



Financial support for families with children in Central and Eastern Europe

Differences, similarities, and the impact of recession

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Background

- Post-socialist type of family policies
- CEE rarely included in cross national comparisons
- Micro-level analysis
- PhD
- Curiosity

Research questions

- Which family types are supported most by national governments?
- Does the tax–benefit system encourage both parents to be in employment?
- How generous are governments to lone parents as opposed to couples with children?
- Do the CEE countries group together when compared to other EU countries?

- Any changes due to recession?

Data

- 7 Central and Eastern European countries - Bulgaria, the Czech Republic, Hungary, Latvia, Poland, Romania and Slovakia (main focus)
- 13 other European countries (reference)
- 2 projects: “Canadian family benefit packages in international context“ (Dr. P. Kershaw, Prof. J. Bradshaw) and “A Comparison of Family Policies in Central and Eastern Europe” (my PhD project).

Method

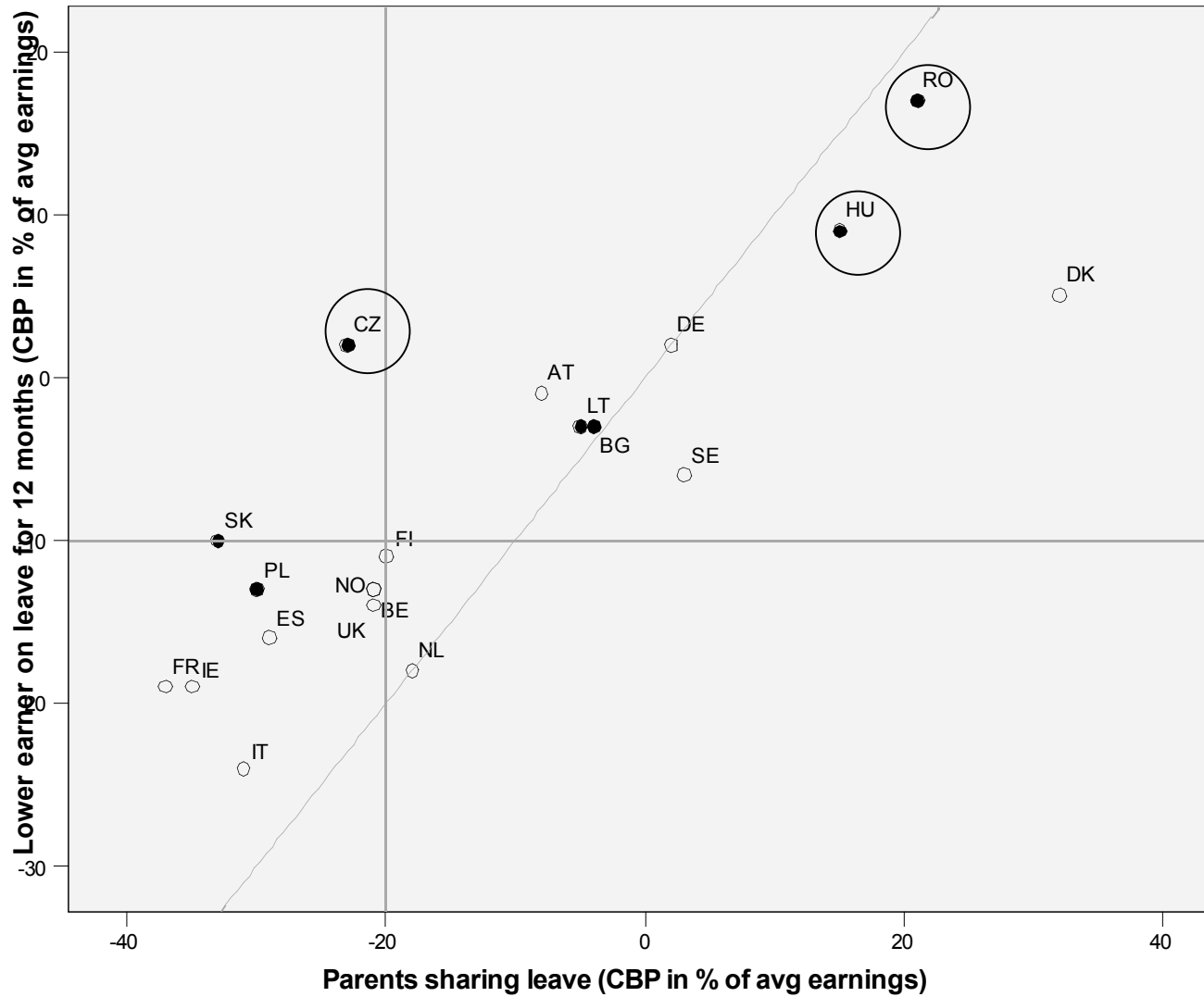
- Model Family Method
 - Effects of the tax-benefit systems (similar to OECD)
 - 24 model families - couples (married) vs. single parents, number of earners, level of earnings, number and age of children
 - Child Benefit Package (CBP): difference between the net disposable income of households with children as opposed to childless couples (same earnings, employment status)
 - PPPs and as % of avg earnings (comparability)

Represented Model Families

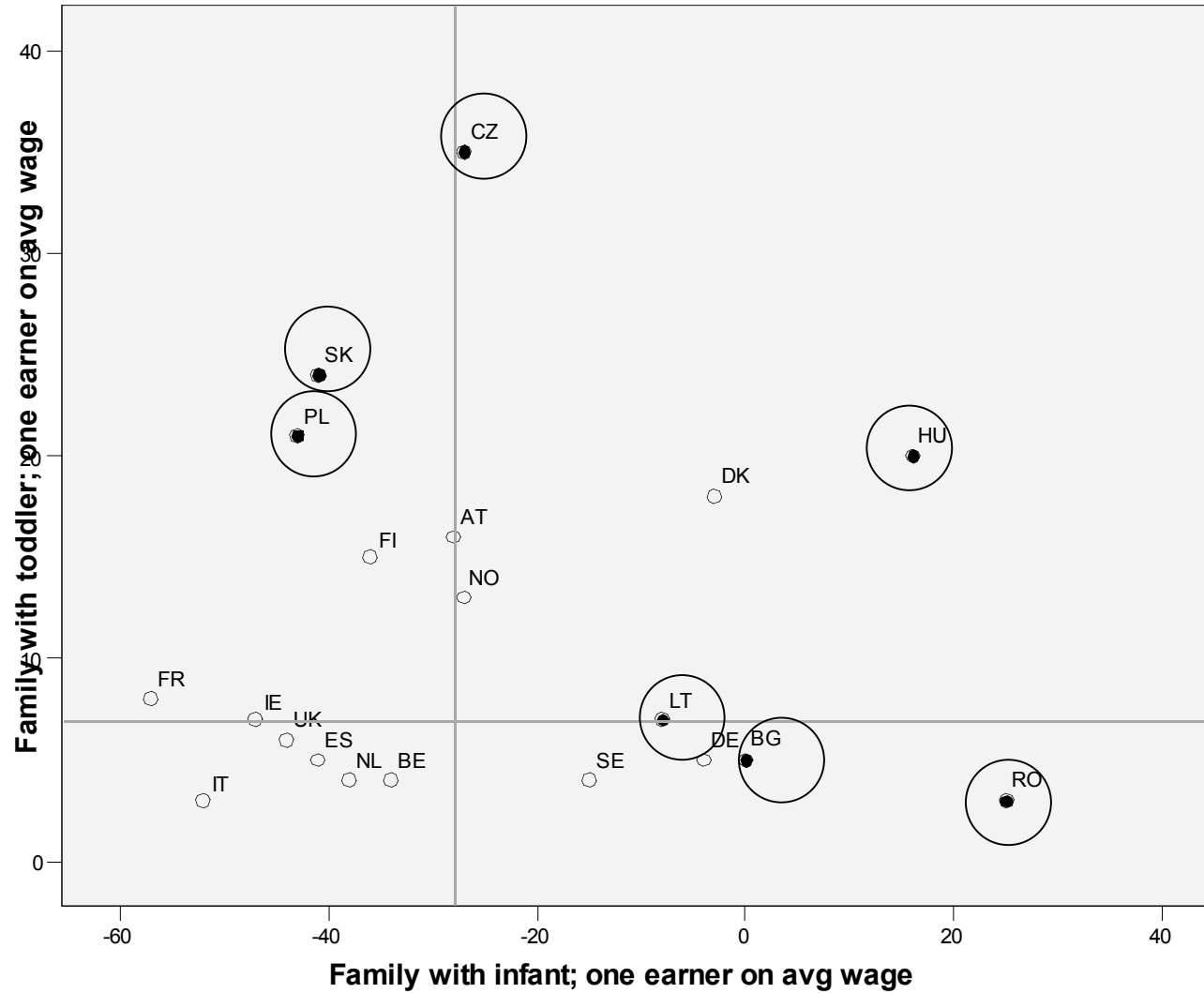
| | Income cases | <i>One earner</i> | | | <i>Two earners</i> | | <i>No earners</i> |
|-------------------------------|--|---------------------------------------|----------------------------------|--|--|------------------------------|------------------------------------|
| Types of household structure | Children \ Earnings | <i>Half national average earnings</i> | <i>National average earnings</i> | <i>Twice national average earnings</i> | <i>Average and half average earnings</i> | <i>Average earnings each</i> | <i>Receiving social assistance</i> |
| <i>Couple (married)</i> | <i>Childless</i> | Reference group | | | | | |
| <i>Lone mother (divorced)</i> | <i>One child, 3-15 month old; mother on leave</i> | x | x | - | | | - |
| | <i>One child, 2 years, in full time childcare</i> | x | x | - | | | x |
| <i>Couple (married)</i> | <i>One child, 3-15 month old; lower earner on leave</i> | - | - | - | x | | - |
| | <i>One child, 3-15 month old; higher earner on leave</i> | - | - | - | x | x | - |
| | <i>One child, 3-15 month old; each parent taking 6 months of leave</i> | - | - | - | x | x | - |
| | <i>One child, 2 years old</i> | x | x | x | x | x | x |
| | <i>One child, 4 years old</i> | - | - | - | x | x | - |
| | <i>One child, 7 years old</i> | | x | x | x | x | x |
| | <i>Two children, 2 and 7 years old</i> | x | x | - | - | - | x |

