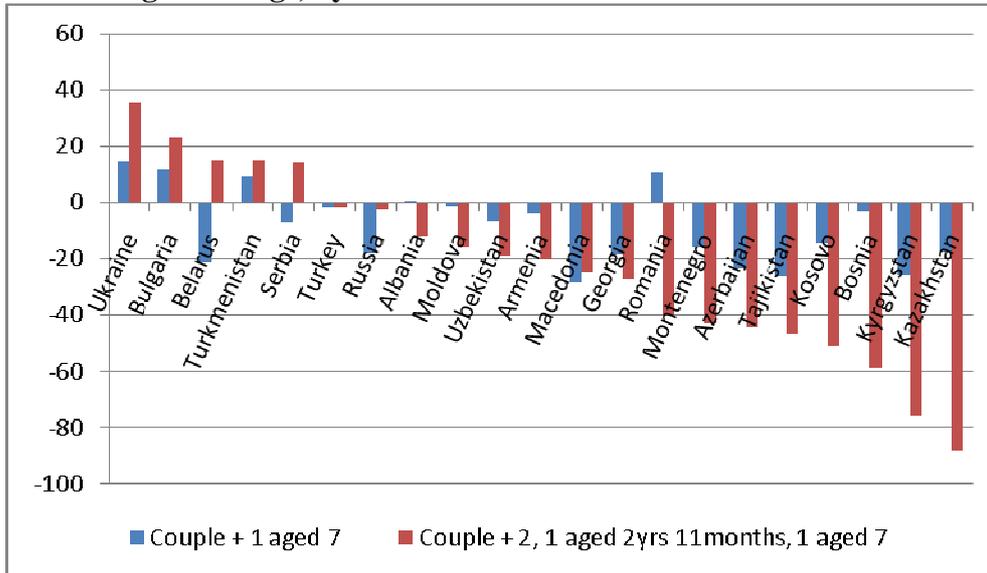


**Variation by the number of children**

Chart 7 shows how the child benefit package varies by the number of children. In most countries with a positive package it is more generous for two children than one. The exception is Romania

where childcare costs exceed benefits for families with two children. In most countries with negative packages one child families are better off because charges are payable for only one child. Families with children are worst off in Kosovo, Bosnia, Kyrgyzstan and Kazakhstan where relatively high costs of childcare, education and healthcare are met with no assistance from the state.

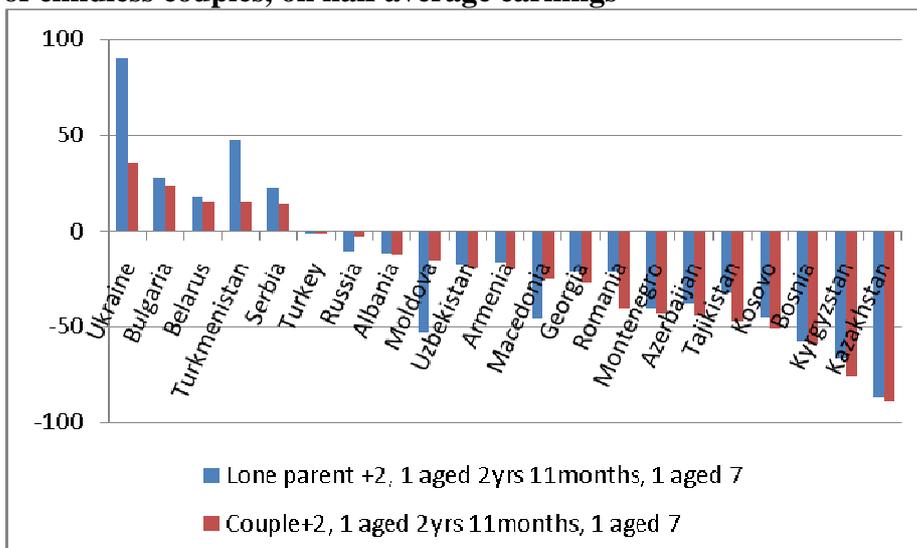
**Chart 7: The child benefit package as a proportion of the net income of childless couples on half average earnings, by the number of children**



**Variation by family type**

Chart 8 shows how the child benefit package varies by family type. In most countries lone parent families have a more generous package than couples with children. The exceptions are Turkey, Russia, Moldova and Macedonia where benefits are targeted at larger families (i.e. those containing more than one child).

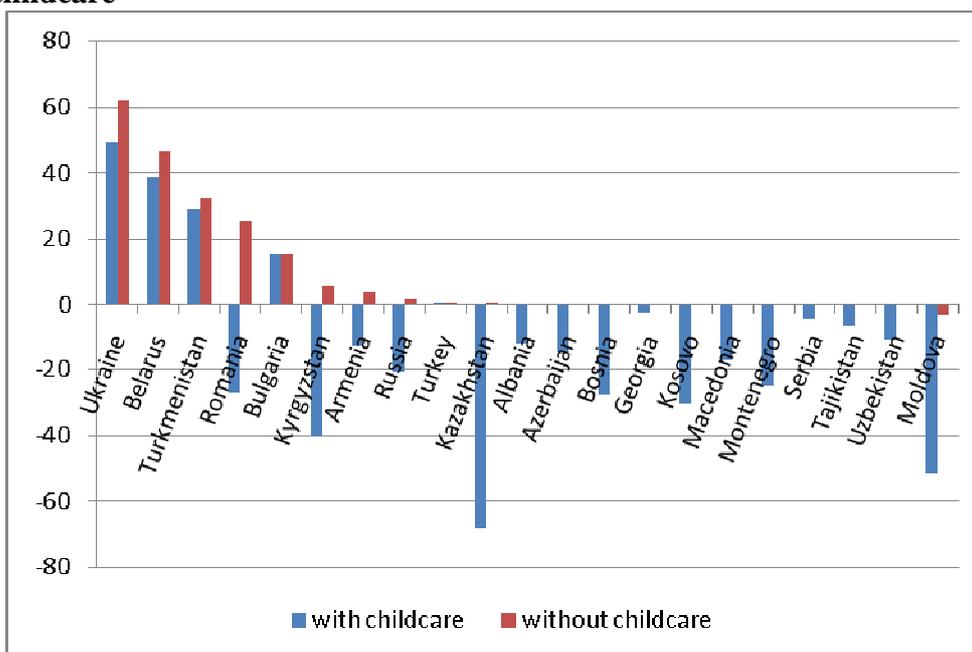
**Chart 8: Child benefit package for lone parents and couples as a proportion of net income of childless couples, on half average earnings**



## Variation by childcare costs

Chart 9 shows how childcare costs impact on the child benefit package. In all countries childcare costs reduce the value of the package but their impact varies considerably between countries depending on whether childcare costs are subsidized by the state.

**Chart 9: Child benefit package for a lone parent plus 1 child aged 2yrs 11months as % of net income of childless couple, with or without childcare**



