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***IS THE NEIGHBOUR'S GRASS GREENER?
COMPARING FAMILY SUPPORT IN LITHUANIA
AND FOUR OTHER NEW MEMBER STATES***

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- To what extent can one country’s “success” story in achieving low(-er) child poverty rates be attributed to the **size** or the **design** of its family transfer system?
- Can a country do better by a simple copy-paste of policies from its ‘neighbours’?
- 5 NMS countries, focus on Lithuania
- EUROMOD: EU static tax-benefit microsimulation model

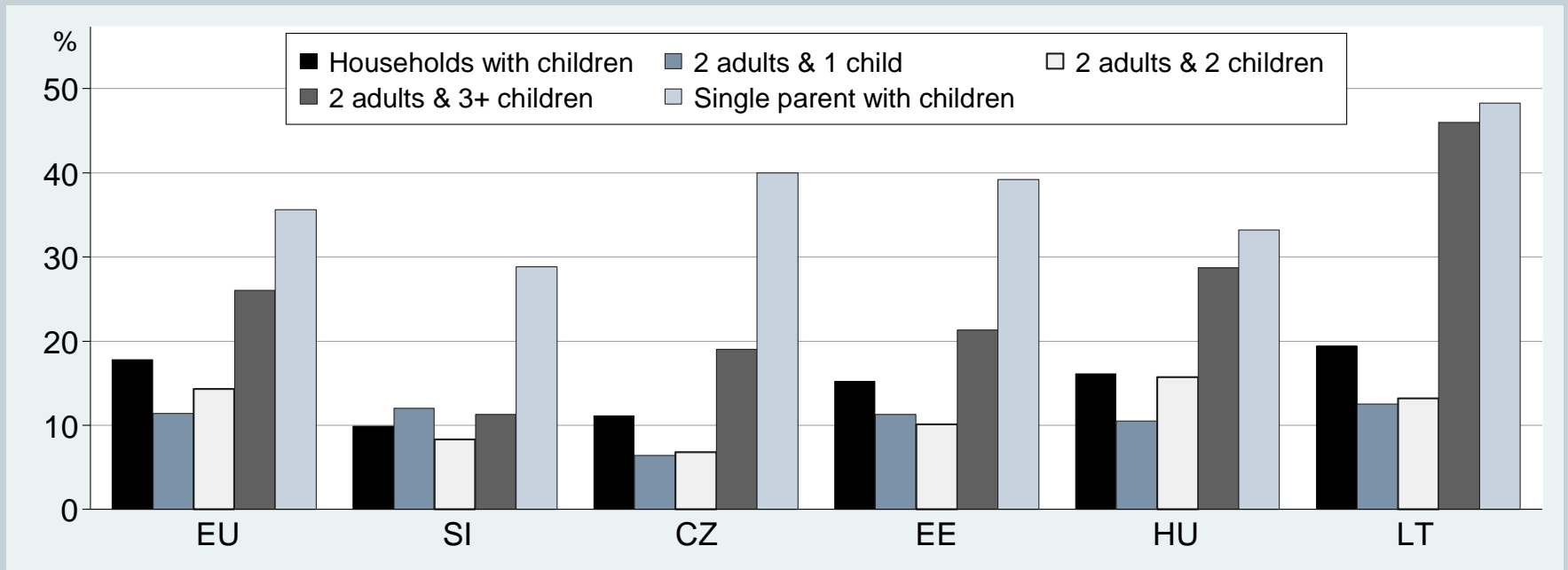
1. Why compare child policies across countries?
 - Child policies: monetary non-contributory benefits and tax advantages due to presence of children
2. Simulation scenarios: swapping policies
3. Conclusions and policy lessons

1.

**WHY COMPARE CHILD POLICIES ACROSS
COUNTRIES?**



- Children in *poor single parent or large families*, are of particular policy concern (TÁRKI, 2011).
- ~ *Half of the EU poor children* live in these two household types (Commission of the European Communities, 2008).



