



“Family 500+”: A new family income-supporting benefit in Poland

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Description

The Polish government appointed in November 2015 introduced a generous child-raising benefit targeted at all families with more than one child and supporting poor families with one child. The new benefit is expected to increase the birth-rate and improve the financial situation of large families. The law was quickly processed, and payment of benefits began in April 2016.

Poland faces challenges related to the very low fertility rate, low total expenditure on family benefits, low effectiveness of family support and high poverty among households with children. The total fertility rate (1.3 in 2014) is among the five lowest in the European Union. The share of households with three or more children decreased from 16.3% in 2005 to 12.2% in 2014 while the share of households with one child increased from 46.8% in 2005 to 49.1% in 2014. At the same time, the poverty risk rate of households with three or more children is 36% (vs. 17% in the total population, 2014) (Eurostat 2016).

Until 2015, family policy concentrated on poverty prevention with income-tested family benefits as the main policy instrument. Income support to all families was also provided in the form of child tax credits, payments of social security contributions for caregivers and price reductions for large families. Support for young parents not in employment began in 2016 with a monthly parental benefit of PLN 1000 (EUR 227) in the first year after childbirth. Since 2007, efforts have been made to increase availability of pre-school education and care.

After taking office in November 2015, the new government led by the political party “Law and Justice” introduced the programme “Family 500+” [Rodzina

500+] aimed at increasing the fertility rate, increasing the number of children in families and improving the general well-being of families with children. The law was adopted in February 2016. The new, universal child-raising benefit of PLN 500 (EUR 114) monthly is granted for every second child under 18, and for the first child if the family income is below PLN 800 (EUR 182) per capita per month (PLN 1,200/EUR 273 in the case of child disability). Broad eligibility criteria allow all types of families to apply for benefits (married couples, cohabiting parents, single parents, foster families, etc.). Child-raising benefit is twice as high as the previous average family benefit per beneficiary (PLN 295/EUR 70) in 2014 (MPiPS 2015). Note that only families with an income below a threshold of PLN 574/EUR 137 (PLN 664/ EUR 158, in the case of child disability) were eligible for family benefits under the old scheme. The new child-raising benefit is managed and monitored by local governments which – in cases of documented misuse – can provide benefits in kind or even withhold the payments.

The Family 500+ programme has been widely promoted and submission of applications is smoothly facilitated. Applications could be submitted in the period of April 1st – July 1st 2016 and should be resubmitted every year (in September). Benefits have been paid

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starting from April 2016. According to the estimates of the Ministry of Family, Labour and Social Policy the programme should cover 3.7 million children. By June 2016, 2.5 million applications had been submitted (1.6 million had already been processed) and PLN 2.2 billion (EUR approx. 0.5 billion) had been spent (MPiPS 2016). The total cost of "Family 500+" is officially estimated at PLN 16 billion in 2016 (April-December) and over PLN 20 billion (EUR 5 billion) every next year – all borne by the state budget. This is almost two times higher than expenditure on family benefits in 2014 (PLN 7 billion/ EUR 1.7 billion) (MPiPS 2015).

In principle, the child-raising benefit should not impact eligibility for other benefits that remain unchanged. Especially, the benefits should not be included in the income assessment establishing eligibility for permanent social assistance benefits. However, improvement of families' well-being might impact eligibility for temporary social assistance benefits. According to the amendment to the law on child-raising benefit, receipt of benefits should not impact the level of alimony (especially not reducing this due to higher family incomes) and cannot be taken by a bailiff. To prevent the latter, the Ministry of Labour envisages payment of benefits to separate bank accounts.

Also, in order to stimulate long-term savings, the Ministry of Finance is drafting a proposal targeted at well-off families, helping them to invest resources from "Family 500+" benefits in 10 or 15 year bonds. Details of the proposal remain under discussion.

Outlook & Commentary

Family 500+" has received tremendous attention and has

been widely discussed by policymakers and stakeholders (social partners, experts, etc.). Some experts point to other, less costly, instruments that support child-raising decisions: support for pre-school education and care, encouragement of fathers' involvement in child-raising, flexible employment for young parents, etc. Trade unions, while supporting the main goal of the programme, question its potential impact and lack of support to poor families with one child. Main employers' organisation point to negative labour market effects of the benefit. The overall costs of the programme have been criticised and there is concern as to the sustainability of the governmental budget in the years to come. As the benefit creates a tremendous burden for the budget, the government is trying to rise funds through new sectoral taxes (on the retail trade, for instance) but this has proved to be a difficult task. Another controversial issue is the coexistence of the new benefit with those already granted, due to overlapping of benefits and high costs of the system. The administrative capacity of local governments to process applications and pay out benefits has also been questioned. Much attention has been given to the labour market effects of the benefit. The main concern is that it might decrease employability of low qualified women in reproductive age. The media on the other hand point to the possibility of benefit-abuse.

Whilst the pro-natal effect of the policy remains doubtful, the most important immediate result of the benefit will be improvement of families' overall well-being. Simulations of the impact of the benefit estimate that 95% of families would benefit from the policy, with the largest income gains in families from the second income decile, and the smallest gains in families from the ninth income decile (CenEA 2015). This

may result in decreasing inequalities and lower risk of severe poverty for people from the first and second income deciles.

Further reading

CeNEA (2015), Komentarze, http://www.cenea.org.pl/images/stories/pdf/commentaries/komentarzcenea_19112015.pdf

Eurostat (2016) [demo_frate, http://ec.europa.eu/eurostat/en/web/products-datasets/-/DEMO_FRATE],

[lfst_hhnhtych, http://ec.europa.eu/eurostat/en/web/products-datasets/-/LFST_HHNHTYCH]

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MPiPS (2015), Informacja o realizacji świadczeń rodzinnych w 2014 r., http://www.mpips.gov.pl/gfx/mpips/userfiles/public/1_NOWA%20STRONA/Polityka%20rodzinna/statystyka/Informacja%20o%20realizacji%20oswiadczen%20rodzinnych%20w%202014%20r..pdf

MPiPS (2016), 2,5 miliona złożonych wniosków, <http://www.mpips.gov.pl/aktualnosci-wszystkie/rodzina-500-plus/art,7987,2-5-mln-zlozonych-wnioskow.htm>

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