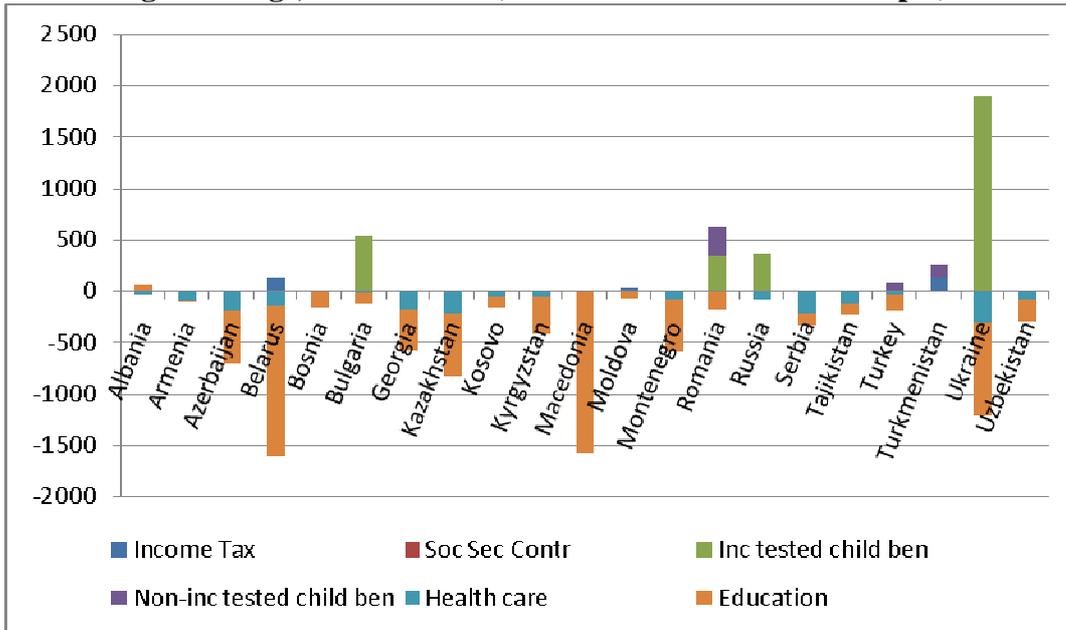
The impact of childcare on positive benefit packages is most pronounced in Romania, Kyrgyzstan, Russia, Kazakhstan and Armenia, where childcare expenses cancel out the value of family benefits entirely. Childcare expenses reduce lone parents' income by over 60% of that of childless couples in Kazakhstan and by 50% of the income of childless couples in Moldova. In the Ukraine, Belarus and Turkmenistan, lone parents with one child have well over 20% higher income than childless couples even after accounting for childcare expenses. The only two countries that subsidise childcare costs for low-earning families are Albania and Serbia.

## Structure of the child benefit package in PPPs

So far we have explored the level of the package. In this section we compare the structure of the package.

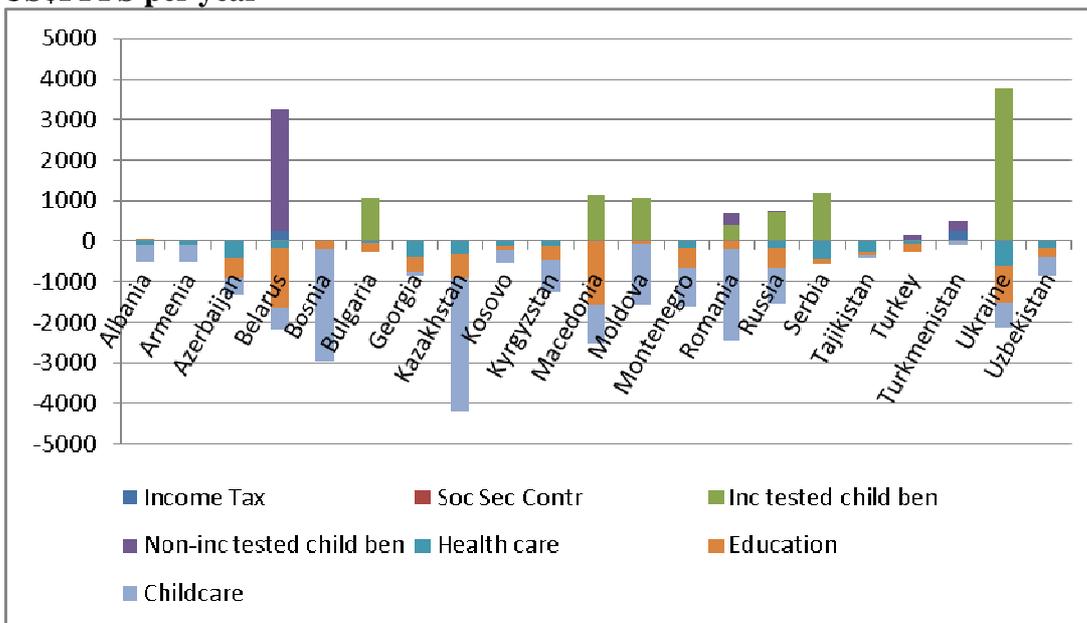
Chart 10 provides an overview of the components of the net disposable income for couples with one child on half average earnings in US\$ PPPs. The Ukraine provides the most generous means-tested child benefits but their value is reduced by substantial health and education charges. Romania is unusual in having both non income tested and income tested child benefits. Education charges are highest in Belarus and Macedonia in the absence of any child benefits.

**Chart 10: Components of child benefit package for a couple with one child (aged 7years) on half average earnings, in US\$ PPPs (difference from childless couple)**



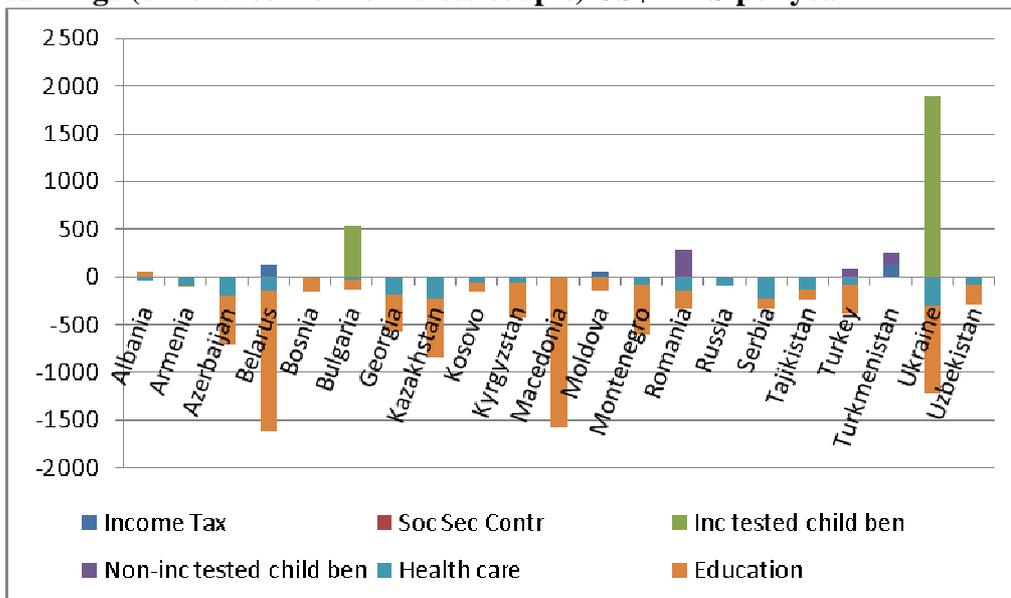
Charts 11-13 provide an overview of the components of the child benefit package for different family types and earnings levels. As the number of children in the family increase so does state support (Chart 11). This is offset however by an increase in family expenditure, mainly in the form of childcare. Belarus provides the most generous universal child benefits but only for families with more than one child.