Transfer types differ by country

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- Non-contributory benefits

	LT	EE	HU	SI	CZ
Birth grant					
Universal child benefit					
Allowance to large families					
Means tested allowance					
Per capita benefits, EUR	45.5	69.6	185.8	124.2	36.2

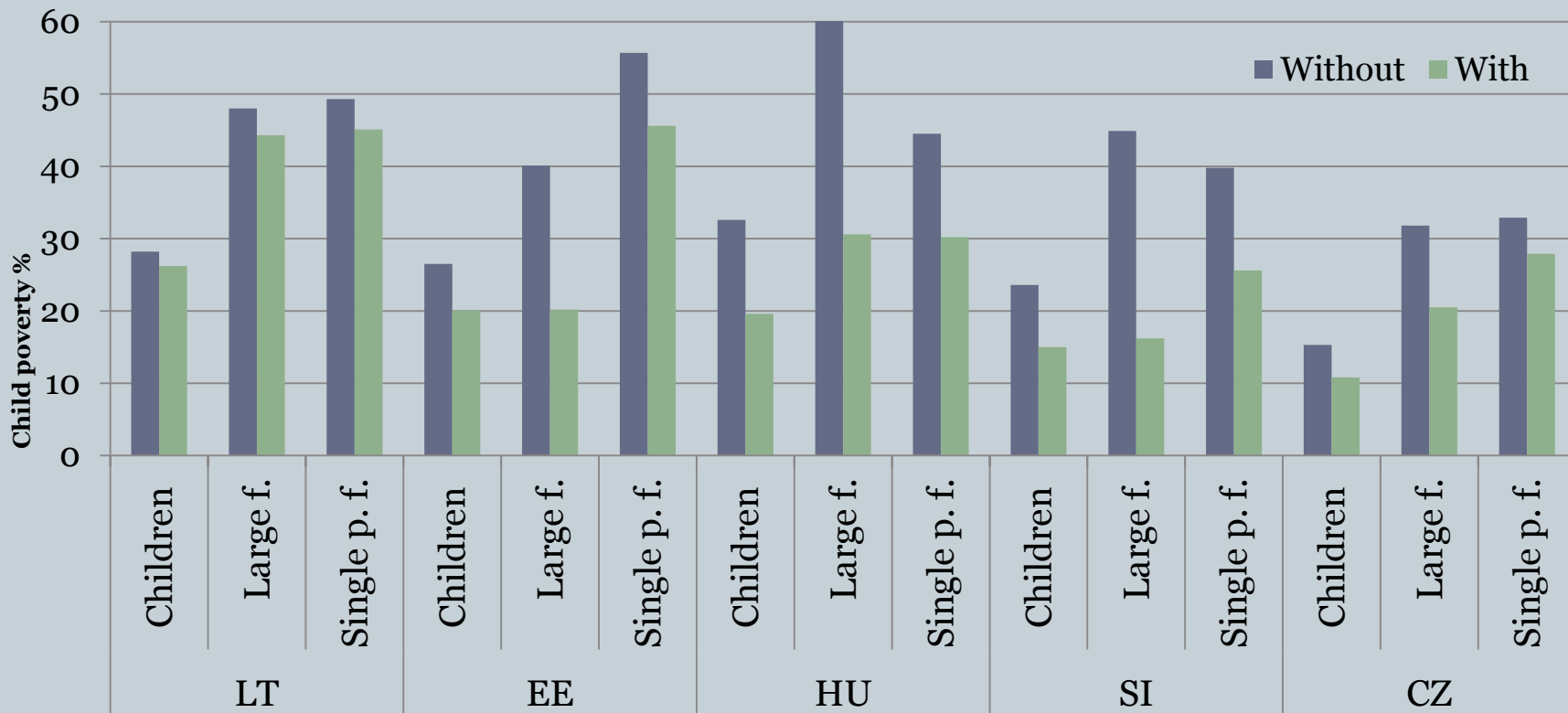
- Tax reliefs

Tax allowance					
Tax credit					
Per capita tax relief, EUR	7.6	58.7	5.3	118.9	58.2

- Very different designs, e.g. a universal child benefit:

	LT	EE	HU
Age thresholds	18 (24)	17 (20)	~17 (~20)
Size: Δ with child age	↓	No	No
Size: Δ with # of children	↑	↑	↓
Extra: for single parents	No	Yes	Yes
Extra: for young children	Yes	Yes	No
Extra: age thresholds	3	3 (8)	No
Benefit per recipient, EUR	388.1	332.1	1117.6

- Powerful poverty reduction tool
- Smallest capacity to reduce poverty - in Lithuania

