



# Do family benefits trigger or minimise poverty among large households in FYR Macedonia?

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## Description

*Poverty among households of two adults with three or more dependent children has been rising continuously in the last three years. This has happened despite the introduction, in 2010, of a very costly universal parental allowance for the third child.*

The introduction of a parental allowance for the third child in 2010 has followed a different pattern from other family/child benefits. This allowance is very costly for two reasons. First, it is not targeted at low-income households: it is a universal flat-rate transfer paid to any households, with no income/employment threshold or conditions attached. Secondly, it is almost 4.5 times higher than child benefit, twice as high as the special child allowance (which is targeted at families with disabled children) and almost twice the amount of the one-off assistance for the first-born child. According to a UNICEF analysis, “it is the costliest scheme within the social protection portfolio and estimates indicate that in less than 10 years’ time its annual budget will be close to 51.7 million Euros, which represents 0.75 per cent of current GDP” (2013, p.64).

The reasons for its introduction were mainly demographic. Namely, according to the State Statistical Office data and Eurostat, the natural population increase fell continuously from 2.7 in 2004 to 2.3 in 2009, similarly to the fertility rate, which stood at 1.80 in 2002, then began to decline and remained at 1.5 throughout 2005-2009. The birth rate in 2005 was 11.0 (per 1000 inhabitants) and reached 11.5 in 2010. However, the birth rate in 2015 dropped to 11.1 live births per 1000 inhabitants.

Although it may be premature to expect significant results six years after its introduction, current data point to worrying trends. They show that the number of beneficiaries has increased significantly (from 5 256 households in 2010 to 20 930 in 2015), but the demographic trends have not improved. The overall fertility rate has remained stable at 1.5 throughout 2010-2015. Meanwhile, the natural population increase continued to fall from 2.5 in 2010 to 1.3 in 2015. Data also show that the number of third-born children has increased, whereas the numbers of first- and second-born children are facing continuous decline since 2002. Hence, while the measure has led to an increase of third-born children, this increase has not been sufficient to improve the overall population growth.

The centre-right government has not undertaken any assessment of the impact of this measure. However, the measure has been largely criticised by opposition political parties, NGO’s, etc. According to UNICEF office in FYR Macedonia, “no effort has been made to optimise the cost-effectiveness of the parental allowance or to coordinate it with other child-related benefits”, and the measure “is unsustainable in the long term” (2013). The biggest opposition party (SDSM) has indicated

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that “population increase measures are inconsistent with the current conditions such as: lack of gynecologists in 40 (out of 80) municipalities in the country, infant mortality rate in the country higher than in any EU country” (2016).

On top of being very costly, an evaluation by the NGO Finance Think of this benefit shows that “labour market (in)activity of the mothers who are beneficiaries, in addition to the existing gender pay gap in the country, open a dilemma about the correlation between demographic and gender equality policies, and the aspiration towards higher participation of women in the labour market” (Finance Think, 2016, p. 130-131).

## Outlook & Commentary

National trends, such as the high poverty rate among households with three or more children (52.2% in 2015), low labour market participation among women (44.9% in 2015), as well as the on-going decrease in the number of beneficiaries of social transfers targeted at low-income families (i.e. social financial assistance, child allowance), mean that the introduction of the parental allowance for the third

child is not appropriate in the current socio-economic context. This benefit is an isolated and non-integrated policy measure which would need to be complemented with other measures towards low-income families. For instance, the current child protection scheme is essentially targeted at working parents (i.e. child benefit, use of public kindergartens, etc.) and there is very little or no support for the unemployed and low-income households with children; this is problematic and should urgently be changed.

Most importantly, data show that while this transfer did contribute to increasing the number of third-born children, it did not have any impact on the level of poverty among large households. While the overall poverty rate in the country has been decreasing since 2010, it has increased by 8.2 percentage points among households with three or more children; in 2015, it stands at 52.2%.

Taking into consideration the high poverty rates among large families as well as the very low amount of financial social assistance targeted towards low-income households, this benefit would be far more efficient if it were targeted only at low-income

large households. In that way, it could significantly contribute to reducing high poverty rates among children (28.6% in 2015) and among households with three or more children (52.2%).

### Further reading

SDSM (2016) Press Release, 24.11.2016, <http://www.sdsm.org.mk/News.aspx?idNews=4078&lng=1>

Finance Think (2015), *Како се трошат народните пари (How public money is spent: Cost benefit analysis of selected public policies in Macedonia)*, Skopje: Finance Think.

UNICEF (2013), *Leave No Child Behind: Building Equity for Children, Country Report – A Situation Analysis of girls and boys in former Yugoslav Republic of Macedonia*, Skopje: UNICEF.

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