Preliminary results

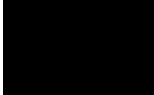
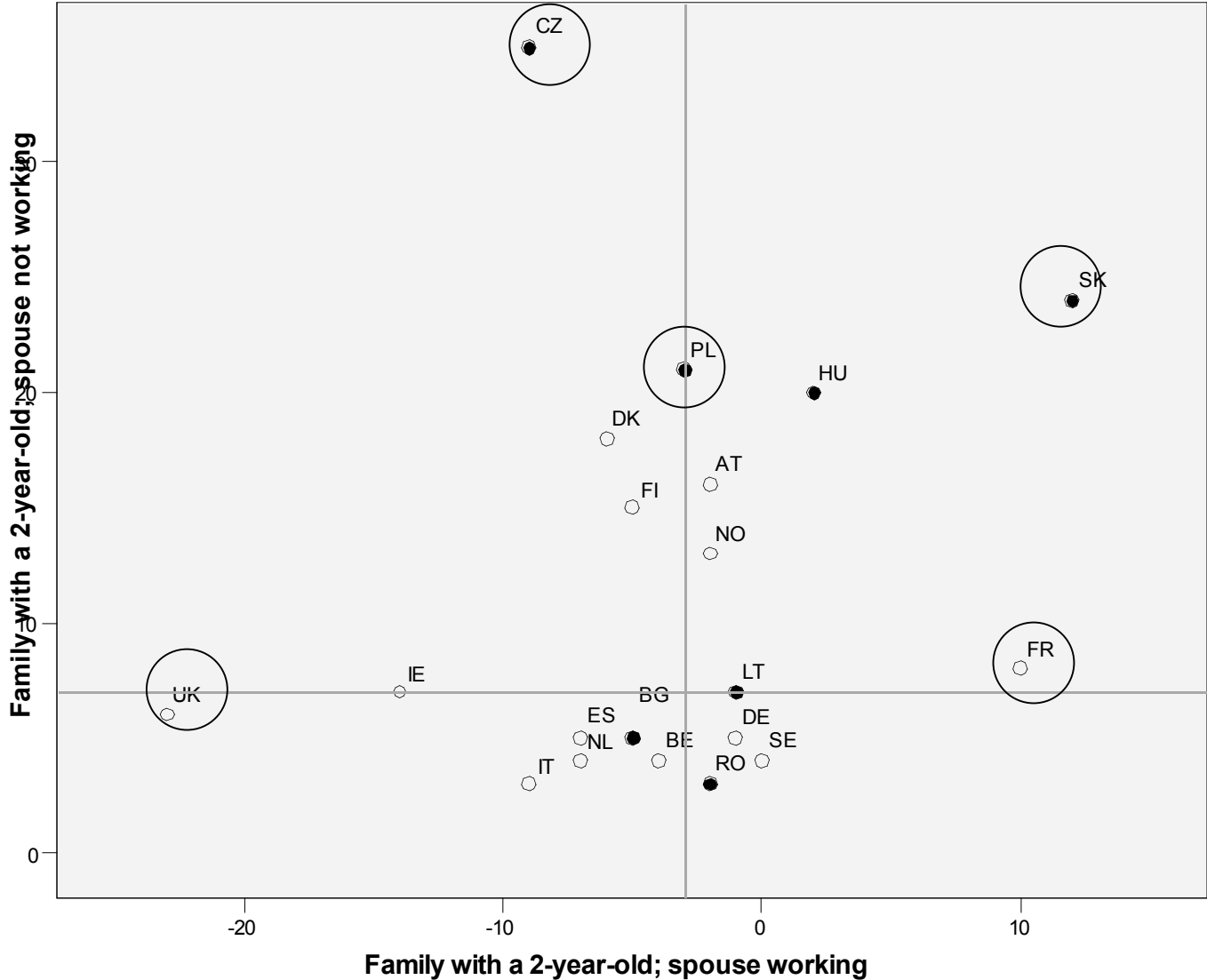
Families with infant (3-15 month old)



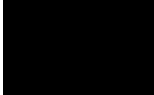
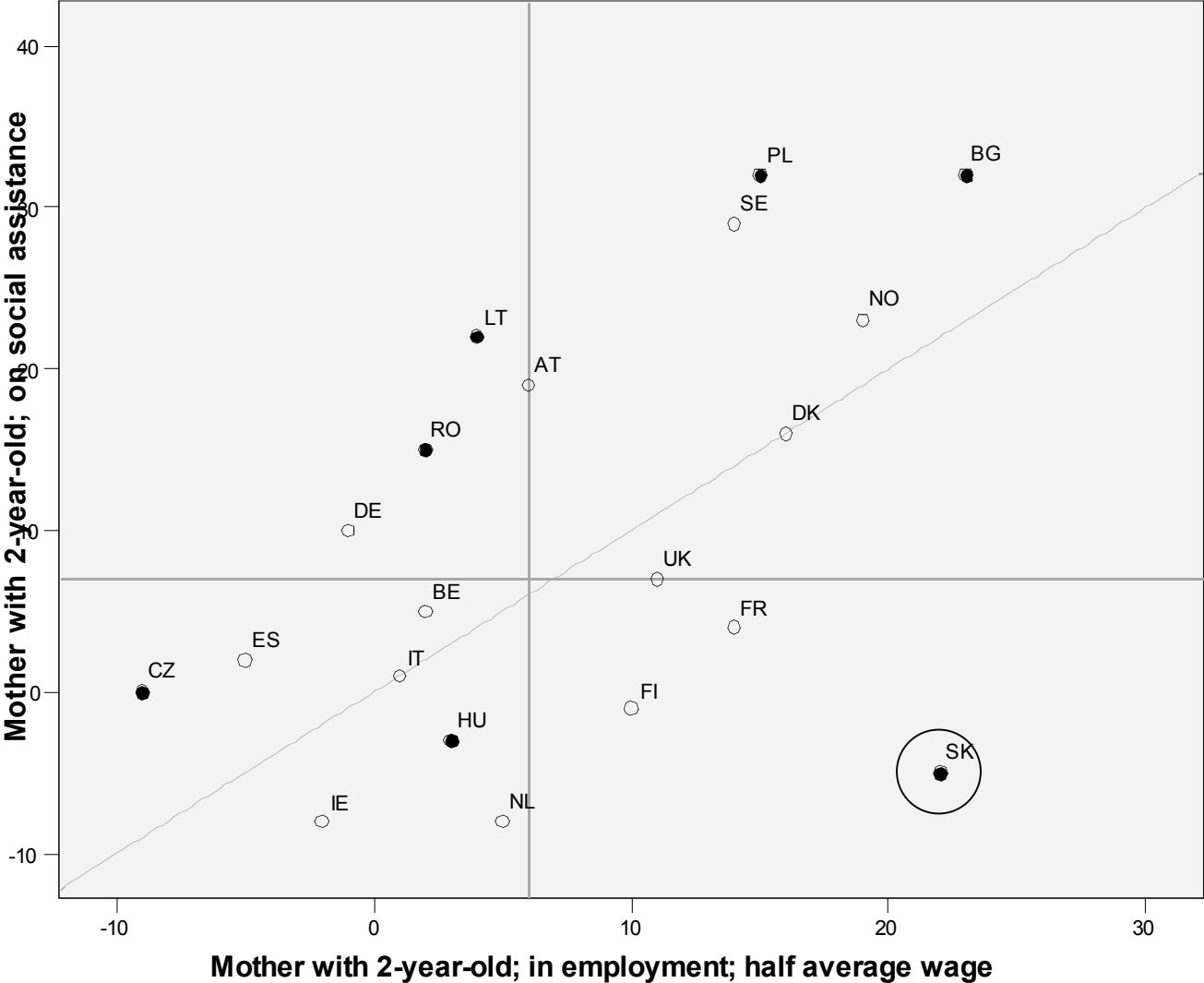
Families with a 2-year-old (CBP in % of avg wage)



