

## Conditional cash transfers and their impact on children (Hungary, 8-9 October 2015)<sup>1</sup>

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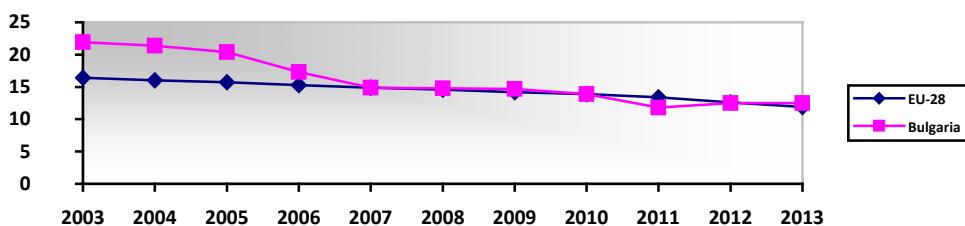
### 1. Background and context

Bulgaria is one of the countries where the risk of poverty or social exclusion for the population is above the average for EU. According to data from the survey "European Union Statistics on Income and Living Conditions" (EU-SILC) in 2013 the share of people living at risk of poverty was 21.0 % or 1.528 million.

Children are a specific vulnerable group since they are more at risk of poverty and social exclusion than adults. According to data from EU-SILC the risk of poverty in 2013 was highest for children under 18 years of age – 28.4 % compared to 17.1 % of adults aged 18-64 years and 27.9 % of adults aged 65 and older. The share of children (age group 1-15) with material deprivation (lacking 1 or more items from 11) was 70.2 %<sup>2</sup>. In 2013, 34.5 % of children with material deprivation were at risk of poverty.

Poverty and exclusion are associated with low levels of education, large household size and are heavily concentrated among ethnic minorities, in particular Roma. According to data<sup>3</sup> during the academic year 2013-2014, 13,000 students have left the mainstream schools for different reasons. The largest share belongs to students who have left for family reasons – 5,900, or 42.7 % of the total number of the school leavers. Among Roma children, educational attainment is significantly lower compared to their non-Roma peers. Looking at the past ten years, the country has been able to improve drop-out rates in the public education system by almost 10 % according to Eurostat data. For one decade the percentage has decreased twice and in 2013 it reached 12.5 % compared to EU-28 average of 11.9 %.

**Figure 1 Early leavers from education and training**



Source: Eurostat 2014

<sup>1</sup> Prepared for the Peer Review in Social Protection and Social Inclusion programme coordinated by ÖSB Consulting, the Institute for Employment Studies (IES) and Applica, and funded by the European Commission.

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<sup>2</sup> In 2013 almost half of children could not afford a meal, including meat, chicken or fish at least once a day (45.4 %), fresh fruit and vegetables once a day (42.8 %) and books suitable for their age (47.4 %). More than half of the children could not afford at least two pairs of shoes according to the season (54.5 %). For any two of five children could not be ensured purchasing new clothes.

<sup>3</sup> National Statistical Institute.

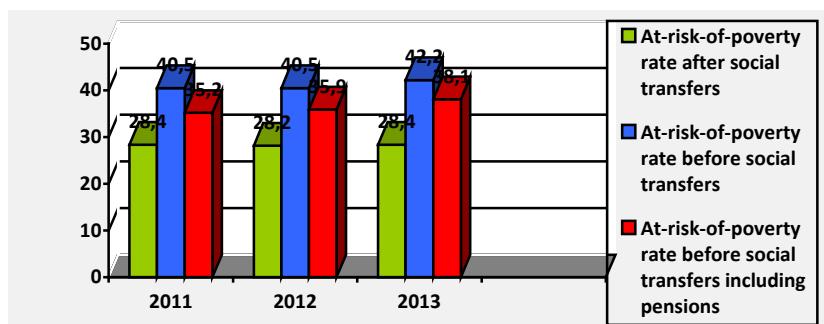


The level of educational attainment and professions of the parents is an important factor for children's future progress. The share of children at-risk-of-poverty increases if the education level of their parents is low. In 2013 every seven of ten children (71.5 %) were at-risk-of-poverty and the highest level of education attained by their parents was lower secondary (0-2 ISCED<sup>4</sup>). Only 4.0 % of children living in households which members had high level of education (5-6 ISCED) were at-risk-of-poverty. This is 17 times less than children at-risk-of-poverty whose parents had lower secondary education. The risk of poverty among children in households with parents with secondary education (3-4 ISCED) was four times higher than for those with parents with higher education (5-6 ISCED).