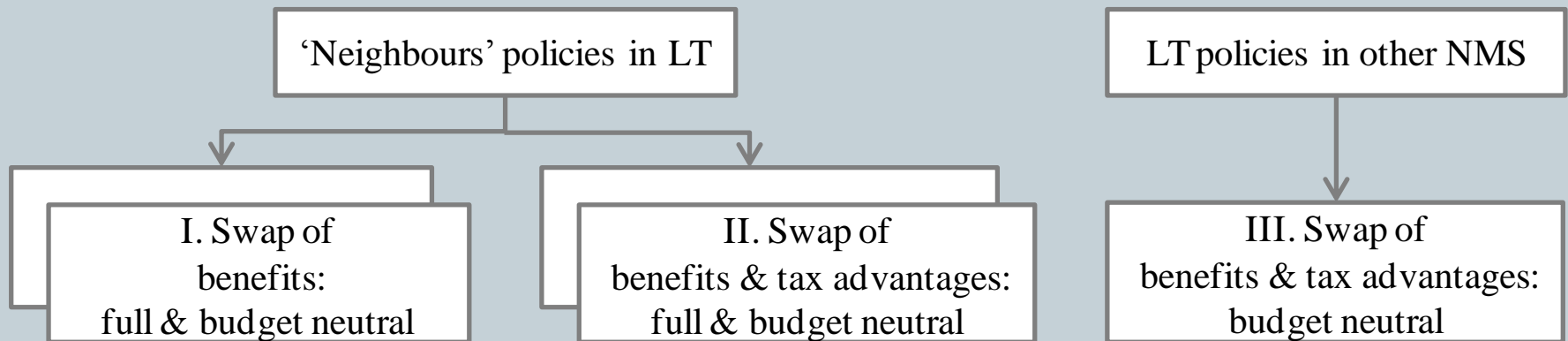


2.

**SIMULATION SCENARIOS:
SWAPPING POLICIES**



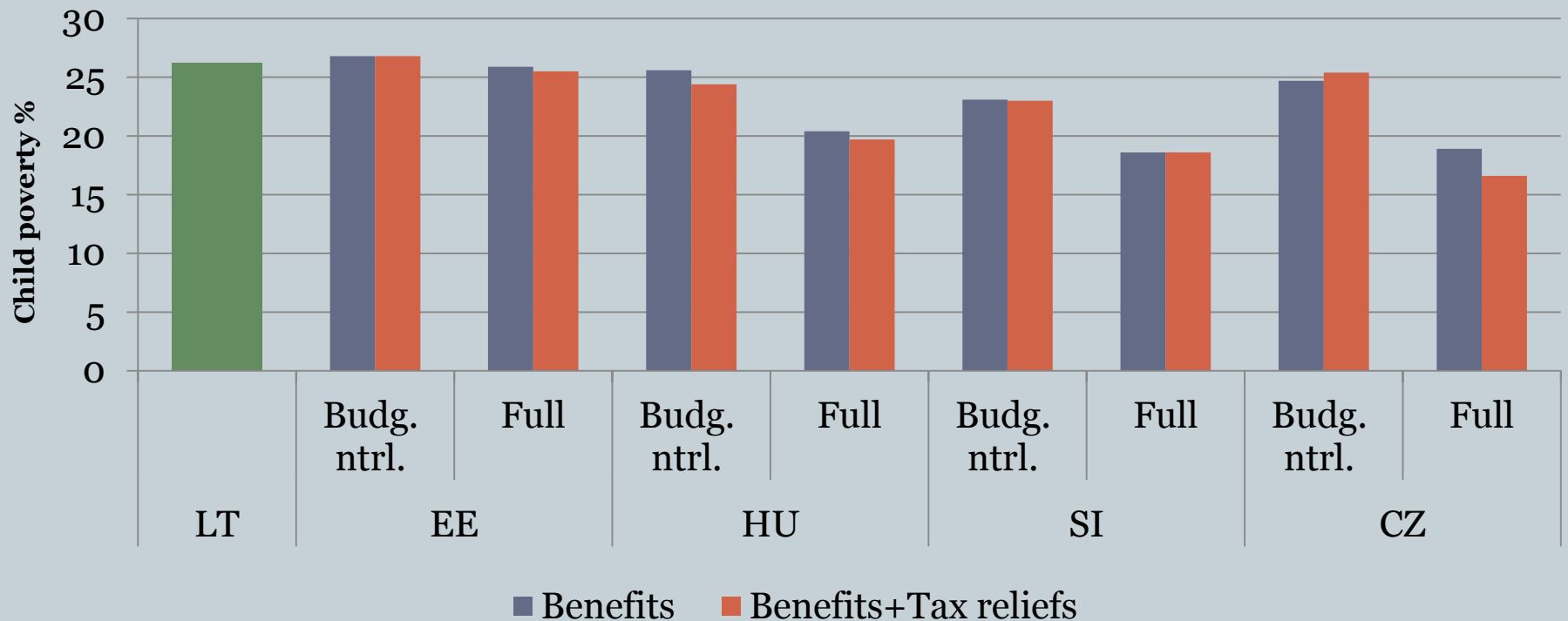
Three scenarios: budget neutral and full swap of policies
“what if ...?”