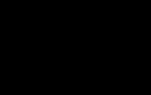
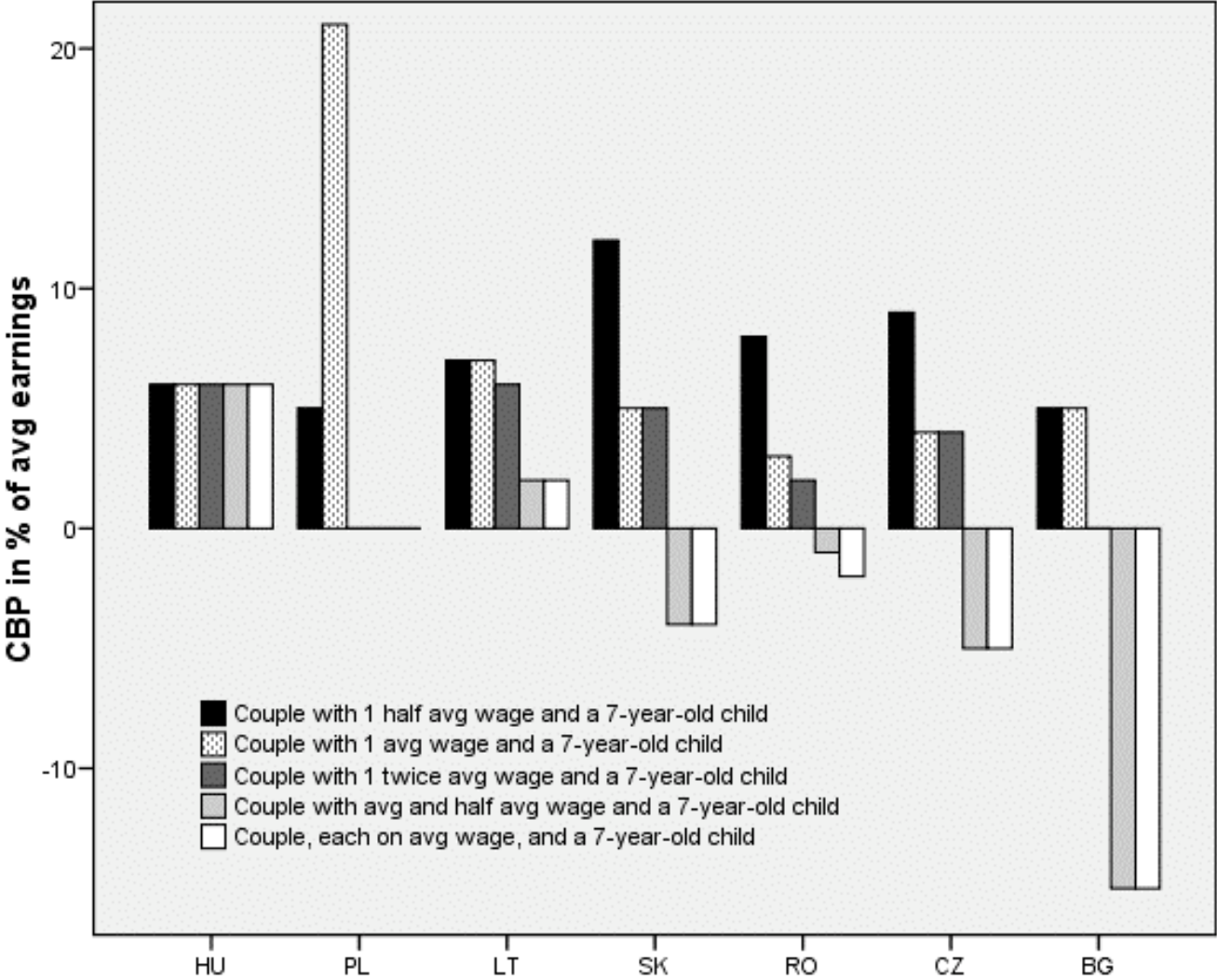
Families with a 2-year-old (CBP in % of avg wage)



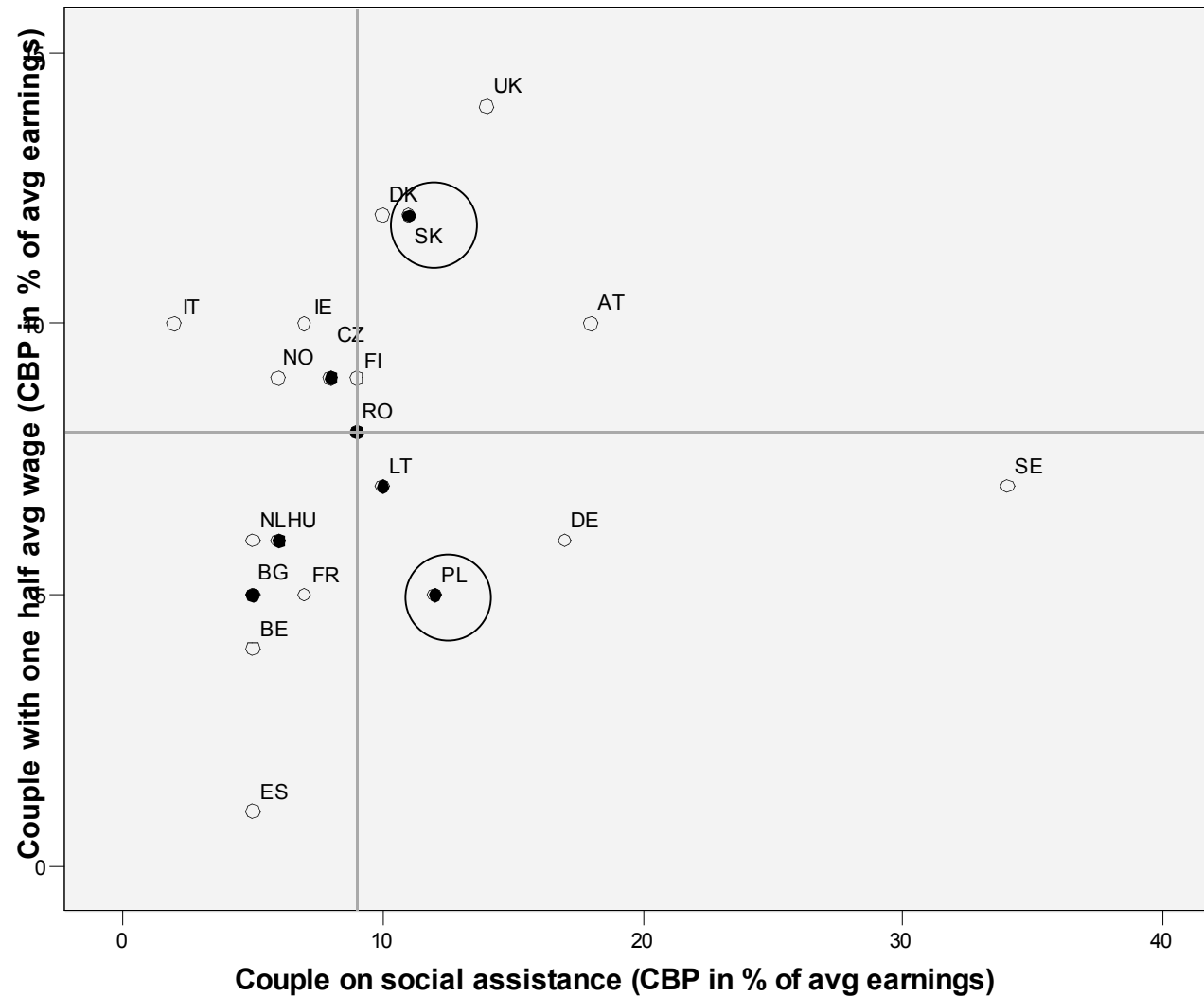
Lone mother with a 2-year-old (CBP in % of avg wage)