Poverty estimates depending on the type of household show that poverty is concentrated among elderly single-person households, single parents with children and households with three or more children. The highest risk of poverty was 68.1 % in households with three or more children. Their share increased compared to 2012 by 7.1 percentage points.

Social transfers decrease considerably children's poverty rate. In 2013 the share of children at-risk-of-poverty was 42.2 % if the income from pensions and the rest of the social transfers are excluded from household income, and reached 38.1 % if the income from pensions is included into the household's income.

**Figure 2 Children at-risk-of-poverty rate before and after social transfers**



### Supporting children and families – a key policy priority

Taking into account the data mentioned and the main objectives of the Europe 2020 Strategy, the Bulgarian government adopted a national target for reducing the number of people living in poverty by 260,000 persons by 2020. One of the sub-targets is to reduce the number of children aged 0-18 living in poverty by 78,000. For the implementation of this target the efforts are aimed at providing complex support to children and families – investing in early childhood education and care, provision of financial support to families with children, providing community-based services and services in family and close to family environment; deinstitutionalisation of child care, etc. A focus on promoting child well-being is put in many strategic and programme documents at national level – National Reform Programme of the Republic of Bulgaria, National Development Programme: Bulgaria 2020, National Strategy for the Child 2008-2018, National Strategy for Reducing Poverty and Promoting Social Inclusion 2020, etc.

### Financial support to families with children: Improving the legal framework

Provision of financial support is an important tool for supporting children and families. Family allowances are provided under the Family Allowances Act and have an important role for supporting children and their families. In this context it should be noted that funds amounting to over half a billion BGN are allocated by the State

<sup>4</sup> International Standard Classification of Education.



Budget for 2015 for payment of family allowances (approximately 291 million EUR which represents an increase of approximately 6.16 million compared to the financial resources provided in 2014).

Most of the family allowances are provided regardless of family income. This type of support is designed to reach more families in order to guarantee a favourable family environment for every child. The Family Allowances Act covers ten different transfers<sup>5</sup> (such as benefits for children with disabilities, benefits for twins, one-off benefits upon childbirth, one-off benefits for raising a child under the age of one by a mother who is a full-time university student, etc.), most of them non-conditional.

Families with per capita monthly income of below 350 BGN (approximately 180 EUR) are entitled to income-tested monthly allowances for children until graduation from high school, but not after the age of 20. It should be emphasised that the monthly allowances for children until graduation from high school, but not after the age of 20 represent the most common type of family allowances and the funds for their provision take up the largest part of the total child benefit budget (400,000,000 BGN – approximately 203,000,000 EUR). The amount of the monthly allowances for children until graduation from high school, but not after the age of 20 is differentiated according to the order of the children in the family and it is determined in the State Budget of the Republic of Bulgaria Act for the respective year. For 2015 the amount of this type of family allowances is as follows: BGN 35 (approximately EUR 18) for the first child; BGN 50 (approximately EUR 26) for the second child and BGN 35 (approximately 18 EUR) for the third and each subsequent child. From 2016, the amount of the allowance will be determined by the number of children in the family.

It should be emphasised that the provision of this type of benefit does not aim to support families with low incomes. Its objective is to promote the child upbringing in a family environment and to support the family model as a whole. This is clearly illustrated by the following data: in 2013 a monthly average of 537,325 families received monthly allowances for 797,903 children; in 2014 a monthly average of 523,753 families received monthly allowances for 777,726 children; for the first half of 2015 a monthly average of 510,963 families received monthly allowances for 761,766 children.

