



Tackling child poverty through reformed child support in the Former Yugoslav Republic of Macedonia

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In 2016, 28.6% of children less than 18 years old were at risk of poverty in FYR Macedonia, while 46.1% were at risk of poverty or social exclusion. A reform of social and child protection benefits planned for early 2019 aims to tackle these very high figures.

Description

According to the 2016 Survey on Income and Living Conditions (State Statistical Office, 2017), 40.5% of all households in FYR Macedonia include at least one child less than 18 years old. The poverty risk and the risk of poverty or social exclusion among children less than 18 years old are very high: 28.6% and 46.1% respectively.

On the other hand, administrative data from November 2017 suggest that only 2% of all households with children less than 18 years old receive a child allowance (a means-tested benefit requiring the parent to be either employed or receiving unemployment insurance compensation). In the current child income support, most of the budget for non-contributory transfers goes to households with three children, but not to other households in need. In addition, the system of social and child protection provides inconsistent financial support to households with children: different equivalence scales between and within benefits as well as different threshold levels of benefits are applied, which, as indicated by Carraro, creates “disparities of treatment among households and appears to be completely disproportionate as many poor households with children are left out” (Carraro, 2015).

Since September 2017, the Government has been working on a comprehensive assessment of the social

and child protection system, in order to introduce a new Law on Social Protection and revise the current Law on Child Protection. Among other aspects, the changes will involve:

- adopting a unified income assessment approach when determining eligibility, thus treating all households in an equivalent fashion;
- using the same equivalence scale to determine the level of benefits for different rights;
- expanding provision of child allowances, by removing the current barriers that prevent those receiving social financial assistance and the non-registered unemployed from accessing this right; and
- introducing a new educational allowance for primary and secondary education.

Outlook & commentary

Financially, under the reform, certain benefits will be stopped and replaced by new ones, but the overall budget before and after the reform will be almost the same. The aim is to demonstrate that the same resources can be put to better use or can better meet a certain policy objective within the same intervention area. The main benefit to be stopped, as per the plan, is the parental allowance for the third child (although current beneficiaries can preserve their rights until they expire), as analyses have shown that during the 10 years of

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its implementation it did not achieve its aims (ESPN Flash Report 1/2017). But while there are households receiving parental allowances there will be extra budget costs. Parental allowances as benefits take up most of the budget and are expected to require almost 3 billion MKD (€48.8 millions) in 2018.

The effects of these changes include an increase in the number of households receiving the child and educational allowance: an increase of between 51,500 and 63,000 households (depending on whether tapering is introduced), i.e. of between 23.6% and 28.6% of the children in the country. Forecasts of the impact of the reform of social and child protection benefits on income poverty have been computed by Carraro (2018). Using the standard EU definition but with a wider concept of income (which includes income drawn from own production in agriculture), these forecasts estimate an 8% reduction of the at-risk-of-poverty rate (from 20.3% in 2016 to 18.7% in 2019) and a 43% reduction of the "intensity" of income poverty as measured by the median poverty risk gap (from 5.2% in 2016 to 3.0% in 2019).

The planned new Law on Social Protection and amendments to the

existing Law on Child Protection are long overdue, as not only EU-SILC data but also other analyses have frequently pointed to the ineffectiveness of social transfers other than pensions. The paradigmatic and parametric changes under discussion concerning financial transfers from the social and child protection system will also test the capacities of the Social Work Centres to implement the reform: they too have come in for criticism and calls for reform. Despite these positive forecasts, there are a number of key points which still need to be ensured:

- the financing of extra budget costs, in a context of scarce financial resources and increasing public debt;
- support for the Social Work Centres, providing training for effective implementation of the reform; and
- support from all political parties to ensure the sustainability of the reform.

Even if all this is provided, the reform will only be a success if this redirection of budgetary resources succeeds in reducing drastically the high poverty rate in the country, especially among children.

Further reading

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