

Paper prepared for the ESPANET Conference 2010

Session 2: Poverty and social exclusion

Convener: Bea Cantillon, Herman Deleeck Centre for Social Policy

The anti-poverty dimension of family policies in three new EU member states: Hungary, Poland and Romania

Tomasz Inglot, Cristina Rat, Dorottya Szikra*

Draft. Please do not quote without authors' permission

Abstract. The paper comparatively investigates the anti-poverty dimension of family policies in three new member states from Central and Eastern Europe with high rates of child-poverty and considerably different policy arrangements targeting families with children: Hungary, Poland and Romania. It seeks to explore to what extent, in the aftermath of pro-natalist policies of state socialism, these “emergency” welfare states (Inglot, 2008) reshaped their redistributive mechanisms towards a child-centred “social investment” (Titmuss, 1958; Lewis, 2008) model. What types of adjustments in the scope of state transfers for families with children were induced and/or legitimized by the financial crisis? What was the role of European institutions in shaping policy responses to child poverty in the context of rising budgetary deficits and unemployment rates? To what extent did state transfers tackle poverty and reduce material inequality between families with dependent children? Which types of households received the most cash transfers per child, and which the least?

Searching for answers, we analyse the evolution of policy inputs, outputs and outcomes (Kvist, 2008) in terms of cash-transfers for pre-school aged children, bearing attention to the urban-rural divide. Along with the empirical data provided by Eurostat and EU-SILC 2007, we use micro-simulations on the impact of cash transfers on the overall economic situation of various types of families with dependent children. Despite of some anticipated similarities among post-state-socialist welfare states, our analysis reveals considerable differences in the poverty-reduction strategies, governments' efforts and the effects of policies. In Hungary, family policies perform to a large degree progressive redistribution in favour of poor families, while maintaining an important universal component. In Romania, although compound, family policies have only weak impact on child-poverty, especially in the case of large families. In Poland, the modest redistribution is masked by the exclusion of better-off families from receiving state transfers for children.

***Contacts:**

Tomasz Inglot
Ph.D., Professor
Department of Government
Minnesota State University
Morris Hall 109
Mankato, MN 56001, USA
tel. 507-389-6934
fax. 507-389-6377
E-mail: tinglot@mnsu.edu

Cristina Rat
Ph.D., Lecturer
Sociology Department
“Babes-Bolyai” University Cluj
B-dul 21 Decembrie 1989 No. 128
Cluj-Napoca 400604, Romania
Tel: +40-264-597860
E-mail: crat@socasis.ubbcluj.ro

Dorottya Szikra
Ph.D., Associate professor
Eötvös University, Budapest
Faculty of Social Sciences
Department of Social Work and Social
Policy
Pázmány P. s. 1/a
1117 Budapest, Hungary
Tel: +361-20905-55/ ext. 6855
dorottyaszikra@dorottyaszikra.com

Introduction

The paper comparatively investigates the anti-poverty dimension of family policies in three new member states from Central and Eastern Europe (CEE) with high rates of child-poverty and considerably different policy arrangements targeting families with children: Hungary, Poland and Romania. It seeks to explore to what extent, in the aftermath of pro-natalist policies of state socialism, these “emergency” welfare states (Inglot, 2008) reshaped their redistributive mechanisms towards a child-centred “social investment” (Titmuss, 1958; Lewis, 2008) model and what types of adjustments were enacted in the context of the current economic crisis.

Our assumption is that the tight budget constraints for public spending induced by the negative growth-rate of the GDP in Hungary and Romania, and its positive yet modest growth-rate in Poland¹, in the context of the global financial crisis that reached these countries in 2008, directed the attention of policymakers to the anti-poverty dimension of family policies, in particular of cash transfers for families with children and child care facilities, i.e. public crèches and kindergartens with subsidized costs. While acknowledging the salience of affordable child care services², this paper analyzes *the role of cash transfers in preventing and/or tackling the material deprivation of families with dependent children*.

The anti-poverty functions of family benefits could be divided into two major categories:

- (1) Maintaining the living standards and preventing the impoverishment of families raising dependent children, i.e. preventing and/or tackling the *transitional poverty* that may characterize this phase of the life-cycle. This income-maintenance function is particularly important for middle-class families, and it is fulfilled by contributory benefits such as maternity leave and paid child care leave, but also by tax breaks (deductions from the taxable income), subsidized child care services, and potentially universal benefits such as family allowance (in some countries) and child-birth benefit.