### **Conditions and sanctions**

It should be noted that from 2002 the monthly allowance for children until graduation from high school, but not after the age of 20, has been subject to a school attendance condition, which makes it de facto a conditional cash transfer, similar to child benefit schemes in other Central and Eastern European countries. The child is not allowed to be absent from school for more than a predetermined number of classes – five unexcused absences in a given month. The objective of this requirement is to guarantee the right of children to education and prevent the dropping out of school. Since 1<sup>st</sup> September 2013 these requirements have been also introduced with regard to the preparatory groups in the kindergartens or in the schools for obligatory preschool training of children, unless this is impossible because of the child's health. Children are allowed to miss up to three days a month from kindergarten and the parents of these children are also affected by sanctions if the attendance requirements are not met. The schooling condition is strict: a new claim request and relevant certification of school attendance must be submitted each year by the parents.

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<sup>5</sup> The latest amendments to the Families Allowances Act (Promulgated, State Gazette No. 57/28.07.2015 г.) introduce a new benefit – a lump-sum benefit that is granted for the adoption of a child.



With regard to the inspections of the regular school and preschool attendance it should be noted that a monthly monitoring has been carried out. It is based on information provided from the directors of schools and kindergarten to Regional Directorates for Social Assistance regarding the absences during the month without permission or a valid reason. The Regional Directorate for Social Assistance sends within 3 days the report to Social Assistance Directorate at the permanent address of the parents for suspension of the benefit. The transfer is automatically stopped for that month during which a child misses a class for the sixth time without an excuse (or, in pre-school, is absent for a fourth day without excuse). If the child meets the schooling criteria in the month following the month of the allowance suspension, the transfer will again be made automatically, without any need to lodge a claim. If the suspension affects only one child of several in a family, the payment is suspended only for the absent child: the family continues to receive money for the others.

The table below illustrates the application of these requirements.

**Table 1 Four-Year Data Summary**

Year	Preschool children		School children	
	Average monthly number of families who have had their benefits suspended due to admission of more than three absences without a valid excuse	Average monthly number of children whose benefits have been suspended due to admission of more than three absences without a valid excuse	Average monthly number of families who have had their benefits suspended due to admission of five absences without a valid excuse	Average monthly number of children whose benefits have been suspended due to admission of five absences without a valid excuse
2011	-	-	2,526	2,531
2012	-	-	4,486	4,878
2013	695	719	4,703	5,137
2014	644	663	4,841	5,330

Besides the monthly allowances for children until graduation from high school, but not after the age of 20, there is another motivational element in the family benefit system that aims to encourage children's enrolment in the next class up: families are awarded a lump sum of 250 BGN (approximately 127 EUR) when the child registers (the so called one-time targeted allowance for schoolchildren). This type of benefit is income tested and conditional on verification of the child's enrolment in first grade. It compensates for the initial costs of education.

It is important to note that in order to improve the legal framework in the field of children and family policy and to improve the efficiency and effectiveness of the family allowances, an Act Amending and Supplementing the Family Allowances Act was adopted by the National Assembly of the Republic of Bulgaria in July 2015. In terms of the monthly allowances for children until graduation from high school, but not after the age of 20 the existing criteria for receiving them have been extended and complemented by the following requirements:

- the family and the child have to reside permanently in this country;
- the child is not placed outside the family under Art. 26 Child Protection Act<sup>6</sup>;

<sup>6</sup> The placement of a child with a family of relatives or friends, as well as the placement of a child to be reared by a foster family, social service – resident type or a specialised institution is done by the court.



- regularly attends the preparatory groups in the kindergartens or in the schools for obligatory preschool training of children, unless this is impossible because of the child's health;
- continues his/her studies until graduation from high school, but not after the age of 20, regularly attends school, unless this is impossible because of the child's health;
- has all required immunisations and check-ups according to age and health status.

If the benefit is stopped for three consecutive months or for six months within one academic year due to non-compliance with regular attendance school and preschool requirements, the monthly allowance for children until graduation from high school, but not after the age of 20 will be suspended. In this case the monthly allowance may be granted again no earlier than one year from the date of suspension. The main objective of the complemented requirements is to guarantee equal opportunities to the children's raising, education, training, health protection, development and social inclusion.

The amendments adopted to the Family Allowances Act provide also a definition for the term "family". Parents living together without marriage but under the same address, their underage/minor children, as well as the children aged 18, who continue their education (up to the age of 20) are considered family, too. A definition of single-parent family has also been introduced.