**Chart 11 Components of the child benefit package for a couple+2 children (1 aged 2 years and 11 months and 1 aged 7) on half average earnings (difference from childless couple) US\$PPPS per year**



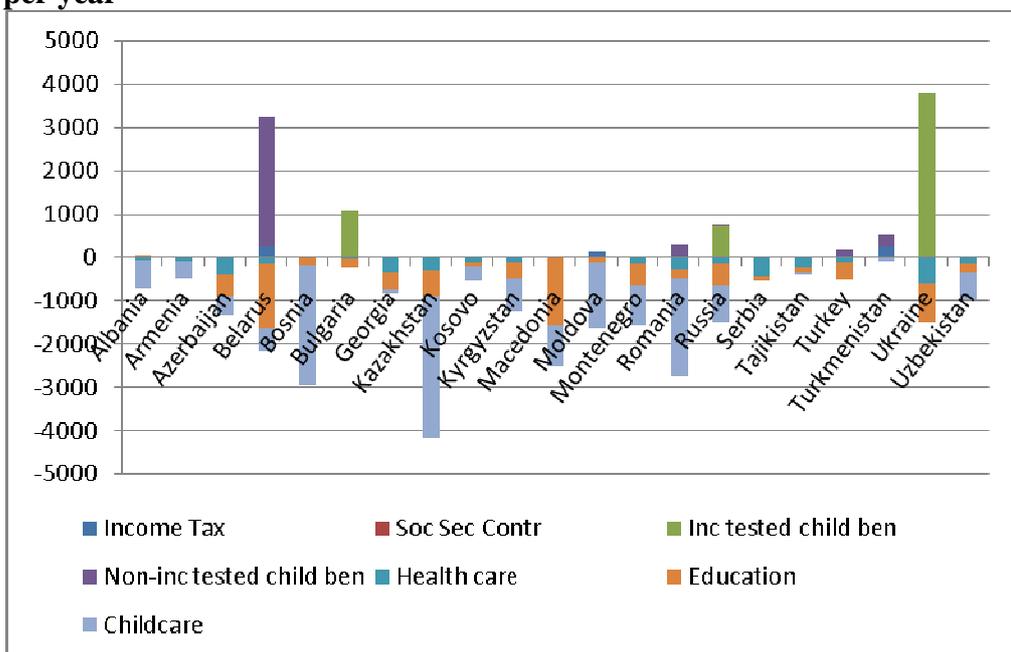
On average earnings a couple with one school age child only receives any significant amount of family benefits in Bulgaria, Romania, Russia, , Turkmenistan and the Ukraine (Chart 12).

**Chart 12 Components of the child benefit package for a couple+1 child aged 7 on average earnings (difference from childless couple) US\$PPPS per year**



Childcare expenses for couples on average earnings are not met by any increase in family benefits except in Belarus.

**Chart 13 Components of child benefit package for a couple plus 2 (1 aged 2 years and 11 months and 1 aged 7) on average earnings (difference from childless couple), US\$ PPPs, per year**



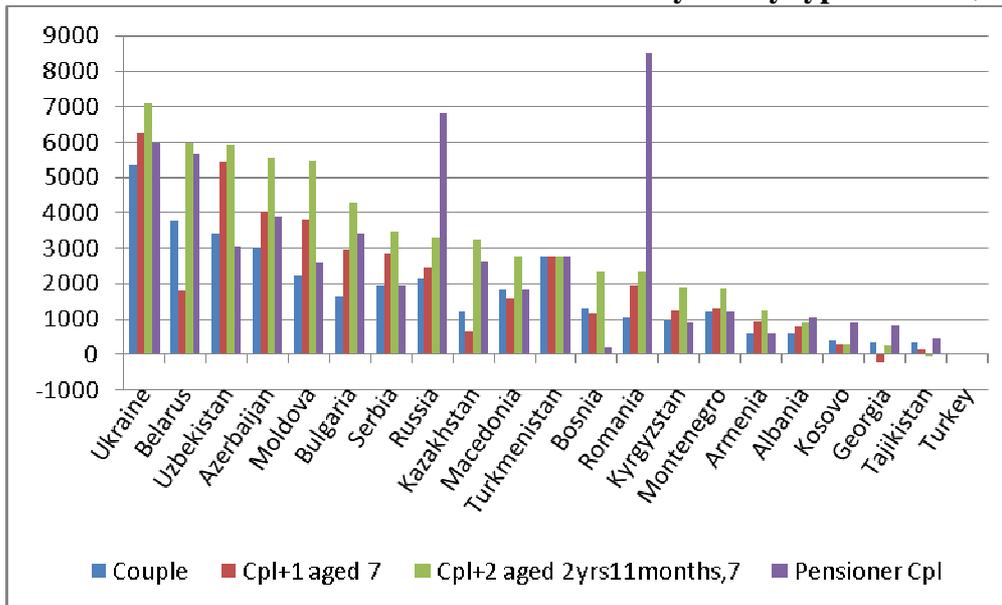
As Charts 10 to 13 demonstrate that the highest costs related to having children are childcare and education across all earnings levels. These costs are financed by families with very little state support in all but a handful of countries (notably Bulgaria, Romania and Ukraine) especially on average earnings. Belarus is only generous to large families.

## Social assistance

So far we have explored the contribution of the state to the costs of child rearing by families with someone in employment. Now we turn to the support package for families with children without anyone in employment and receiving the minimum income payable.

Chart 14 shows the level of social assistance payable to our family types in \$PPPs. The amounts vary by family type and overall are most generous for families with two children. Social assistance is very low or nonexistent in Kosovo, Tajikistan, Georgia and Turkey. In Georgia families with one child do not receive more state support than childless couples (in spite of extra expenses for health and education). Russia, and Romania pay much higher amounts to pensioner couples than to families with children.

**Chart 14: Level of income on social assistance\* by family type in 2007 \$US PPPs**



\*Childcare costs are not included in this chart.

Chart 15 shows the same results but as a proportion of average earnings. The level of social assistance benefits is generally very low, well under 50% of average earnings in most countries. Moldova, Azerbaijan and the Ukraine provide the highest level of support especially for families with two children (over 60% of average earnings). In Russia, Romania, Kosovo, Georgia and Tajikistan, pensioners receive at least double the support of families with children.

**Chart 15: Social assistance as percentage of average earnings**

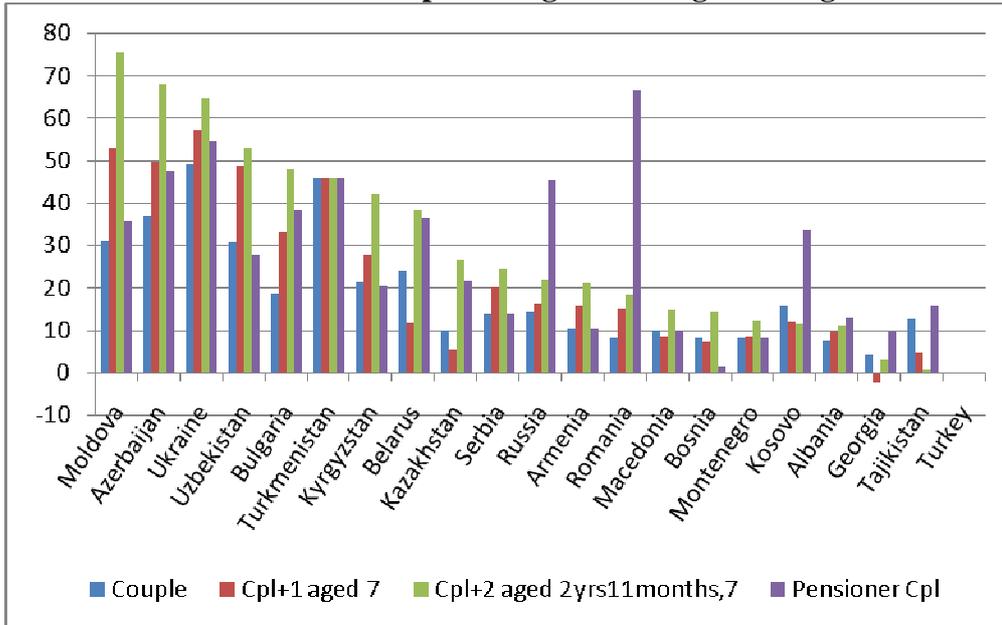
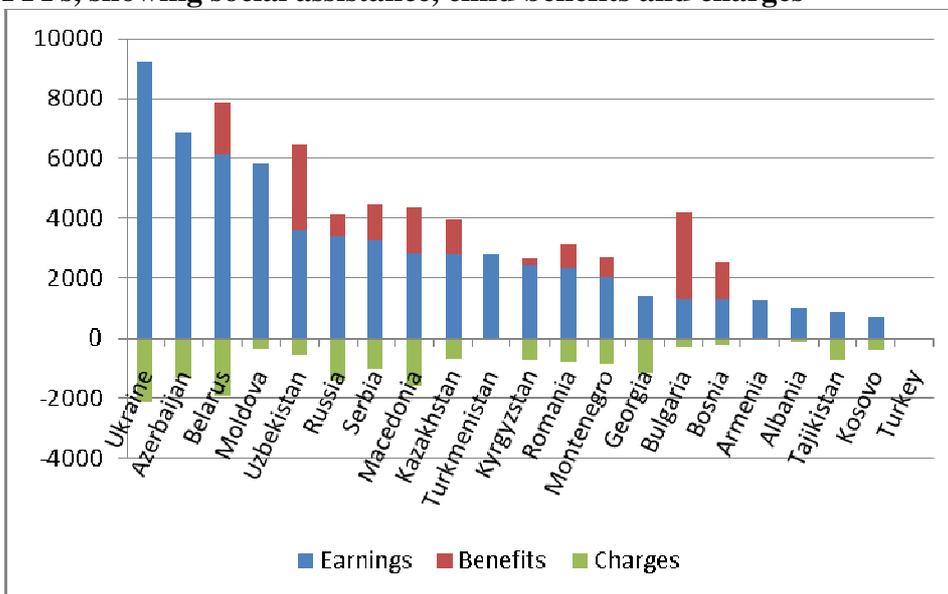