¹ In 2008, the growth rate of the GDP was still positive in all three countries, yet smaller in Hungary: 0.6% in HU, 5% in PL and 7.3% in RO. By 2009, only Poland managed to maintain a positive evolution: the growth rate of the GDP was -6.5% in HU, 1.2 in PL and -8 in RO. Among the three countries, Romania registered the steepest fall of the GDP (Eurostat, 2010).

² For an extensive analysis on the patterns of “familialism” (Leitner, 2003) and child care services in Central and Eastern Europe see Szikra (2005), Szelewa (2006), Polakowski and Szelewa (2008), Szikra and Szelewa (2008), Szikra (2009).

- (2) Supporting low-income families to raise their children and tackling the intergenerational reproduction of social and economic disadvantages, i.e. reducing the poverty gap of families facing *long-term, chronic poverty*. This poverty-tackling function is instrumental for families with intermittent earnings and irregular participation on the formal labour market, that makes them not eligible for contributory benefits. Universal and means-tested benefits are envisaged to fulfil this role, such as family allowances, child-birth benefits, food stamps, subsidized child care services, minimum income guarantee schemes and other social-assistance benefits.

We start with the question: *which functions prevail in the configuration of cash transfers for families with dependent children in Hungary, Poland and Romania?* Under the label of *cash transfers for families with dependent children* we include contributory and non-contributory financial benefits granted at the birth of the child (new-born allowance), family allowances (or child allowances), paid child care leave for parents with small children, child-raising allowances, tax breaks and other similar forms of financial support. Maternity leave and benefits have only a marginal role for our analysis, given that they were traditionally included under the *Labour Code*, as insurance-based benefits with a similar status to sickness benefits³.

In the first part of the paper we analyze the incidence and depth of child poverty, policy responses in terms of expenditure on benefits for families and children, and their influence on financial deprivation. After a brief overview on the structure of expenditures on cash transfers for families and dependent children in 2009, we set forth the tentative answer that in 2009 the living-standards maintenance function of family benefits was stronger and the poverty-tackling function, especially for jobless families, weaker. With the help of micro-simulations for two-parent families with small children (below school-age), the second part tries to illustrate the specificities of each country, to discuss and nuance the above hypothesis. The potential explanatory factors of the similarities and differences between the three countries are numerous: state-socialist legacies, path-dependencies from the first decade of transition, demographic concerns, the political ideology of governing parties, the activism and political lobby of non-governmental organizations, the labour-market participation of women, expectations on the social-control function of family policies to shape fertility behaviour, mothering and paternal roles, the characteristics of child-poverty and the

³ In all three countries, *maternity leave* is insurance based, conditioned by work-record and earnings-related. The length of maternity leave is 18 weeks in Romania, 20 weeks in Poland and 24 weeks in Hungary.

recommendation of the European Commission – and the list may continue. On the basis of the most recent empirical evidence collected in the three countries, we decided to focus in the third part on *three endogenous factors*: (1) legacies and path dependencies, (2) demographic concerns, and (3) pressures from the emerging middle-class. The effects of these factors should be interpreted taking into account the context of the global financial crisis, that hit harsher Hungary and Romania, where it also induced (or legitimated?) adjustments in the structure and generosity of family benefits in the second half of 2009 - 2010. Poland increased the amount of child allowance slightly in the late 2009 but did not implement any changes in the eligibility threshold instituted in 2003-04.

In performing this study, we faced certain limitations: reliable up-to-date comparative data on child poverty and the impact of social benefits on income-poverty (Eurostat methodology) were available only for 2007; national statistical documents were not sufficient to estimate how many families corresponded in 2009 to the typical families used in the micro-simulations; due to the time and space constraints, we did not expand the analysis upon the situation of single-parent families, children in foster care or raised within the extended family, the availability of public child care services and the possibilities of part-time work and flexible employment. Readers are kindly asked to take note of these limitations.