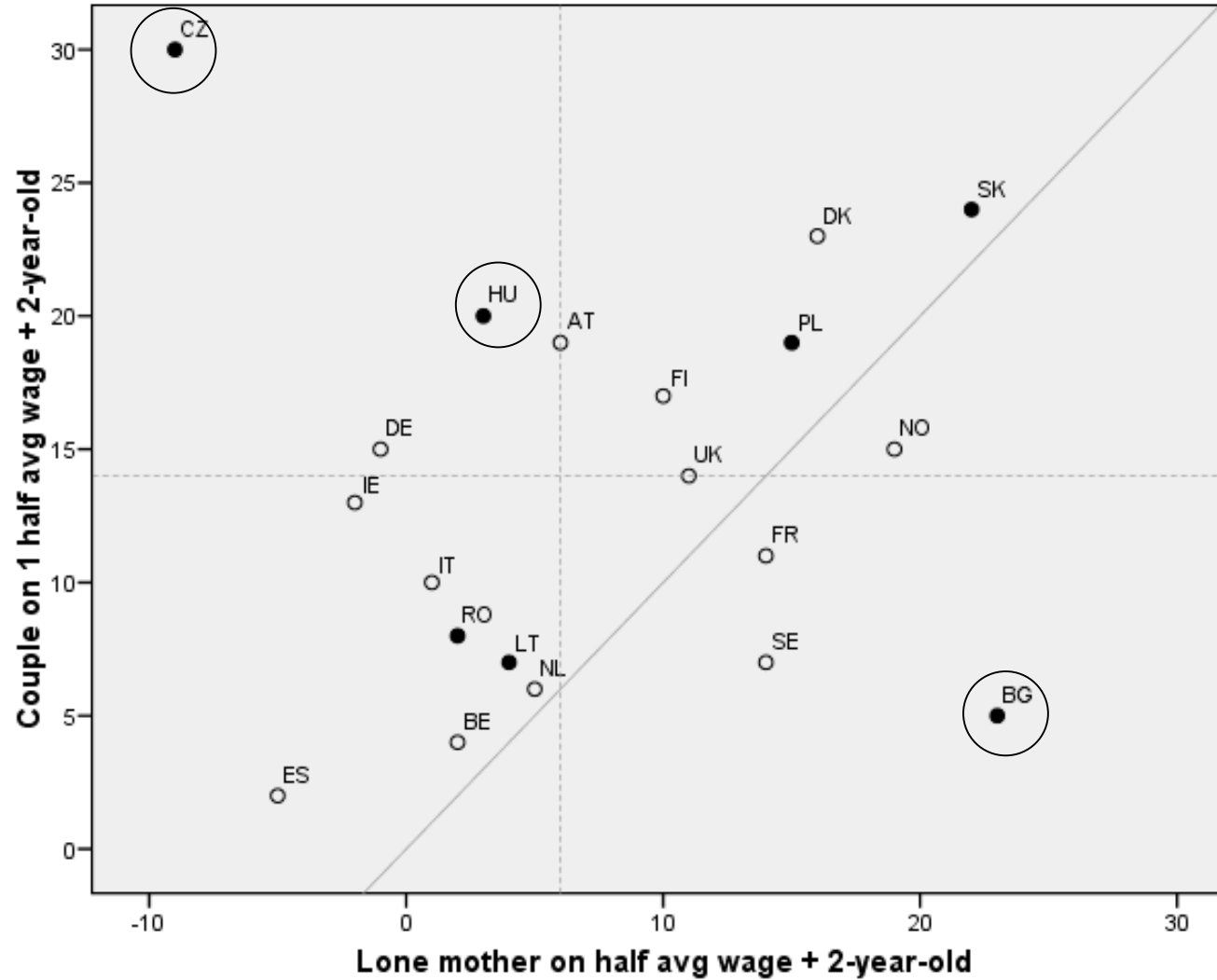
Child Benefit Package by level of earnings