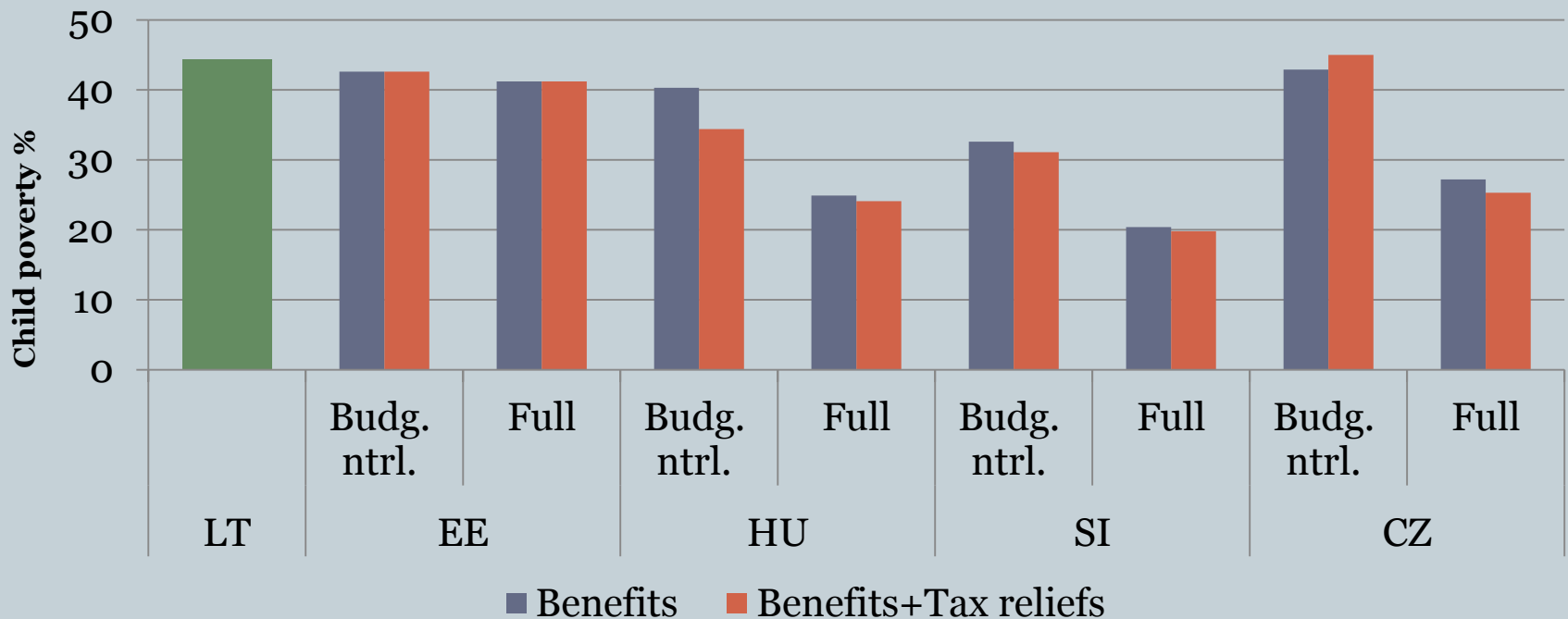
Budget neutral swap = **design**

Full swap includes also **size** effect (increase of budget)