I. The anti-poverty dimension of family policies: input, output and outcomes in Hungary, Poland and Romania in 2008

“Poverty is affecting children more” is common knowledge among social policy analysts of the EU; and the statement holds not only for the subjective experience of impoverishment and inequality of life-chances, but also to the frequency of children living in poor households. Table 1 compares the incidence and depth of poverty in the total population and among children aged 0-17 in Hungary, Poland and Romania, and the average value for the EU-27 member states. Although for Romania the relative at-risk-of-poverty threshold (Eurostat methodology) is only half of the Hungarian and Polish thresholds (see Table 1), the poverty rate and the median poverty gap is much higher. In Hungary, two out of ten children live a poor household; in Poland, the share is slightly higher: 2.2 out of ten children, whereas in Romania 3.3 out of ten children live in poor households. The median poverty gap is lower than the EU-27 average in Hungary, where the median discrepancy between the incomes of families with children and the poverty threshold is 17% for both children and adults. In

Poland, the values are similar to the EU-27 average. In Romania, the median poverty gap for children is 39% of the poverty rate, and for the total population 32%..

Table 1. Relative poverty rates and gaps				
Relative poverty rates, as reported in EU-SILC 2008 (income data for 2007)				
	EU-27	HU	PL	RO
Total	17	12	17	23
Children	20	20	22	33
Median poverty gaps, as reported in EU-SILC 2008 (income data for 2007)				
	EU-27	HU	PL	RO
Total	22	17	21	32
Children	22	17	22	39
Relative at-risk-of-poverty threshold for a family of two adults and two children in 2008, as used in EU-SILC 2008.				
	EU-27	HU	PL	RO
EUR	n.d.	5542	5235	2462
PPS	n.d.	8385	8221	4005

Source: Council of the European Union, 2010.

Note: The poverty threshold used by Eurostat: 60% of the national median household income per equivalent adult, OECD-2 equivalence scale (first adult=1, every other adult=0.5, each child=0.3 equivalent persons).

The policy input for preventing and tackling poverty is indicated by the amount of social spending on family benefits, combined with housing and social assistance benefits aimed to combat social exclusion (Table 2). In both absolute (% of GDP) and relative terms (% of total social expenditures), Hungary and Romania were more generous in spending on family benefits than Poland in both 2005 and 2007. The latter registered, in both years, only half of the EU-average spending on benefits for families in children.

For policy outcomes, we examined the poverty reduction effects of social benefits (all social benefits except from old-age and survivor pensions), separately for the total population and for children, based on data on pre-transfer and post-transfer poverty provided by Eurostat (see Table 3).

Table 2: Comparison of welfare effort for supporting families with children in 2005 and 2008	2005				2007			
	EU-25	HU	PL	RO	EU-27	HU	PL	RO
<i>Total social expenditures (including old-age and survivors' pensions)</i>	27.2	21.9	19.6	14.2	26.2	22.3	18.1	12.8
<i>As % of GDP</i>								
Family and children	2.1	2.5	0.8	1.4	2.0	2.8	0.8	1.7
Housing and social exclusion n.e.c.	0.9	0.7	0.5	0.3	0.9	1.1	0.3	0.4
<i>As % of total state social expenditures</i>								
Family and children	8	11.8	4.4	10.2	8	12.8	4.5	13.2
Housing and social exclusion n.e.c.	3.5	3.1	2.5	2.1	3.6	4.8	1.4	3.5

Source: ESPROSS, 2008 for 2005 data. Council of Europe, 2010, for 2007 data.

Note: According to the ESPROSS methodology, state transfers for families and children include all forms of family benefits (insurance-based, universal and means-tested); tax breaks not included. Expenditures on housing and tackling social exclusion consist of all subsidies and social assistance benefits targeting low income families and single persons, who face the risks of social exclusion.

Table 3. Poverty reduction effects of social benefits in 2008 (income data for 2007)				
Absolute poverty reduction				
	EU-27	HU	PL	RO
Total	8	18	8	8
Children	13	27	11	10
Relative poverty reduction				
	EU-27	HU	PL	RO
Total	32.0	60.0	32.0	25.8
Children	39.4	57.4	33.3	23.3

Source: Data from the Council of the European Union, 2010. Own calculations.

Social transfers have the strongest poverty reduction effects in Hungary, both for the population and in the case of children: the poverty rate in the case of children decreases by 27%, whereas the share of children who avoid poverty due to receiving cash transfers is 57.4%. In Poland, the poverty rate decreases by only 11%, and 33.3% of children from worse-off families avoid poverty due to receiving government benefits. In Romania, the poverty rate falls 10%, and 23.3% of children avoid poverty due to social transfers.