Working poor vs. Social assistance



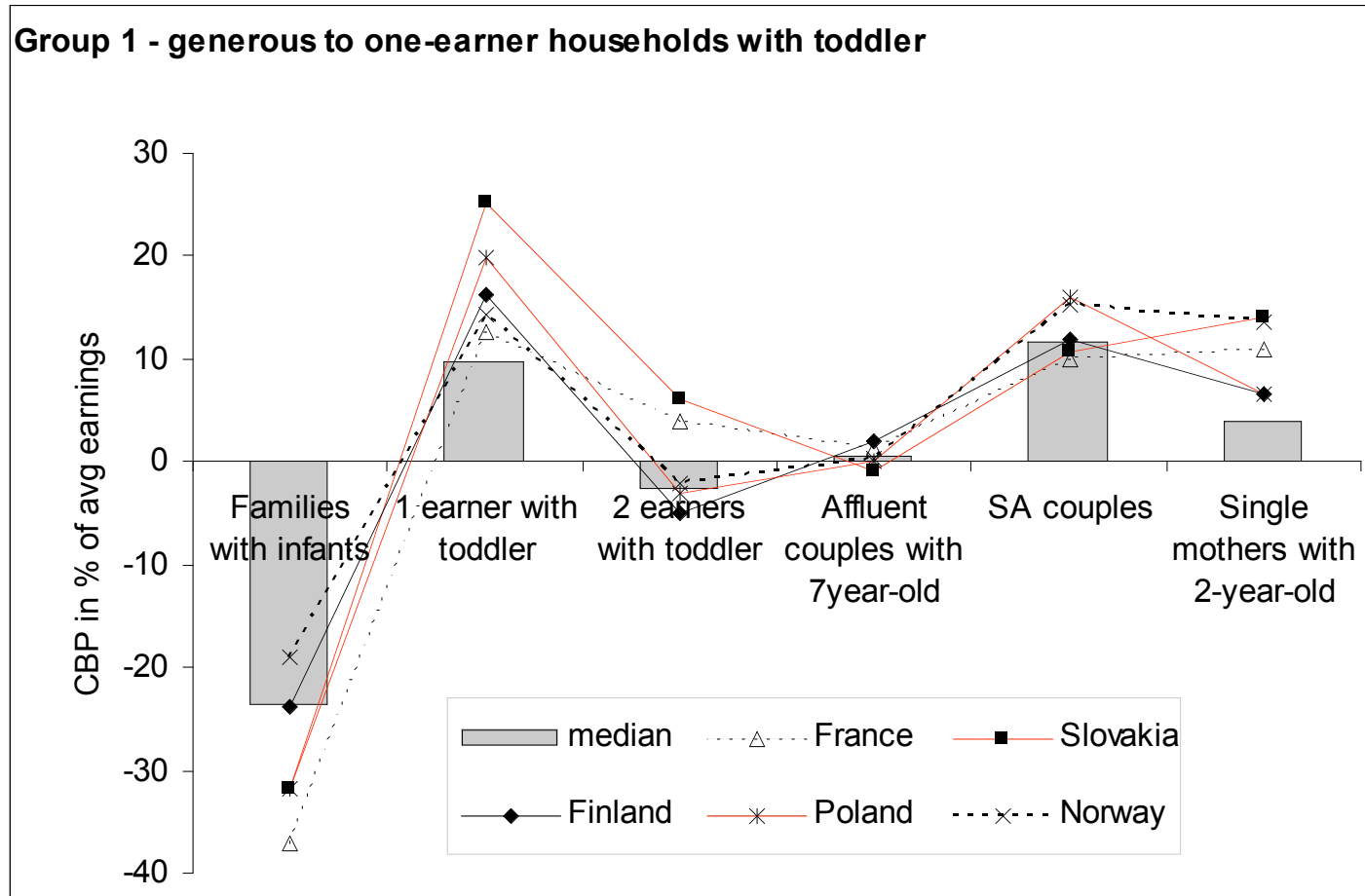
Lone parents vs. couples



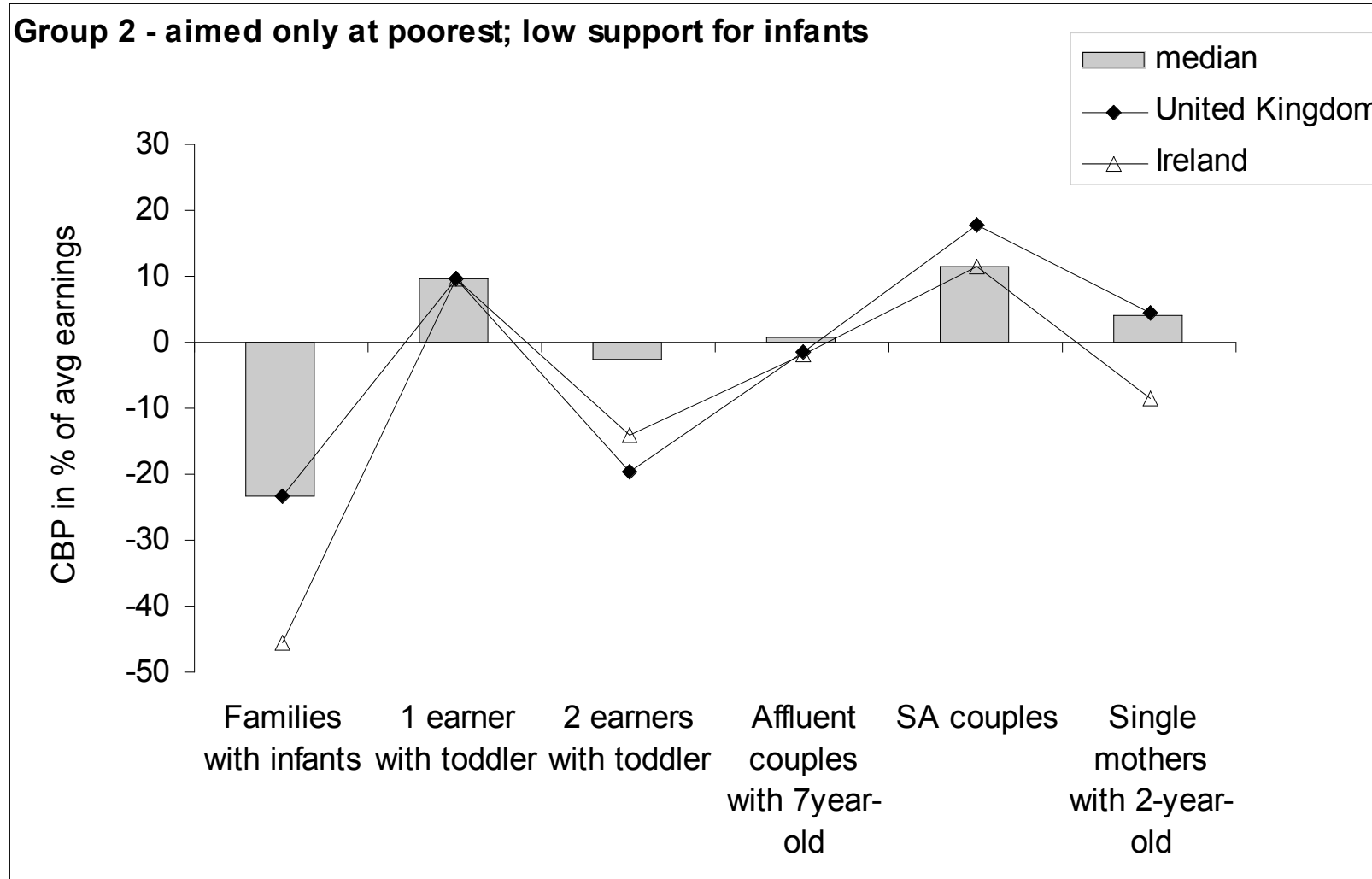
Similarities?

- Factor analysis (variables) → 6 Indexes (means of)
 1. CBPs for families with infants (3–15 month old)
 2. CBPs for one-earner couples with a pre-school aged child
 3. CBPs for dual-earner families with pre-school aged child
 4. CBPs for families where both parents live on social assistance
 5. CBPs for well-off families with two incomes or one twice average income with school-aged child
 6. CBPs for single parents in employment with toddler

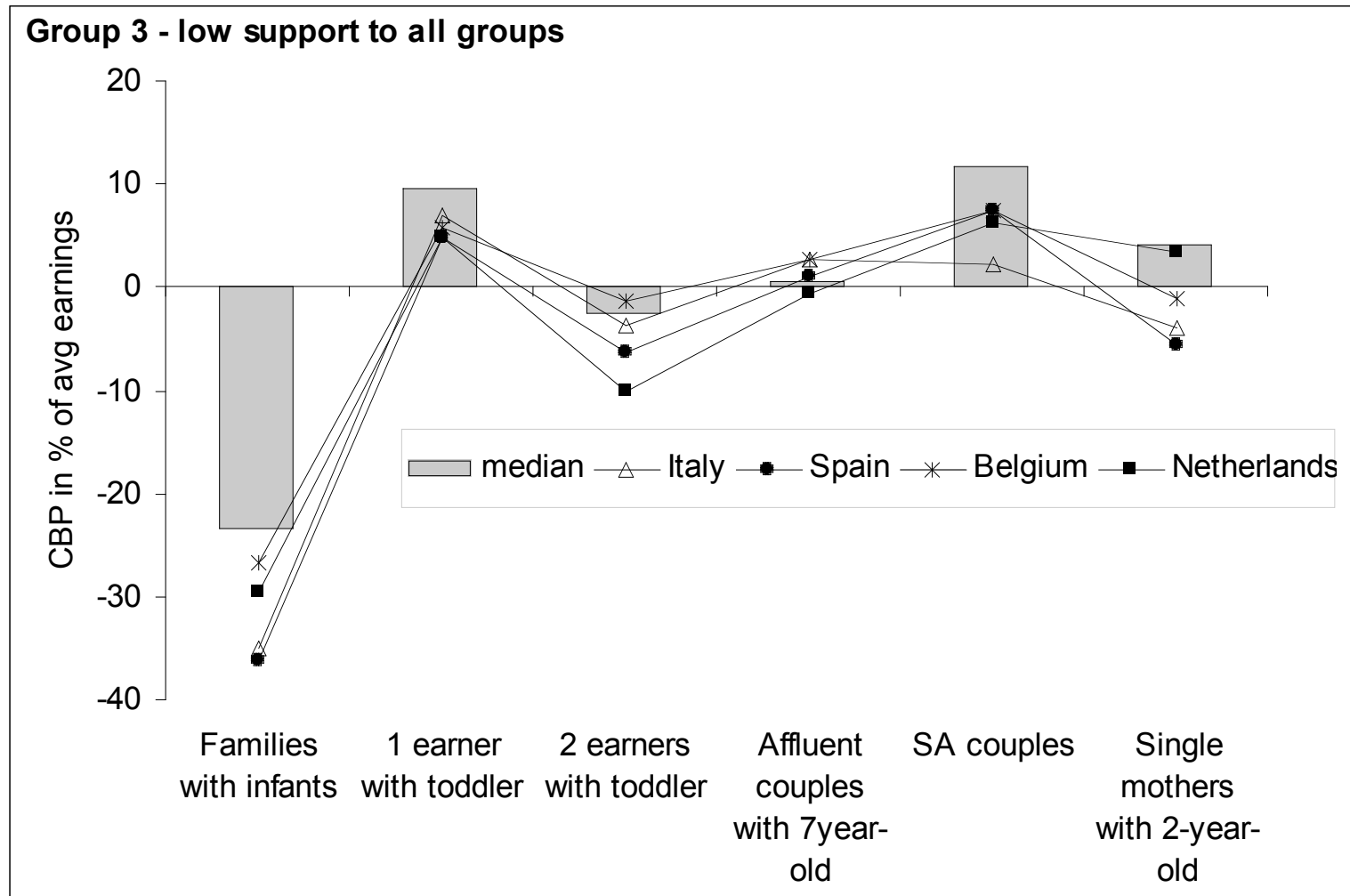
Groupings (1)



