



Poland: Effects of the child allowance programme "Family 500+"

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Two years after the launch of the "Family 500+" programme, a proper assessment can be made of its impact. As expected, the programme resulted in a reduction of child and total poverty, and may have contributed to the increase in fertility. But a decline of female labour activity, adverse exclusion effects and debatable inclusion of the rich combined with the high budgetary cost, suggest that the programme needs revising.

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Description

The "Family 500+" programme was launched in April 2016, providing extra child-raising support, on top of the "old" family benefit system. It pays a monthly allowance of PLN 500 (around EUR 120) for every second child in the family, and also for the first child if the per capita family income is below PLN 800/EUR 190 (more in cases of child disability). The benefit is not taxed, neither is it counted when checking eligibility for social assistance or the "old" family allowances, which are all means-tested.

"Family 500+" benefits almost 3.9 million children under 18 (i.e. over 55% of children in this age group), much more in large than in small families, and more in rural than in urban areas. The total costs of the benefit are borne by the state budget and remain an issue. In 2017, they amounted to over PLN 21 billion /EUR 5 billion, or approx. twice as much as all the "old" family benefits combined.

An ex-ante assessment of the "Family 500+" programme found very strong positive effects on reducing child and overall poverty, as well as income inequality (Goraus and Inchauste 2016). This has been confirmed by the actual data, although the impact seems somewhat smaller than expected. Various national estimates based on consumption data (household budget survey) show that between 2015 and 2016, there was a visible decline in poverty, much steeper for the groups

entitled to "Family 500+" benefits than for the others (GUS 2017). Generally, this decline was stronger for children under 18 than for the elderly or adults. In particular, the extreme poverty rate decreased from 6.5% to 4.9% nationwide but did not change at all for households without children, remaining at 3.7%. It fell only for child-raising households, from 8.8% to 5.9%, in particular for those with 3 or more children, for whom the rate fell from 16.7% to 9.9%. The difference between child and total (extreme) poverty rates diminished considerably: from 2.5 percentage points in 2015 to only 0.9 percentage points in 2016, which illustrates a change in the poverty pattern.

The impact of "Family 500+" on women's labour market participation has attracted special attention. Ex-ante analyses estimated the drop in the number of active women at 230 thousand (Myck 2016). Studies using the actual labour force surveys have found that the number of women aged 20-49 who withdrew from the labour market in 2016 was 40-55 thousand, or 40% more than might have happened if the programme had not been introduced (Magda 2017). Results also covering the first half of 2017 show a further decrease in labour activity of women due to "Family 500+", amounting to a total of 91-103 thousand. The greatest decline was for women with low education, living in small towns (Magda et al. 2018).

A recent increase in the total fertility rate, from less than 1.3 in 2013-2014 to 1.36 in 2016 and 1.45 in 2017, has also been noted. Government officials attribute this to "Family 500+" although it is difficult to identify the main cause of this increase.

Outlook & commentary

"Family 500+" is definitely the most important and strongly promoted social programme in Poland, and it remains one of the key topics for public debate. In general, it has been well received both by the general public and by many experts. Implementation of the programme was smooth and effective, involving various government and non-government agencies. Overall, it seems successful in terms of the number of beneficiaries and impact, specifically in terms of child poverty reduction.

However, adverse effects are also visible and possible solutions are being discussed among experts and commentators:

- "Family 500+" produces incentives – confirmed by the actual data – for lower female labour activity, although the scale of the decrease is questioned by officials. In any case, linking eligibility to employment might lessen this effect.

- The programme supports the poor but also the rich. This is often seen as unjust and boosts the cost. Excluding the most affluent might be a reasonable modification.
- The income test for the first child is rigid, leading to an adverse exclusion effect. This affects many single parents, usually working mothers, as well as those who just fail the test. Changes to the rules would be a good option.

Removing these flaws would certainly improve the programme. But the only revision, in mid-2017, has barely touched them, aiming rather to control the costs related to misuse. The main rules have remained unchanged, but there is now more rigorous income testing, and the administrative procedures have been fine-tuned. At the moment, further modifications of the programme are not planned.

Further reading

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