In order to assess the vulnerability of children to potential cuts in the amount of family allowances or the tightening of eligibility conditions, the percentage of children living in

jobless households serves as an important indicator. As Table 4 shows, the highest proportion of children living in jobless households is found in Hungary, where throughout the first decade of 2000 more than 13% of children were raised in jobless families. In Romania, the percentage fluctuates around 10%, while in Poland the share is much lower, around 5.3%. At the same time, the differences between the three countries in terms of the share of working-age adults who live in jobless households are very small.

	Children (aged 0-17)				Adults (aged 18-59)			
	EU-27	HU	PL	RO	EU-27	HU	PL	RO
2001	10.1	13.7	n.d.	8	10.2	13.2	13.6	9.4
2002	10.2	14.4	n.d.	10.7	10.4	13	15	11.8
2003	10.2	13	n.d.	10.3	10.4	11.7	15	11.5
2004	10.1	13.1	n.d.	12.2	10.4	12	15.5	11.8
2005	9.9	14.1	n.d.	11.3	10.3	12.3	14.8	11.3
2006	9.8	13.7	6	10.3	9.8	11.8	13.2	10.3
2007	9.4	13.9	5.3	10	9.3	11.9	11.6	10.4
2008	9.2	14.6	5.3	9.9	9.2	12.5	10.1	10.5

Source: Council of the European Union, 2010.

II. The generosity of cash transfers for families with children and micro-simulations of their influence on family welfare in 2009

The comparative statistics computed by the Eurostat present only the cumulative values of family benefits; therefore, data provided by the national statistical offices and ministries of labour and social protection were used in order to evaluate *the generosity of expenditures on the different components of family benefits* (see Table 5).

Table 5: Expenditures on cash transfers for families and children in 2009	
Hungary	% of GDP
GDP (million HUF) = 26543300	
Family allowance (“Családi pótlék”)	1.382
Contributory child care benefit during parental leave (GYED)	0.281
Non-contributory child care allowance for parents (GYES)	0.242
Non-contributory child raising allowance for families with three or more children, the youngest below 8 years old (GYET)	0.053
New-born allowance for mothers (“anyasági támogatás”)	0.024
Total public expenditures on cash transfers for families with children (excluding maternity benefits and the life-start deposit – életkezdési támogatás)	1.982
Romania	
GDP (million LEI) = 491270	
Child allowance (alocatie de stat pentru copii)	0.589
Child care benefit during parental leave (indemnizatie pentru cresterea copilului)	0.354
Health insurance contribution for parents on child care leave	0.019
Incentive to return to job while on parental leave (stimulant)	0.004
New-born allowance (alocatie pentru nou-nascut)	0.009
Trousseau for the new-born (trusou la nastere)	0.006
Complementary allowance for needy families with children (alocatie complementara)	0.082
Sustenance allowance for single-parent families (alocatie de sustinere pentru familia monoparentala)	0.037
Special allowance for children raised in the extended family (alocatie de plasament)	0.016
Total public expenditures on cash transfers for families with children (excluding maternity benefits)	1.116
Poland	
GDP (million PLN)=1344037	
Family allowance (eligibility threshold: 504 PLN/month)	0.121
Paid childcare leave for low-income families and new-born allowance	0.532
Total public expenditures on cash transfers for families with children (excluding maternity benefits)	0.654

Source: Own computations based on data provided by the *Hungarian National Treasury* for expenditures on family allowance and non-contributory child care benefits, and the *Hungarian National Statistical Institute* on the number of beneficiaries and average amount of the contributory child-care benefit GYED (KSH, March 2010); the *Statistical Bulletin of the Romanian Ministry of Labour, Family and Social Protection* on social expenditures in 2009; the *Annual Economic Indicators* of the *Polish Statistical Institute*.

In Hungary, among the various cash transfers for families and children, the highest spending is on family allowance (1.38% of the GDP). Although the number of beneficiaries is much smaller, the earnings-related contributory child care benefit GYED represents a higher spending (0.281% of the GDP) than the non-contributory child care allowance GYES

(0.242% of GDP). The new-born allowance granted for mothers has a generous amount (225% of the minimum national pensions for every child and 300% for twins), but it represents only 0.024% of the GDP. The non-contributory child-raising allowance for families with three or more children accounts for 0.053% of the GDP.

In Romania, most expenditures are registered for universal family allowance (0.589% of the GDP), followed by the child care benefit during parental leave (0.354% of the GDP). Means-tested family allowances encompass much smaller expenditures (0.082% of the GDP for the complementary allowance and 0.037% for the sustenance allowance for single-parent families. Benefits for the new born babies (allowance at birth and “trousseau”) account for only 0.015% of the GDP.