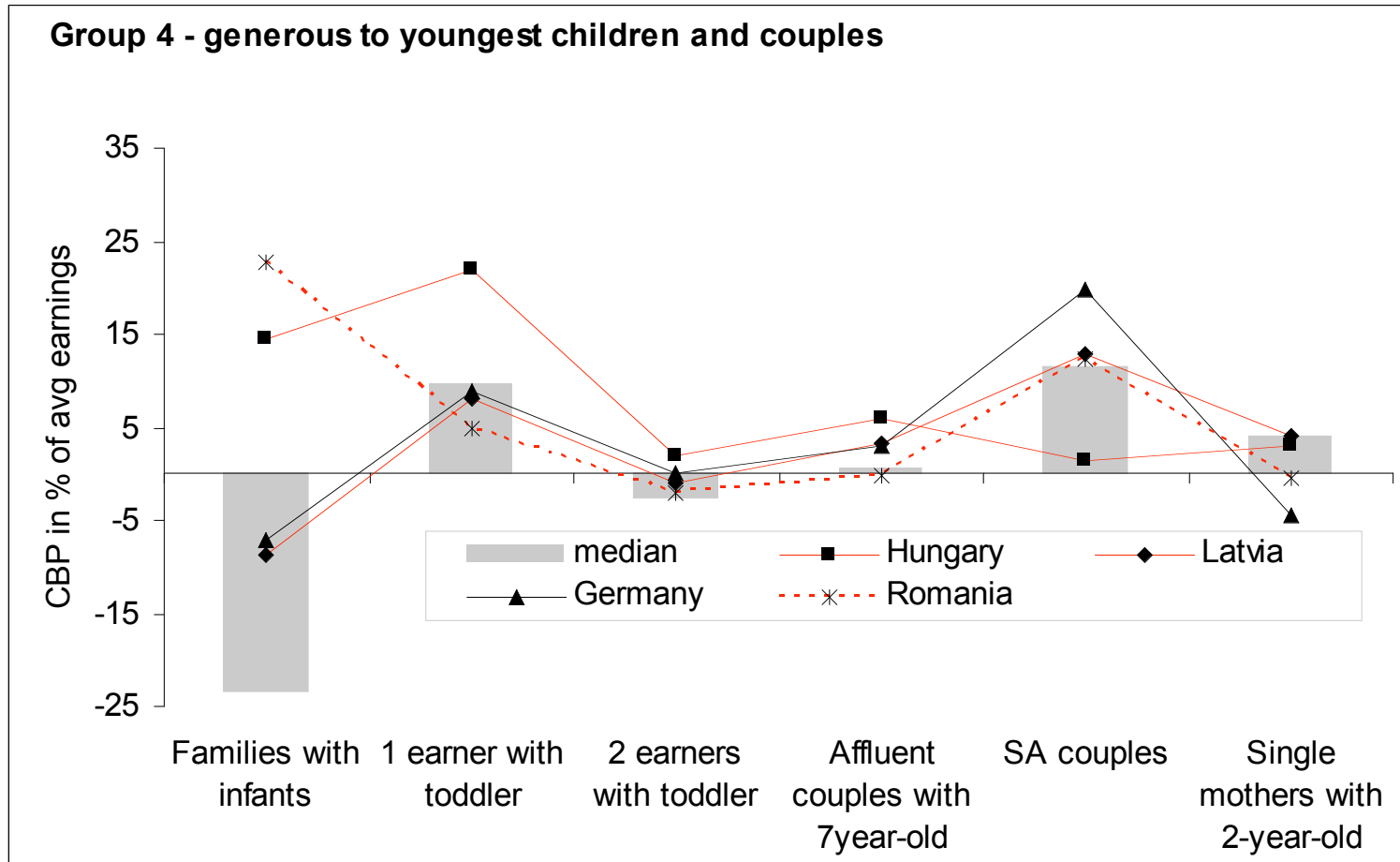
Groupings (2)



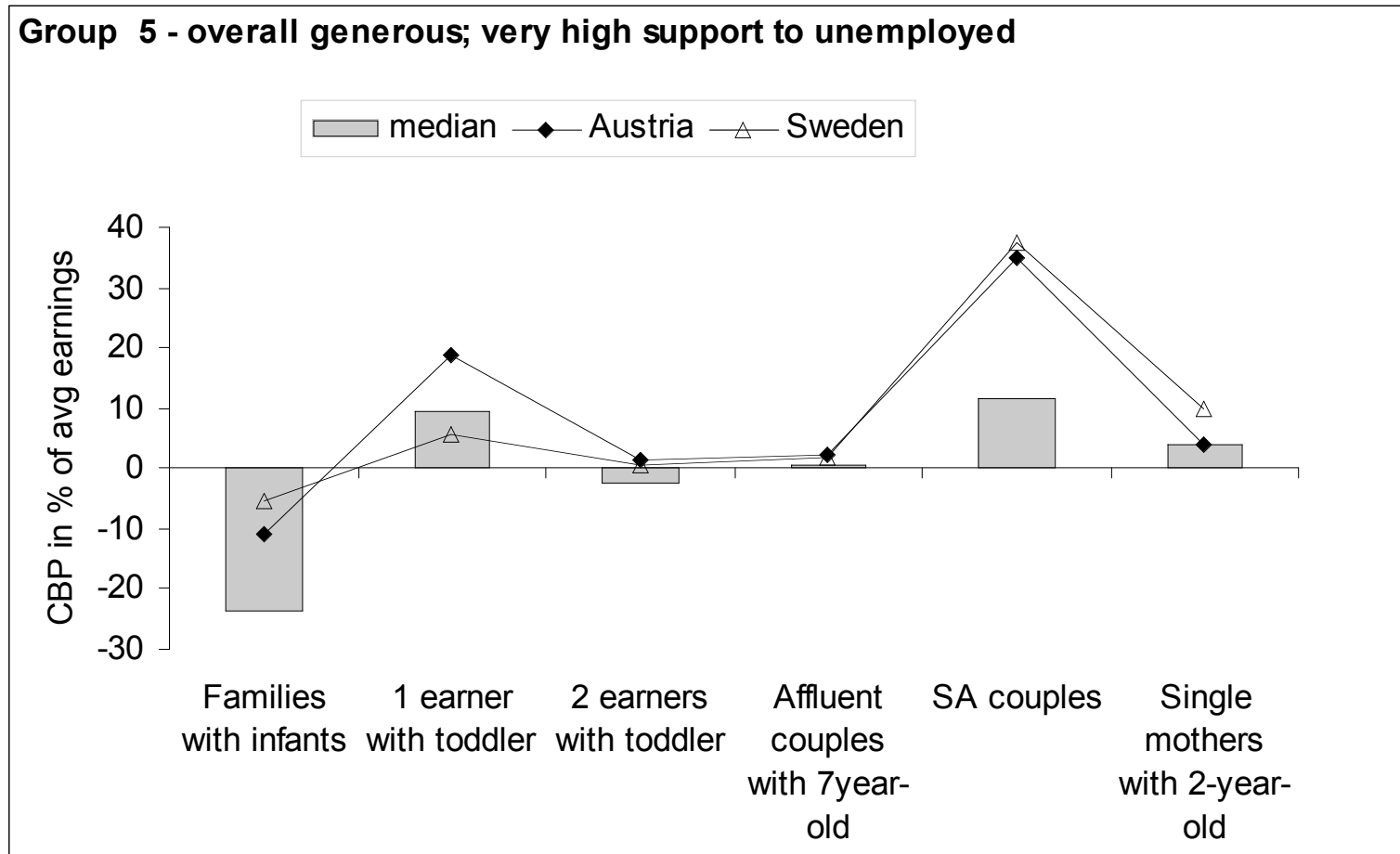
Groupings (3)