It is essential to draw a clear-cut line in terms of the nature and the purpose of the monthly allowance for children until graduation from high school, but not after the age of 20. It is not a direct anti-poverty programme to alleviate child poverty. The following tendency is especially indicative in this respect – while a significant share of the poor is covered by this type of benefit, the coverage of the non-poor is also large. This is mainly due to the categorical nature of this programme and the benefit entails demographic objectives (e.g. increase birth rates) other than poverty alleviation. Thus, it can be summarised that this type of benefit is a monthly subsidy that contributes to the costs of education and motivates families to use school or kindergarten services.

Bulgaria's general anti-poverty programme is the Guaranteed Minimum Income, which directly targets people in need who are not able to ensure their subsistence from primary market income. Monthly benefits provided under the Social Assistance Act are non-contributory means-tested allowance granted to persons living alone or to families whose income for the previous month is below the so-called "Differentiated Minimum Income" (DMI). Basis for determining DMI is the guaranteed minimal income. Its monthly amount is determined by an act of the Council of Ministers<sup>7</sup>. Except the income-test, the beneficiaries should fulfil other eligibility criteria. Similar to the monthly allowances for children until graduation from high school, but not after the age of 20 the monthly social benefits are subject to school attendance and health care conditions. In 2014 the average monthly number of the supported families and persons is 52,485 and in the first half of 2015 their number reaches 53,842.

### **Supporting measures: The role of NGO sector**

In addition to the financial support provided to families with children supporting measures have also been implemented. Since 2010 a Social Inclusion Project (SIP) has been implemented and funded by a loan from the International Bank for Reconstruction and Development (World Bank). Under the Project new types of services for children and families are being established in 66 municipalities in the country and they are aimed at: early childhood development, risk prevention in early childhood, better coverage and improvement of the readiness of children for

<sup>7</sup> Currently, the amount of GMI is BGN 65 (little more than 30 EUR).



inclusion in the educational system, improvement of the family environment. The main feature of SIP services is that they are integrated – social, health and educational issues.

The following services have been financed under the project: integration of children into kindergartens and preparatory groups/classes – work with children, parents, providing transport and etc.; additional preparation for equal start at school; health consultation for children; fee reduction for crèches; early interventions for children with disabilities; individual pedagogical support for children with disabilities; formation and development of parenting skills; family counselling and support; family centres for children from 0 to 3 years and from 3 to 7 years. Since the launch of the project, a total of 1,889 new places in nurseries and kindergartens have been opened in 31 municipalities. Currently 25 municipalities have already put into operation the crèche and kindergarten groups under the project – a total of 1,643 new places in nurseries and kindergartens.

It should be noted that supporting measures have also been implemented by many NGOs in Bulgaria, working on children's issues. In the last 2 years the "Parents" Association has conducted more than 15 trainings with school representatives nationwide. The trainings involved more than 300 teachers and school counselors and were focused on the topic "Improvement of the family-school interaction". The main objective of the trainings is to enhance the skills of involving mothers, fathers and other family members as members of the school community and participants in the school life of the children. The philosophy of the training is based on the concept that all stakeholders of the school community – parents, teachers and students – share common interest of developing the potential of every child. However, this development is often hampered due to barriers not directly related to the school life – social inequality, specific family compositions (e.g. parent(s) absent), and prejudices. During the training the school team elaborates a map of the challenges, which the families and the schools are facing, and identifies the main communication channels, which could help in overcoming the difficulties.

The observations on the teacher's attitudes indicate significant lack of basic as well as developing qualification in terms of skills of involving parents as partners of the school. There is weak understanding and knowledge of the opportunities of the school to support the family, and the prevailing approach is this of sanctioning, based on the assumption that if the parents are sufficiently penalised, they will obey the school rules. This results in a serious gap between the school and the family and insufficient use of the school as supporting environment for applying the mechanism of child benefit for school attendance, which could affect positively the educational results of the children. As a result of the trainings, the teachers declared themselves willing to apply different and innovative approaches, which include more measures to support the families.