In Poland, non-contributory family allowance for low income households represented only 0.121% of the GDP in 2009, due to the low eligibility threshold (504 PLN/month, frozen since 2004). Overall, Poland spend on family allowance, new-born allowance and paid child care leave for working parents only 0.654% of the GDP. The most generous benefit in terms of cash transfers is the new-born allowance (becikowe).

Tax breaks for families with children are applied in all three countries, but their regulations and scales are very different. In Hungary, only persons *raising three or more dependent children benefit from tax breaks*, which amount at 12,000 HUF/month, i.e. around 17% of the national minimum gross wage; there is also a ceiling of maximum income that makes one eligible for the benefit.

In Poland, tax credits were rather generous in 2009: the amount of deductible income was 1,112.04 PLN per year per child, in case that s/he was raised in the family during all 12 months of the year. This was an equivalent of 87% of gross minimum wage. But we must keep in mind that in order to qualify for the deduction an taxpayer must pay the tax – according to estimates a mother with a net income of 1,900 PLN a month would be eligible for a deduction. The amount of the deduction is treated as “income” and therefore disqualifies many persons from collecting means-tested family allowances. Farmers, who represent 15% of the Polish labour force, do not qualify for any tax breaks as they do not pay income taxes like urban employees.

In Romania, the tax break system is fairly complicated. The personal tax deduction from the taxable income is applicable only for persons with monthly total gross income below 3,000 lei/month. The deductions are computed differently for persons with gross incomes below 1,000 lei/month, and those with incomes ranging from 1,001 lei/months and 2,999 lei/month. The amount of deduction varies according to the number of dependent family

members, but only until the fourth person, than the deduction remains constant. “Dependent family member” means a relative up to the second rank, who is living in the same household as the respondent and has no income, or incomes below 250 lei/month⁴. For example, for a single-earner family with two children (three dependents in the household) and a gross wage below 1,000 lei/month the amount of deduction from the taxable income is 550 lei/month.

For gaining better insight into policy outputs (entitlement, eligibility conditions, the length and the amounts of benefits) and policy outcomes (the overall income of the family and the share of social benefits) micro-simulations were used, with data for 2009. The information available in MISSOC 2009 was confronted with the legislation and methodological guidelines available from the national ministries in charge of social protection. Data on gross and net wages and the minimum national wage were obtained from the national statistical institutes (see Table A1. from the Annex).

Table 6. The incomes of a nuclear family:						
Father: employed for the minimum national wage						
Mother: not working and without a working record						
Two children: one below the age of two, the other 5 years old						
Values in Euro/month	Father’s income	Mother’s social benefit	Children’s social benefits	Total income	social benefits as % of total income	The value of social benefits (Euro)
Romania	119	0	80.5	199.5	0.40	80.5
Poland	270	0	40.7	310.7	0.13	40.7
Hungary	217.3	107	100	424.3	0.49	207
<i>Details:</i>						
Romania – wage income: father’s net wage of 477 lei/month (for the minimum gross wage of 600 lei/month), child allowances: 200 lei for the child below the age of two and 42 lei for the five year old; and means-tested complementary child-allowance of 80 lei. The mother has no income.						
Poland – wage income: father’s net wage of 1055 zł/month (for the minimum gross wage of 1276						

⁴ In 2009, the regulations on tax deductions in Romania were as follows:

Persons with gross income below 1,000 lei/month, the income tax deduction is set as follows: 250 lei/month for single persons; 350 lei/month for one dependent family member, 450 lei/month for two dependent family members; 550 lei/month for three dependent family members; 650 lei/month for four or more dependent family member. There is no additional increase of the deduction for the fifth, sixth, etc. dependent family member.

Persons with incomes higher than 1,000 lei/month but lower than 3,000 lei/month, the value of the deduction is computed as $X \cdot [1 - (MGW - 1,000) / 2,000]$.

X = the value of the tax deduction that persons with incomes below 1,000 lei/month, with the same family situation, would be entitled to receive. MGW = Monthly gross wage.

(The Romanian Fiscal Code (2009): <http://codfiscal.money.ro/category/codul-fiscal/> (April 2010)

The History of the Romanian Fiscal Code from 2000-2005, B&B Expert on Human Resources, <http://www.bbexpert.ro/> (April 2010)

zł/month); **child-allowances:** 68 zł for the child below the age of two and 91 zł for the five year old.
The mother has no income.