Chart 16 summarizes the components of the net disposable income for a couple with two children living on social assistance. Cash benefits for children are important components of the package in Belarus, Uzbekistan, Bulgaria. Turkey does not have a social assistance system in place and in Kyrgyzstan, Montenegro, Serbia and Macedonia, the low cash benefits are almost entirely absorbed by charges.

**Chart 16: Total annual income for a couple with 2 children on social assistance in US\$ PPPs, showing social assistance, child benefits and charges**



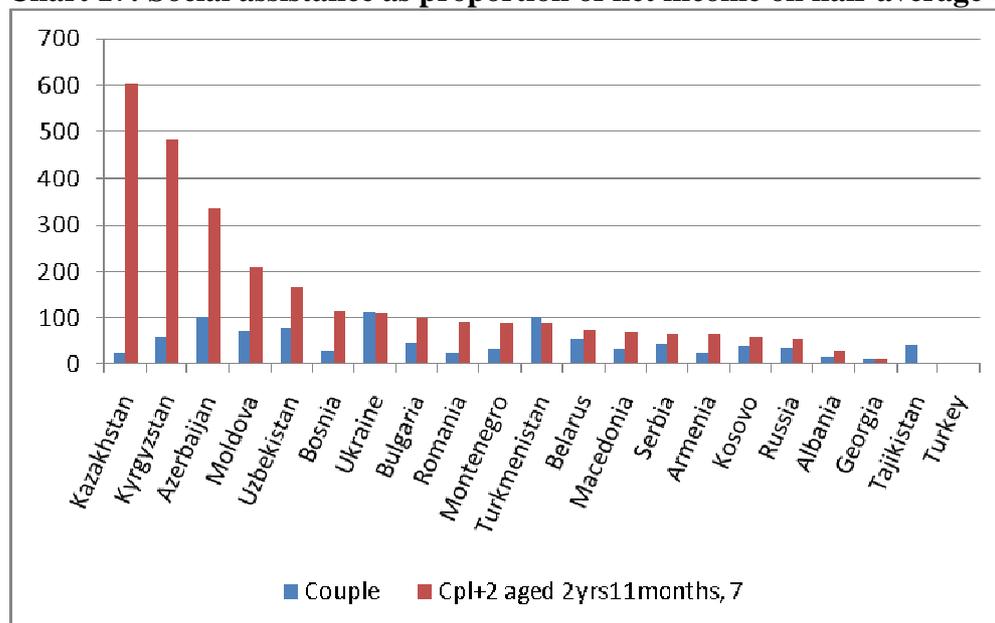
Benefits: income-tested and non-income tested child benefits  
 Charges: income tax, social security contributions, health care, education costs

**Replacement Rates**

The replacement rate is the level of social assistance as a proportion of net in-work incomes, i.e.: it is the extent to which out-of-work benefits replace in-work incomes. Chart 17 shows the replacement rates for childless couples and couples with two children as a proportion of net

income on half average earnings. Azerbaijan, Ukraine and Turkmenistan have replacement rates for a childless couple in excess of 100 per cent. Families with children living on social assistance in Kazakhstan and Kyrgyzstan receive respectively six times and nearly five times as much income as families on half average earnings. Azerbaijan, Moldova, Uzbekistan, Bosnia and Ukraine also have replacement rates over 100 per cent for families with two children. In these countries there are effectively no incentives to work.

**Chart 17: Social assistance as proportion of net income on half-average earnings\***



\*Childcare costs are not included in this chart

## CONCLUSIONS

There are too few countries in the CEE/CIS region which are providing minimum social protection that can be described as satisfactory. For low wage earning families the Ukraine, Bulgaria, Belarus, Turkmenistan and Serbia are the best performers.

Turkmenistan is an oil and gas exporting country appears to be in the right direction. There are no real exemplars in the region where the state is providing support to families in a generous and effective way. In Chart 18, we have inserted the United Kingdom as an example of an EU country and South Africa a middle income country pursuing a different model<sup>20</sup>. Only the Ukraine approaches the level of child support provided in the UK. In a number of the richer countries in the region the effort to support low paid families is nothing short of inadequate. Russia, Romania, Kazakhstan, Turkey and Macedonia could be doing much more given their GDP per capita.

<sup>20</sup> In South Africa there is a constitutional obligation to tackle poverty. One important measure that does this is the Child Support Grant (CSG) – paid to caregivers with children up to 15. It is means-tested but 80 per cent of households are eligible. There is evidence that the CSG increases school enrolment rates from a high base by 50%; reduces hunger and improves nutrition, height for age and therefore future earnings; and increases labour participation. It is distributed very efficiently from payment points using finger print recognition technology. A recent review recommend it become universal (Lund, F., Noble, M., Barnes, H. and Wright, G. (2009) 'Is there a rationale for conditional cash transfers for children in South Africa?', /Transformation, /70, pp. 70-91.) good recent review of the CSG is - Delany, A.et al., (2008) Review of the Child Support Grant: Uses, Implementation and Obstacles, UNICEF. The national informant for South Africa it was Phakama Ntshongwana, Centre for the Analysis of South African Social Policy at the University of Oxford.

This review was carried out prior to the impact of the financial crisis. From an environment of rapid economic growth, many countries now face the prospect of a period of much reduced levels- and slower – growth. Fiscal consolidation is putting pressure on public expenditure, including in the social sectors and for social protection. Pressure for reform of social protection systems risks focusing primarily on generating savings by a shift toward better targeting. The analysis of this paper suggests that reform is indeed urgently needed. But much more in the direction of ensuring an adequate level of support for vulnerable families, taking into account the actual burden of existing taxes and benefits, and supporting families in their role of bringing up children for the future society.