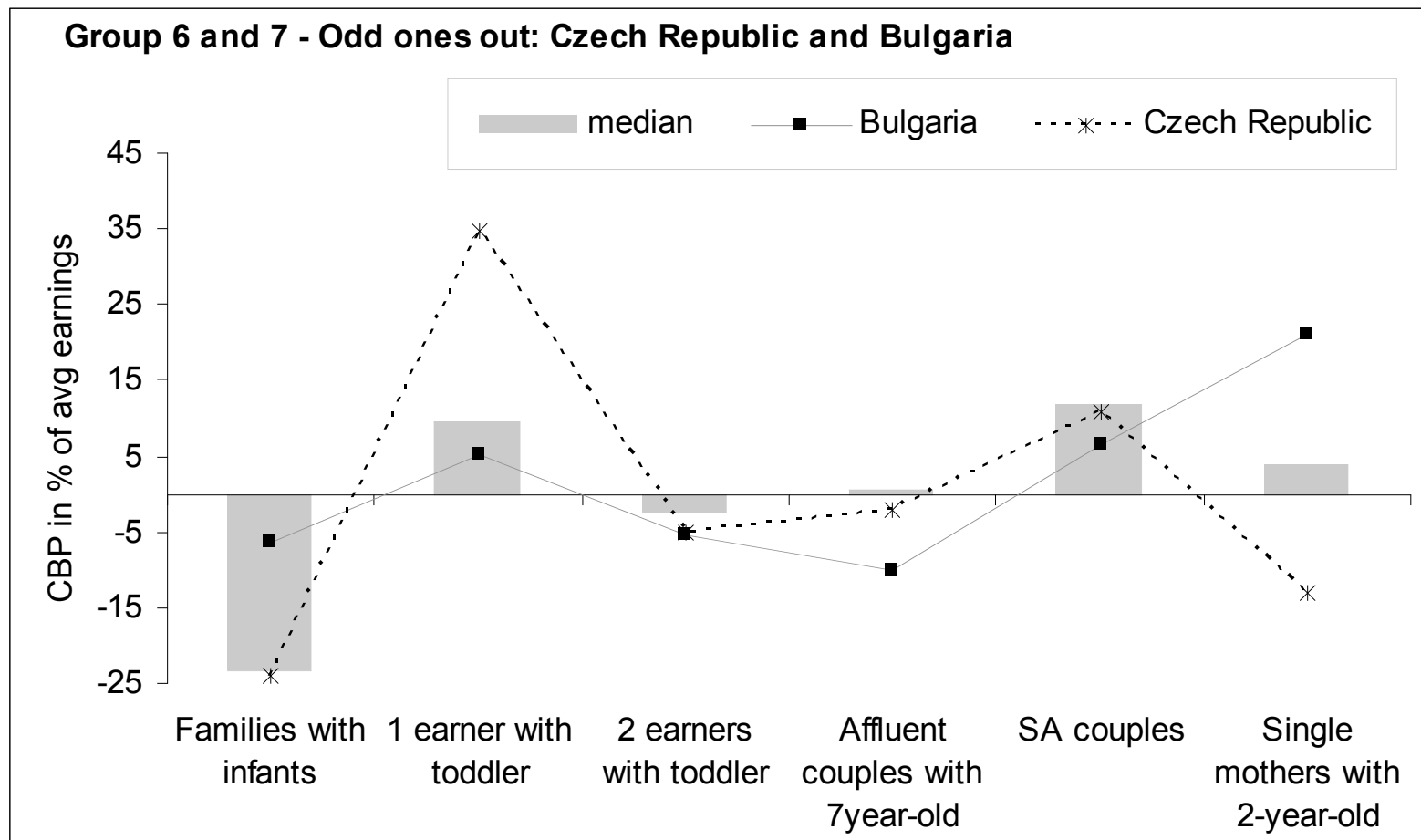
Groupings (4)

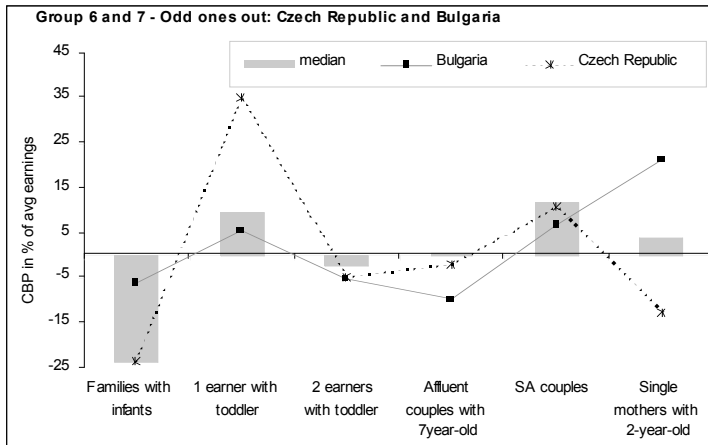
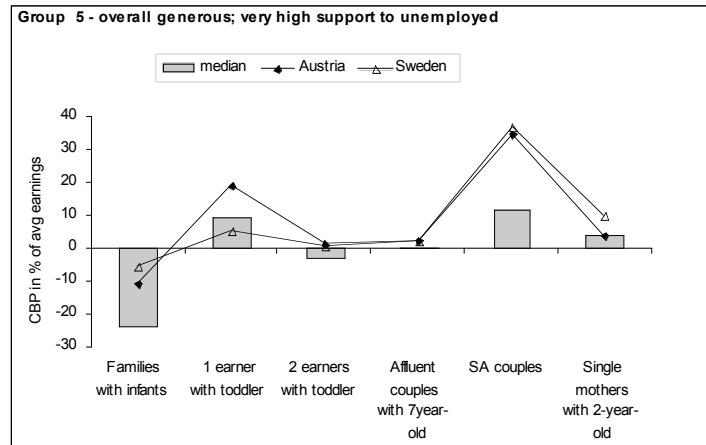
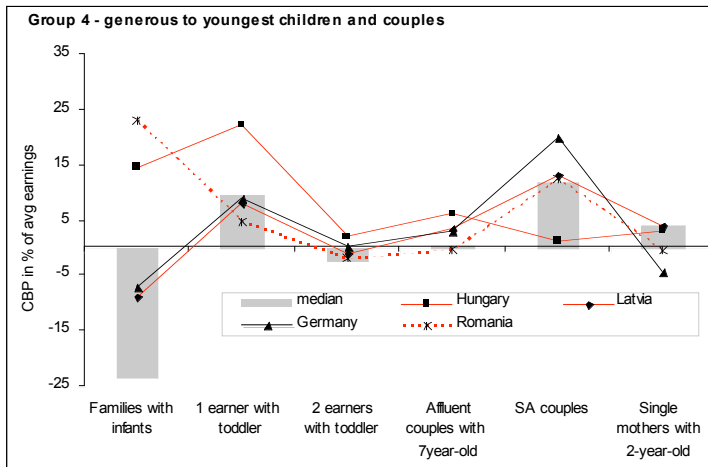
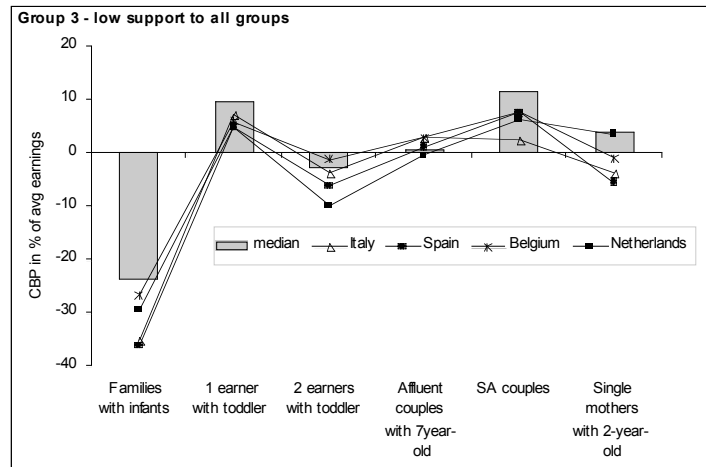
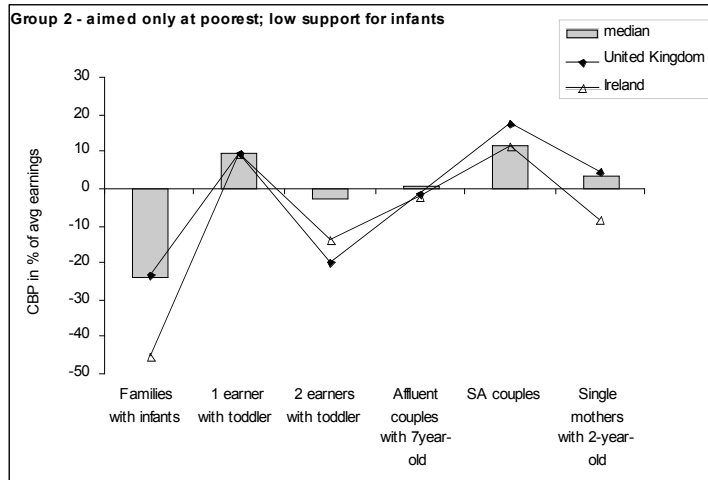
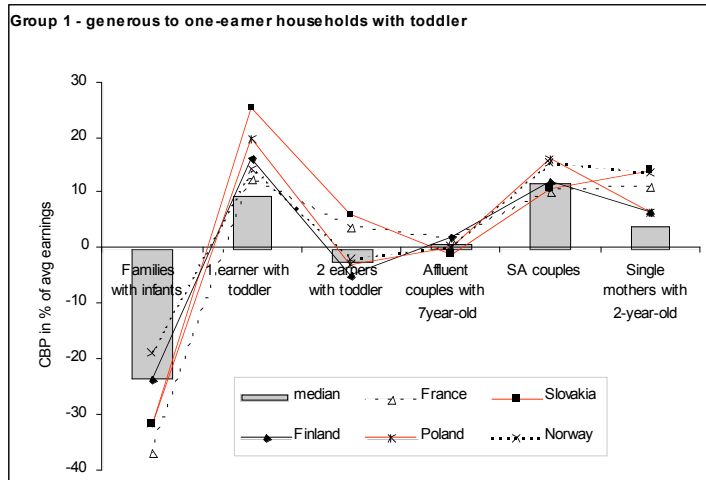