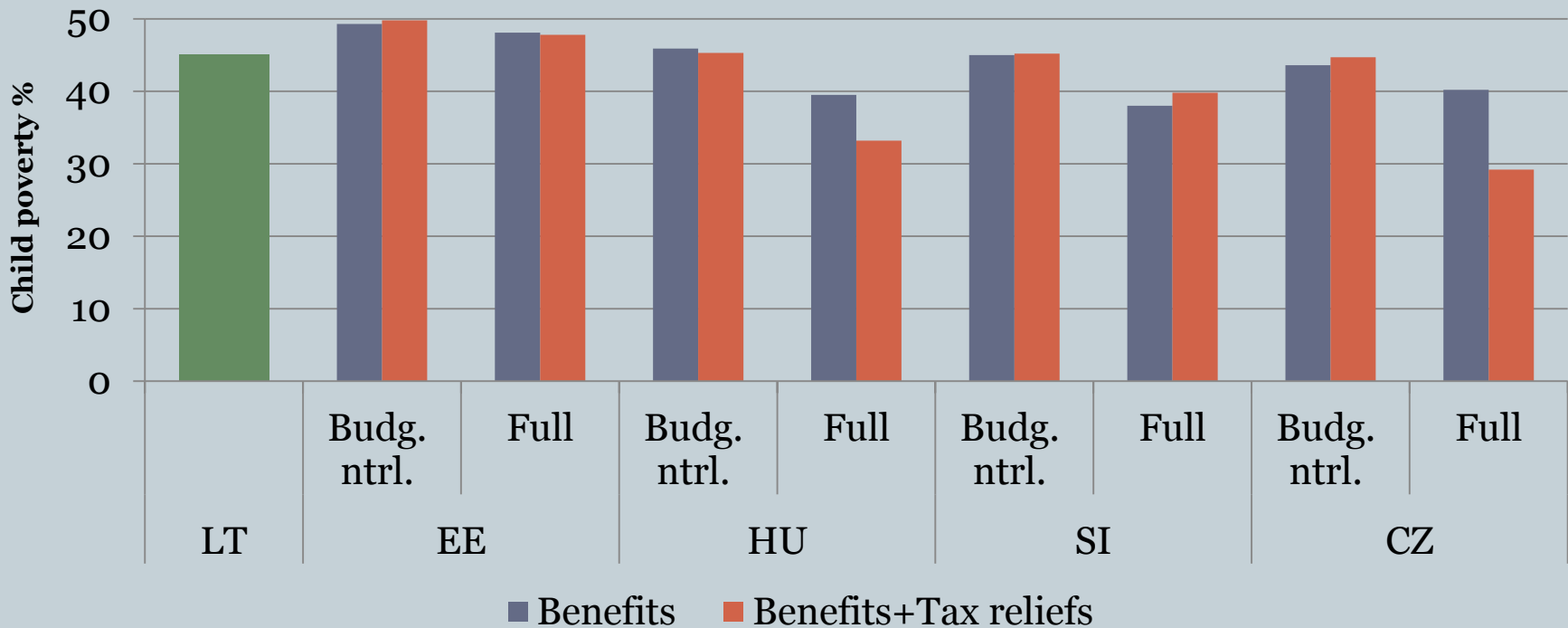
- Poverty reduction effects - all children
 - Overall, better poverty results
 - Impact of tax reliefs is highly dependent on the budget size



- Poverty reduction effects – children in large (3+) families
 - Large families are major winners
 - Dominant “size” effects, except of Slovenian policies (size=design)
 - Tax reliefs have a role - even in budget neutral conditions



- Poverty reduction effects – children in single parent families:
 - Small or worsening effects
 - No policy has an impact comparable to original country settings
 - Improvement in LT only with size effect & only under HU and CZ policies



- Are Lithuanian policies not poverty reduction effective due to specific national circumstances?
- Swap of Lithuanian policies to the other countries shows consistently worsening poverty situation
 - For all countries
 - For all population groups
- The “worst” outcome would be observed in CZ:
 - Poverty in large families would increase from 20.5% to 31.9%.
 - Poverty in single parent families would increase from 27.9 to 35.8%.

3.

CONCLUSIONS AND POLICY LESSONS



- Both benefits and tax advantages are important
- Both size and design of the transfers matter
- Mix of universal and means-tested transfers achieves the best poverty reduction effects
- Design features of the “best” policies:
 - High coverage of large families
 - Benefit level is not varied with the child’s age
 - Benefit level dependent on family income
 - A generous means-testing threshold
- No effective policy design to combat child poverty in Lithuanian single parent families – only size matters

- Poverty reduction capacity of family transfers goes beyond the single policy boundaries:
 - depend on socio-demographic settings
 - depend on other tax-benefit policies
- Poverty reduction capacity of family transfers in LT can be significantly improved, as illustrated by the results observed in EE, HU, SI and CZ
- An exchange of “good practices” across countries should be done with care and taking into account the specific national settings

Thank you!

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MORE RESULTS OF THIS STUDY COULD BE FOUND IN:

SALANAUSKAITE, L., & VERBIST, G. (2013). IS THE NEIGHBOUR'S GRASS GREENER? COMPARING FAMILY SUPPORT IN LITHUANIA AND FOUR OTHER NEW MEMBER STATES. *JOURNAL OF EUROPEAN SOCIAL POLICY* (FORTHCOMING)

SALANAUSKAITE, L. & VERBIST, G. (2011). IS THE "NEIGHBOUR'S" LAWN GREENER? COMPARING FAMILY SUPPORT IN LITHUANIA AND FOUR OTHER NMS. *EUROMOD WORKING PAPER, EM4/11*.



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