**Chart 18: The child benefit package for a couple plus 2 (2 years 11 and 7) as a proportion of net income of childless couple with one earner on half average earnings, June 2009.**

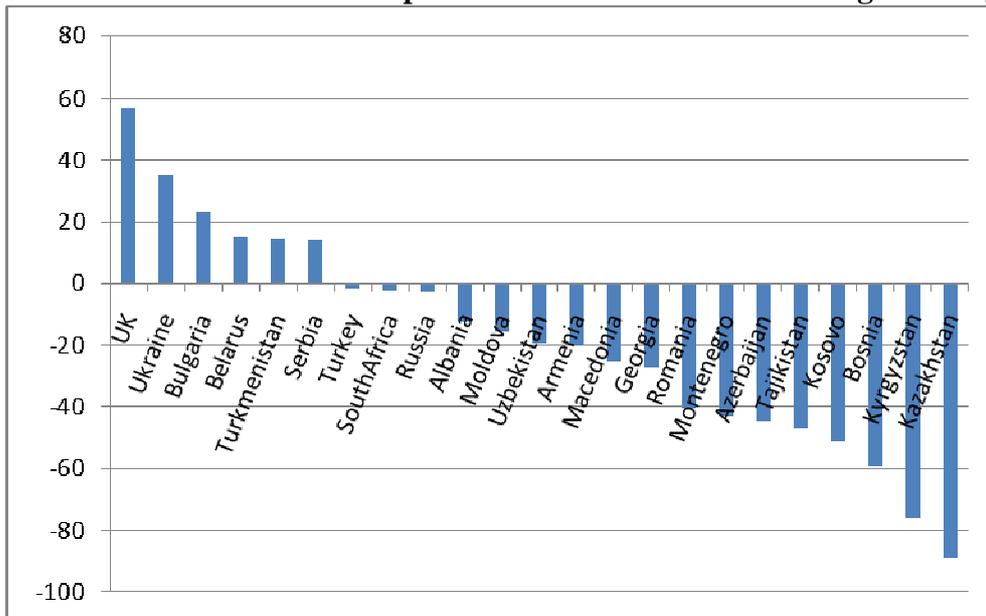
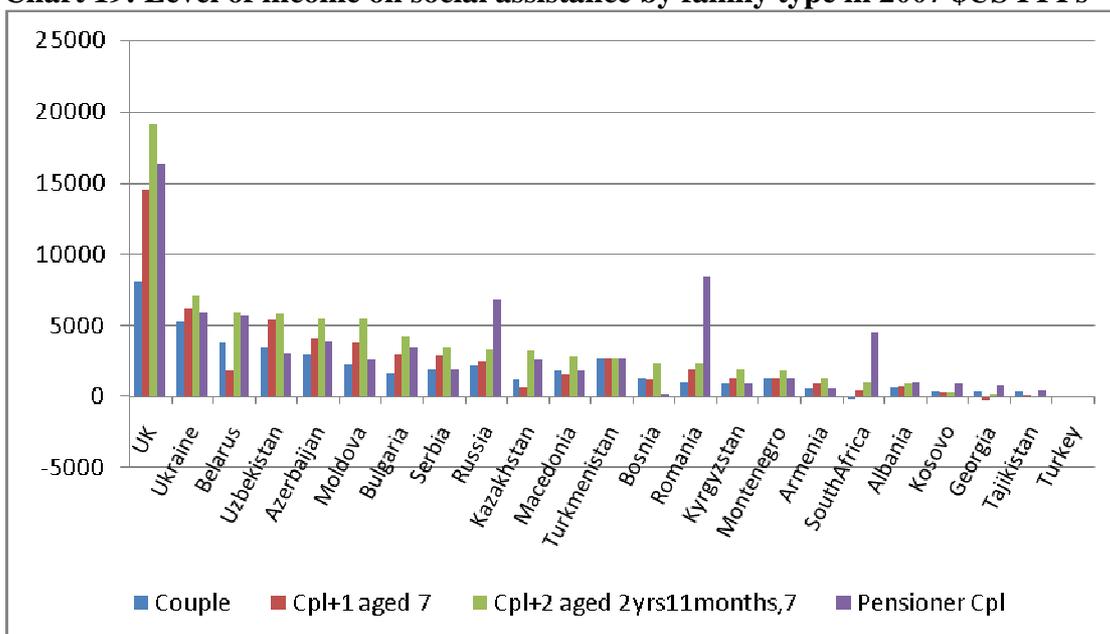


Chart 19 also introduces the UK and South Africa into the comparisons of the social assistance package. No country in the region has a social assistance package anywhere near the UK.

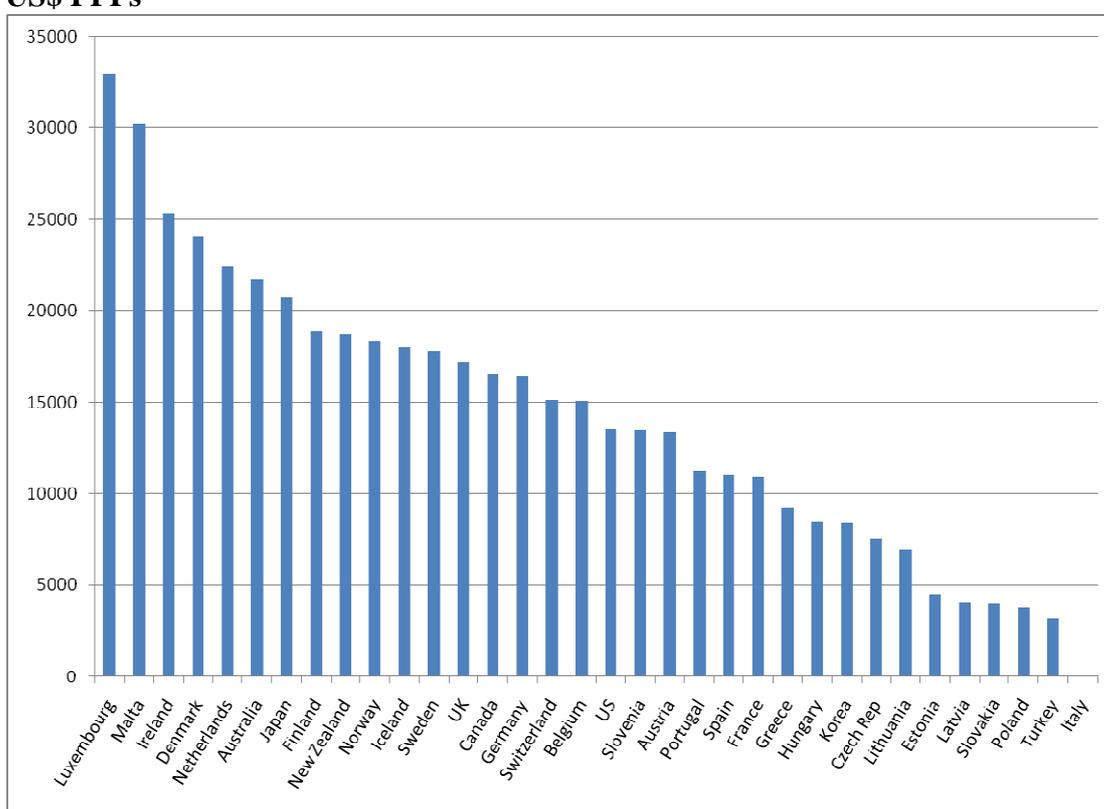
**Chart 19: Level of income on social assistance by family type in 2007 \$US PPPs**



None of these countries is devoting enough of their national resources to poor children. The little they are devoting is wiped out by charges for health and education services that should be free.

Chart 20 puts the low level of social assistance in CEE/CIS countries in a broader international context. In most OECD countries the level of assistance for non-earner families is well beyond 10,000 US\$PPP per year except for the members of the former ‘Eastern Block’ as well as Denmark, Greece and Italy. Compared to this the net income of a family with two children barely approaches 5,000 US\$PPPs per year in the vast majority of countries in the CEE/CIS region (except for in the Ukraine, Belarus, Uzbekistan, Azerbaijan and Moldova). The most generous social assistance providers on the international leader board are Luxembourg, Malta and Ireland.

**Chart 20: The net annual income of a couple with two children on social assistance in 2008, US\$ PPPs**



Source: OECD data.

During the transition process the World Bank has been the major influence on countries rebuilding their social protection systems. Their advice has typically led to the development of social assistance schemes targeted at the very poor. The benefit levels are generally very low, designed to relieve absolute poverty at minimal cost. They have had very little impact on child poverty rates even using a minimal food based poverty threshold. It is not a good record and one that the international community that supports the Bank should be ashamed of. Effectively World Bank poverty policies have been pure window dressing. Using their huge resources they have funded the production of the evidence as well as the response to the evidence. The Washington neo liberal consensus has failed the region and with the recession these schemes have come under increasing strain.