Groupings (5)

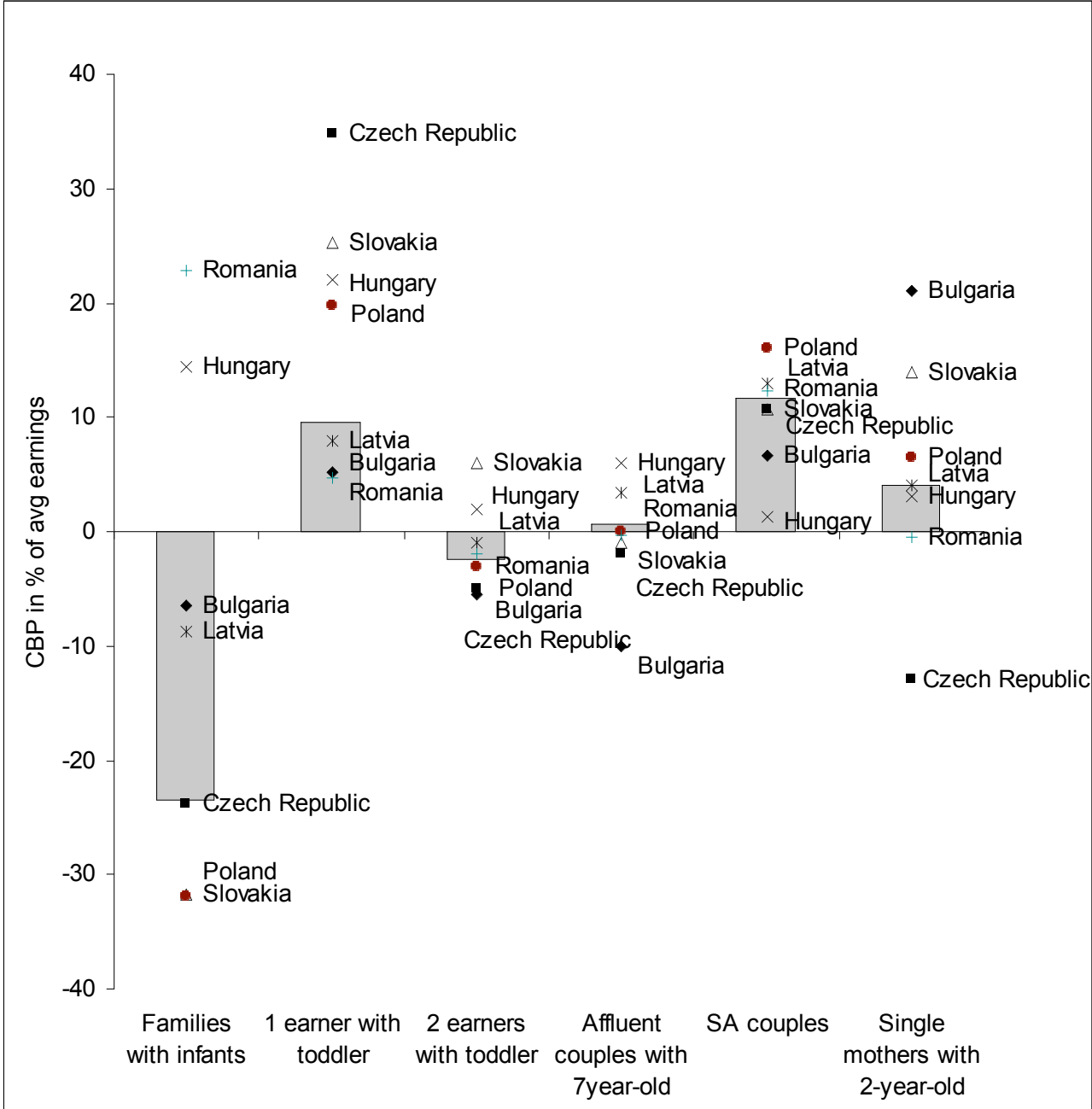


BG and CZ - odd ones out





CEE comparison



Impact of recession (as of June 2009)

| | Families with half avg earnings | Families with avg + half avg earnings | | | Long-term unemployed |
|-----------------------|--|---|-------------------------------|-------------------------------|---|
| | <i>Lone mother with 2-year-old</i> | <i>Couple with infant</i> | <i>Couple with 2-year-old</i> | <i>Couple with 4-year-old</i> | <i>Couple with 2-year-old</i> |
| Bulgaria | 9% increase in child benefits, but also equal increase in childcare costs | | | | |
| Czech Republic | No longer eligible for housing benefit | Changes in social insurance contribution system helped couples where both parents work, but CBP for families where one is on leave consequently substantially decreased | | | No changes |
| Hungary | No changes | | | | Increase in social assistance resulting in raise in CBP |
| Latvia | Decrease in average earnings resulted in lower tax credits but higher social assistance and child benefits | | | | |
| Poland | No changes | | | | |
| Romania | 5% increase in child benefits | | | | |
| Slovakia | Family no longer eligible for Parental Benefit. Instead a benefit fully covering the childcare costs introduced. Result: substantial decrease in CBP for families with 2-year-old in childcare. A slight increase in non-income tested child benefits improved the situation for the other model families. | | | | |

Summary

- Great variability within CEE countries
 - Dual vs. one-earner
 - Traditional male breadwinner when children small
 - Universality vs. means testing
- Yet some common characteristics – some countries fall into the same group, but no specific, single CEE group
- Further analysis needed
 - structure of CBP, (dis)incentives to work (Marginal tax rates, Replacement rates)

Financial support for families with children in Central and Eastern Europe

Thank you

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