Child poverty rates are very high in the region. Now the global economic crisis is threatening the limited progress that has been made since 1998. There is already evidence that it has had an impact on trade, investment, remittances and growth. Unemployment has increased, particularly youth unemployment which is already very high in the region. A recession is not the time to make pro cyclical cuts in social protection systems. Indeed cash transfers are an important anti cyclical measure helping to maintain demand as well as protecting vulnerable families over the recession. Indeed the recession presents an opportunity to evaluate the effectiveness of existing social protection schemes and introduce reforms.

## Appendix 1

### DESCRIPTION

Appendix 2 provides the details of the package in each country. In this section we present a brief descriptive summary of that information.

Table 1 presents the national informants' estimates of average earnings in national currencies and these also expressed in purchasing power parity US\$ terms<sup>21</sup>. There is a good deal of variation in the region - average earnings are highest in Macedonia, Bosnia, Turkey, Belarus and Montenegro and lowest in Kyrgyzstan, Tajikistan and Kosovo.

**Table 1. Average earnings as at June 2009**

	Earnings	PPPs	Average earnings in US\$ PPPs*
Macedonia	362052	19	18995
Bosnia	14232	1	16264
Turkey	17400	1	15761
Belarus	12177600	779	15626
Montenegro	7776	1	15224
Russia	226884	15	15046
Serbia	530952	37	14204
Romania	22644	2	12815
Kazakhstan	896264	74	12177
Uzbekistan	4200000	376	11168
Ukraine	21744	2	10973
South Africa***	48000	5	9946
Bulgaria	7044	1	8973
Georgia	7656	1	8683
Albania	453348	55	8188
Azerbaijan	3425	0	8144
Moldova	32088	4	7237
Turkmenistan	28800000	4769	6039
Armenia	1187964	199	5984
Kyrgyzstan	64536	14	4533
Tajikistan	3208	1	2952
Kosovo**	3000	1	2643

\* Belarus, Macedonia, Moldova, Uzbekistan, Turkmenistan: PPPs only available for 2005.

\*\*Kosovo's PPP was calculated from its GDP in \$PPP, GDP in \$ and the official currency rate in 2007<sup>22</sup>

\*\*\*South Africa's earnings have been adjusted to reflect the real income distribution across the population. Instead of taking average earnings we took 2000 Rands monthly earnings for case 1 and 4000 Rands for case 2.

Sources: UNSD: Millennium Development Goals Database, <http://data.un.org/Default.aspx>; World Bank: 2008 World Development Indicators, <http://siteresources.worldbank.org/DATASTATISTICS/Resources/WDI08supplement1216.pdf>.

<sup>21</sup> PPPS can be defined as the number of units of a country's currency is needed to buy the same amount of goods and services in that country as one US dollar would buy in the United States.

<sup>22</sup> Source: CIA World Fact Book. In 2007 Kosovo's GDP was 5 billion US\$ or 3.237 billion US\$ PPPs. The official currency rate was 0.7345 Euros per US\$. PPP exchange rate= (0.7345/3.237)\*5= 1.134538.

## Tax breaks

The amount of income tax paid varies by earnings level in all countries whilst only a couple of countries provide tax cuts for children. Table 2 summarises income tax and social security contributions in US\$ PPPs for a couple with two children on half average and average earnings. Families on half average earnings receive a tax break for children in Belarus and Turkmenistan whilst Moldova also provides a tax break for partners. None of the countries provide a tax break to any of the family types on average wages. Households receiving social assistance are not required to pay any income tax except in Russia and Tajikistan.

**Table 2. Annual income tax and social security contributions in 2007\* US\$ PPPs and as percentage of earnings, for a couple with 2 children aged 2yrs 11months and 7 years**

Country	Half average earnings		Average earnings	
	US\$ PPPs	% earnings	US\$ PPPs	% earnings
Montenegro	3643	48	7533	49
Macedonia	3115	33	6230	33
Bosnia	2809	34	4792	29
Serbia	2131	30	4261	30
Romania	2083	33	4165	33
Turkey	1891	24	3783	24
Uzbekistan	986	18	2364	21
Russia	978	13	1956	13
Kazakhstan	974	16	1948	16
Bulgaria	974	22	1947	22
Georgia <sup>23</sup>	868	20	1737	20
Azerbaijan	692	17	1384	17
Armenia	389	13	778	13
Kyrgyzstan	385	17	774	17
Belarus	295	4	1311	8
Moldova	217	6	990	14
Tajikistan	207	14	413	14
Ukraine	170	3	1986	18
Kosovo**	105	8	209	8
Turkmenistan	50	2	352	6
Albania	27	8	27	8
South Africa	0	0	0	0

\*Belarus, Macedonia, Moldova, Uzbekistan, Turkmenistan: PPPs only available for 2005.

\*\*Kosovo's PPP was calculated from its GDP in \$PPP, GDP in \$ and the official currency rate in 2007<sup>24</sup>

Sources: UNSD: Millennium Development Goals Database, <http://data.un.org/Default.aspx>; World Bank: 2008 World Development Indicators, <http://siteresources.worldbank.org/DATASTATISTICS/Resources/WDI08supplement1216.pdf>.

<sup>23</sup> In Georgia 53% of the workforce are subsistence farmers and most of them do not earn enough to pay income tax.

<sup>24</sup> Source: CIA World Fact Book. In 2007 Kosovo's GDP was 5 billion US\$ or 3.237 billion US\$ PPPs. The official currency rate was 0.7345 Euros per US\$. PPP exchange rate= (0.7345/3.237)\*5= 1.134538.

### Non means-tested child benefits

Non means-tested child benefit is provided in Belarus, Uzbekistan, Ukraine, Turkmenistan, Russia and Turkey. However the coverage of this benefit is very limited, often restricted only to children of a certain age and also by family type and employment status. Table 3 summarizes the level of non means-tested child benefit received by various family types on half average earnings. Belarus and Russia only provide non means-tested child benefits allowance for children under 3. The Ukraine and Uzbekistan only provide non-means tested child benefits to lone parents. In the Ukraine lone parents on social assistance receive a higher rate of child benefit than those who are in employment. In Moldova<sup>25</sup>, Russia<sup>26</sup> and Turkmenistan only families in employment receive non-income tested child benefits, those on social assistance do not. In Montenegro<sup>27</sup> only disabled children are entitled to non-income tested child benefit.

**Table 3a Non means-tested child benefits, US\$PPPs (Case 1: One earner on half average earnings) per year**

	Lone parent plus 1 child aged 2yrs 11 months	Lone parent plus 2 children aged 2yrs 11 months, and 7 years	Couple plus one child aged 7	Couple plus 2 children, aged 2yrs 11months, and 7 years
Belarus	2974	2974	0	2974
Ukraine	1012	2285	0	0
Romania	285	570	285	285
Turkmenistan	126	252	126	252
Turkey	82	163	82	163
Russia	40	40	0	40

**Table 3b Non means-tested child benefits, US\$PPPs (Case 2: One earner on average earnings) per year**

	Lone parent plus 1 child aged 2yrs 11 months	Lone parent plus 2 children aged 2yrs 11 months, and 7 years	Couple plus one child aged 7	Couple plus 2 children, aged 2yrs 11months, and 7 years
Belarus	2974	2974	0	2974
Ukraine	1012	2285	0	0
Romania	285	570	285	285
Turkmenistan	126	252	126	252
Turkey	82	163	82	163
Russia	40	40	0	40

**Table 3c Non means-tested child benefits, US\$PPPs (Case 3: No earners on social assistance) per year**

	Lone parent plus 1 child aged 2yrs 11 months	Lone parent plus 2 children aged 2yrs 11 months,	Couple plus one child aged 7	Couple plus 2 children, aged 2yrs 11months,

<sup>25</sup> In Moldova working parents are guaranteed a child allowance that equals to 25% of their wages, hence higher earners have higher rates of child allowance. At the same time, every child living in a non-working household receives 150% of the basic adult social assistance allowance.

<sup>26</sup> In Russia non-means tested child benefit is a maternity allowance paid to mothers looking after children under 3 whilst not claiming unemployment benefits.

<sup>27</sup> For a child with mental or physical disability that can be prepared for independent life this benefit is €20 per child; for a child with mental or physical disability that cannot be prepared for independent life it is €25.

		and 7 years		and 7 years
Ukraine	1687	3809	0	0
Belarus	1482	1482	0	1482
Romania	285	570	285	285

### Means-tested child benefits

The only countries which do not provide any means-tested child benefits are Armenia, Azerbaijan, Georgia, Kosovo and Turkey. Just like in the case of non means-tested benefits, coverage is restricted not only by income but often also by other factors such as: the age of children, family type and employment status. Table 4 summarises the level of means-tested child benefits in US\$ PPPs for lone parents and couples with two children on different earnings levels.

Belarus, Kazakhstan, Kyrgyzstan, Montenegro and Uzbekistan only provide these benefits to families on social assistance, while the Ukraine only provides them to families in employment. In Turkmenistan only lone parents receive means-tested child benefits. In Serbia lone parents receive higher rates of income tested child benefits than couples. However, couples seem to receive higher rates of means-tested child benefit (in some earning cases) than lone parents in Macedonia, Moldova, Russia and the Ukraine. In Tajikistan only school age children receive means-tested ‘cash compensation’ benefits.<sup>28</sup> In Kyrgyzstan each child receives a flat rate ‘guaranteed minimum consumption level’ benefit. The Child Support Grant in South Africa is paid to all families in our earnings range and to families with no earnings – effectively it only excludes the South African rich and should perhaps be described as universal.

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<sup>28</sup> Between 2004 and 2009 the payment has devalued and the coverage shrank dramatically. In 2009 the size of the payment has been doubled from 25 TJS to 40 TJS per (equivalent \$US9) year per child while the number of beneficiaries has been reduced almost halved from 400,000 to 256,000. The government intended in 2009 to cover 15 percent of the total number of students (grades 1-9) from the socially vulnerable segments of the population by paying each family 20 Tajik Somoni bi-annually.

**Table 4 Means tested family allowance on different earnings levels, US\$ PPPs per year**

	Lone parent plus 1 child aged 2yrs 11 months			Lone parent + 2 children aged 2 years 11months, and 7 years			Couple plus one child aged 7			Couple + 2 children aged 2 years 11months, and 7 years		
	Half-average	Average	Social Assistance	Half-average	Average	Social Assistance	Half-average	Average	Social Assistance	Half-average	Average	Social Assistance
Albania	0	0	0	0	0	0	0	0	0	0	0	0
Armenia	0	0	0	0	0	0	0	0	0	0	0	0
Azerbaijan	0	0	0	0	0	0	0	0	0	0	0	0
Belarus	0	0	0	0	0	288	0	0	288	0	0	288
Bosnia	0	0	0	0	0	1234	0	0	0	0	0	1234
Bulgaria	535	535	1439	1070	1070	2878	535	535	1439	1070	1070	2878
Georgia	0	0	0	0	0	0	0	0	0	0	0	0
Kazakhstan	0	0	1056	0	0	1162	0	0	1056	0	0	1162
Kosovo	0	0	0	0	0	0	0	0	0	0	0	0
Kyrgyzstan	0	0	114	0	0	228	0	0	114	0	0	228
Macedonia	0	0	815	0	0	1520	0	0	815	1133	0	1520
Moldova	0	0	0	0	0	0	0	0	0	1047	0	0
Montenegro	0	0	352	0	0	705	0	0	352	0	0	705
Romania	815	0	920	951	0	1053	340	0	424	421	0	523
Russia	0	0	358	0	0	716	358	0	358	716	716	716
Serbia	0	0	778	1555	0	1555	0	0	598	1197	0	1197
South Africa	597	0	597	1194	0	1194	597	597	597	1194	1194	1194
Tajikistan	0	0	0	0	0	0	0	0	0	0	0	0
Turkey	0	0	0	0	0	0	0	0	0	0	0	0
Turkmenistan	629	629	629	881	881	881	0	0	0	0	0	0
Ukraine	1892	1892	0	3785	3785	0	1892	1892	0	3785	3785	0
Uzbekistan	0	0	2326	0	0	2863	0	0	2326	0	0	2863

## Child Support

We asked informants to tell us about child support/alimony for the lone parent and whether it is guaranteed. The responses were rather patchy. In general, however, it seems that child support is not guaranteed by the state instead it is determined - but not enforced - by courts. In some cases such as in Tajikistan<sup>29</sup> the validity of the marriage itself is also often called into question which in turn makes application for alimony impossible. Table 5 summarizes the available information on child supports arrangements in the CEE/CIS countries.

**Table 5 Child support arrangements\***

Country	Guaranteed	Details
Armenia	no	-
Azerbaijan		-
Belarus	yes	Not paying is a punishable offence. Court decides who pays and how much, usually 25% of average monthly income for 1 child, 33% for 2 and 50% for 3 or more children. Single parent not receiving alimony is entitled to a supplementary allowance for each child.
Bosnia	no	-
Bulgaria	no	-
Georgia	no	-
Kazakhstan	yes	Quarter of earnings for 1 child, a third of earnings for 2 children.
Kosovo	no	In some rare cases the court can decide to deduct a percentage of the absent parent's salary of for alimony
Kyrgyzstan	no	-
Macedonia	no	-
Moldova	no	-
Montenegro	no	-
Romania	no	-
Russia	yes	Quarter of earnings for 1 child, a third of earnings for 2 children.
Serbia	yes	Its amount is defined by the court verdict in the process of divorce and should be paid on that basis by the parent him/herself.
South Africa	no	-
Tajikistan	yes	Divorced parents are entitled to 25% of the other parent's total income if they have one child living with them and 33% if they have two children.
Turkmenistan	no	-
Ukraine	no	Level of payment determined by courts but the enforcement of alimony payment is not the responsibility of the state.
Uzbekistan	yes	Divorced parents are entitled to 25% of the other parent's total income if they have one child living with them and 33% if they have two children.

\*Most countries did not specify any details for this question.

## Housing benefits

In most CEE/CIS countries most people own their own dwelling hence rent assumptions are often not applicable. In most countries housing benefits are non-existent but some countries do provide subsidies for gas, electricity bills and house maintenance. Such subsidies are available in Belarus, Georgia, Moldova, Russia and the Ukraine.

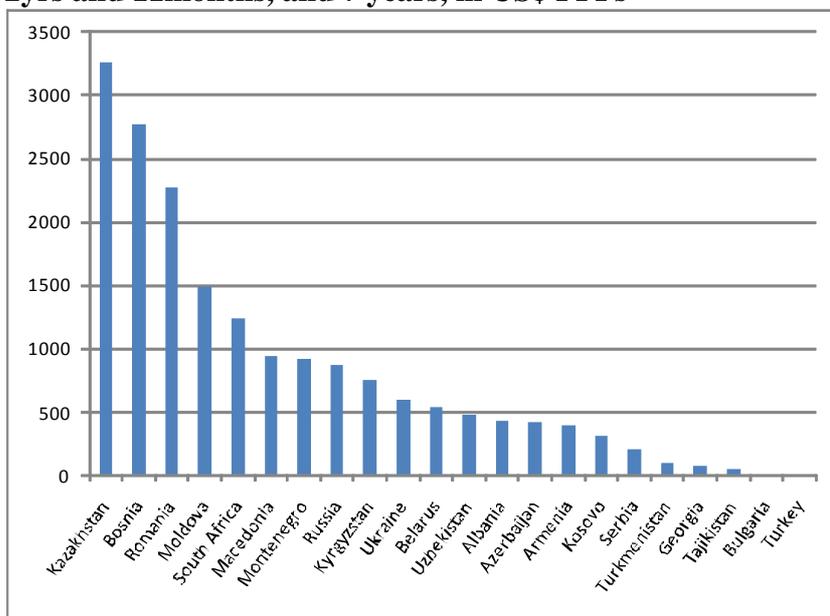
## Childcare costs

Childcare provision is low in most CEE/CIS countries, with mothers being expected to stay at home in the first 3 years after the birth of a child. Lone parents pay the same amount of childcare costs as couples in all of the CEE/CIS countries except for Serbia. In Armenia there is no official

<sup>29</sup> In Tajikistan many women nowadays get married only according sharia laws, which is not recognized by the family code and in this case the divorcees are not able to claim the alimony payments as the marriage has not been recorded by the system.

regulation for provision of free of charge care to children of lone parents, however there is a common practice for socially vulnerable children to receive reduced fee or free childcare services if a justified request is submitted on behalf of a family member (usually the parent) addressed to the head of community. Childcare costs are highest in Kazakhstan, Bosnia and Moldova and the lowest in Tajikistan, Bulgaria and Turkey.

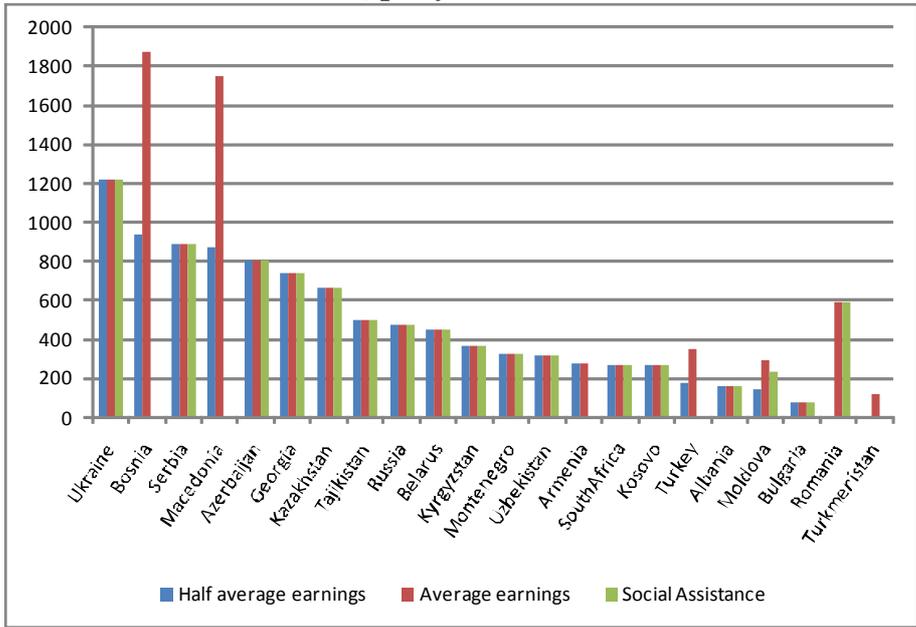
**Annual child care costs for a lone parent on half average earnings, with 2 children aged 2yrs and 11months, and 7 years, in US\$ PPPs**



**Health care costs**

Health care costs vary by number of children and family types with very little or no concessions for lone parents and children. In Macedonia and Moldova health care costs vary by income level. In Turkmenistan low income families do not need to pay for health care and those on average earnings are asked for a voluntary insurance that is 2% of their income. Only in Armenia, Bosnia, Macedonia and Turkmenistan do families on social assistance receive free health care. In Azerbaijan health insurance has only been introduced recently and it is very limited, hence the proportion of out-of-pocket health expenditure is one of the highest in the region. Similarly in Georgia, 73% of health care expenditure is done out-of-pocket.

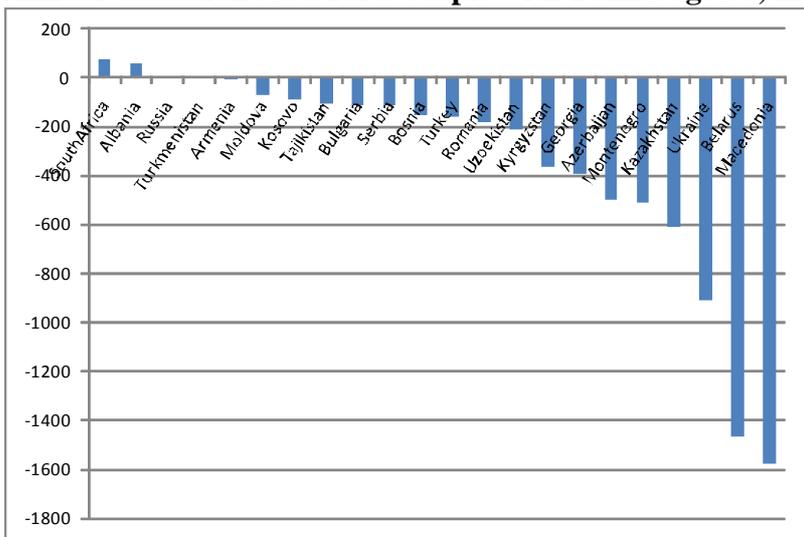
**Health charges for a couple with 2 children aged 2yrs 11months and 7 years, on various income levels in US\$ PPPs, per year**



**Education**

Costs related to education do not vary across earnings levels (except for Moldova and Turkey) or family types across the countries. Costs are the highest in Macedonia and Belarus. In South Africa and Albania free school meals constitute a benefit and there are no school related costs in Russia, Turkmenistan and only minimal in Armenia. In Tajikistan<sup>30</sup> only 50% of school children are covered by the free school meal programme. Free school meals are considered benefits and their value is subtracted from education costs.

**Annual education costs for a couple with 1 child aged 7, in US\$ PPPs**



<sup>30</sup> In Tajikistan there is a United Nations World Food programme in operation that covers 50% of schools in the country. Hence 50% of 7 year olds in (in the model family matrix) will receive a free meal at school.

## Appendix 2

### The elements of the package

Country	Income Tax		Income-tested child benefits	Non-income-tested child benefits	Child care costs		Health care		
	Concession for		If yes	If yes	Concessions for		Free or concession		
	partner	children	Flat rate or varies by number of children	Flat rate or varies by nr of children	Lone parents	Low income	GP	For children	On a low income
Albania	no	no	no	no	no	yes	no	no	no
Armenia	no	no	no	no	yes	yes	yes	yes <7	yes
Azerbaijan	no	no	no	no	no	yes	no	no	no
Belarus	no	yes	no	only for children <3	no	no	no	no	no
Bosnia	no	no	by nr of children	no	no	no	no	no	yes
Bulgaria	no	no	by nr of children	no	no	no	no	no	no
Georgia	no	no	no	no	no	yes	no	no	no
Kazakhstan	no	no	no	no	no	no	no	no	no
Kosovo	no	no	no	no	no	no	yes	no	no
Kyrgyzstan	no	no	by nr of children	no	no	no	no	no	no
Macedonia	no	no	by nr of children	no	no	no	no	no	yes
Moldova	yes	yes	by nr of children	no	no	yes	no	no	yes
Montenegro	no	no	by nr of children	no	no	yes	yes	no	no
Romania	no	no	by nr of children and family type	yes by family type	no	no	yes	yes	no
Russia	no	no	by nr of children	only for children <3	no	no	yes	yes	no
Serbia	no	no	by nr of children and family type	no	no	yes	no	no	no
South Africa	no	no	by nr of children	no	no	no	no	no	no
Tajikistan	no	no	no	no	no	no	no	no	no
Turkey	no	no	no	by nr of children	NA	NA	no	no	no
Turkmenistan	no	yes	by nr of children	by nr of children	no	yes	no	yes < 14	yes
Ukraine	no	no	by nr of children	by nr of children	no	yes	no	no	no
Uzbekistan	no	no	no	no	no	yes	no	no	no

The only two countries that provide any in kind benefits are Bulgaria and Russia. In Bulgaria families on social assistance receive a heating allowance for 5 months of the year. In most Russian regions, in-kind assistance is provided to certain types of economically disadvantaged families.