Hungary – wage income: father's net wage of 57815 HUF (for the gross minimum wage of 71500 HUF), **child-allowances:** 13300 HUF/month/child, in total 16600 HUF; **universal child-care allowance** received by the mother: 28462 HUF/month.

Table 7. The monthly incomes of a nuclear family:
Father: employed for the average national wage
Mother: on child-care leave, previously working for the average wage
Two children: one below the age of two, the other 5 years old

Values in Euro/month	Father's income	Mother's social benefit	Children's social benefits	Total income	social benefits as % of total income	The value of social benefits (Euro)
Romania	327.4	303	60.5	690.9	0.53	363.5
Poland	516.8	0	0	619.4	0	0
Hungary	470.3	515.2	100	1085.5	0.57	615.2

Details:
Romania – wage income: father's net wage of 1,313 lei/month (for a gross wage of 1,887 lei/month); **insurance-based child-care allowance** received by the mother: 1212 lei/month; **child allowances:** 200 lei for the child below the age of two and 42 lei for the five year old, in total 242 lei.
Poland – wage income: father's net salary of 2190 zł. Given that the incomes of the family exceeded 504 zł/month/person during the previous years, **the family is not entitled to child-allowance, nor to the child-raising allowance.**
Hungary – wage income: father's net wage of 125,122 HUF (for a gross wage of 199,755); **insurance-based child-care allowance** received by the mother: 84420 HUF; **child-allowances:** 13300 HUF/month/child, in total 16600 HUF.

Table 8. The monthly incomes of a nuclear family:
Father: employed for the minimum national wage
Mother: employed for the minimum national wage
Two children: one 5 years old and the second 7 years old

Values in Euro/month	Father's income	Mother's income	Children's social benefits	Total income	social benefits as % of total income	The value of social benefits (Euro)
Romania	115	115	41	271	0.15	41
Poland	270	270	46.7	586.7	0.08	46.7
Hungary	217.3	217.3	100	534.6	0.19	100

Details:
Romania – wage income: father's and mother's cumulated net wages of 922 lei (for the minimum gross wages of 600 lei and net wages of 461 lei); **child allowances:** 42 lei for each child, in total 84 lei; **means-tested complementary child allowance:** 80 lei.
father's net wage of 1055 zł/month (for the minimum gross wage of 1276 zł/month)
Poland – wage income: father's and mother's cumulated net wages of 2110 zł/month (for gross minimum wages of 1276 zł/month and net wages of 1055 zł/month); **child-allowance:** 91zł for each child above the age of five, in total 182 zł.
Hungary – wage income: father's and mother's cumulated net wages of 115,630 HUF (for gross minimum wages of 71,500 HUF and net wages of 57,815 HUF); **child-allowances:** 13300 HUF/month/child, in total 16600 HUF.

Table 9. The monthly incomes of a nuclear family: Father: employed for the average national wage Mother: not working Three children: three years old, five years old, and twelve years old.						
Values in Euro/month	Father's income	Mother's social benefit	Children's social benefits	Total income	social benefits as % of total income	The value of social benefits (Euro)
Romania	356.5	0	54.0	410.5	0.13	54.0
Poland	516.8	0	64.1	580.9	0.11	64.1
Hungary	515.5	88.7	180	784.2	0.23	268.7
<i>Details:</i>						
Romania – wage income: father's net wage of 1426 lei (for gross wage 1,887 and four dependent persons in the household); child allowances: 42 lei for each child, in total 126 lei; means-tested complementary child allowance: 90 lei. The mother has no income.						
Poland – wage income: father's salary of 2190 zł; child-allowance: 68zł for the three years old; 91zł for the five years old and the twelve years old, in total 250 zł. The mother has no income.						
Hungary – wage income: father's net wage of 137,122 HUF/month (for a gross wage of 199,755HUF/month, tax break applies for the three children); universal allowance for families raising three or more children, received by the mother: 23602 HUF; child-allowances: 16000 HUF/month/child, in total 48000 HUF.						

The micro-simulations presented in Tables 6-9 reveal that in Hungary and Romania the net values of social benefits are higher for middle-class dual-earner families, where parents are entitled to earnings-related child care leave (GYED in Hungary and “indemnizatie pentru cresterea copilului in Romania). Low-income families, with irregular participation on the formal labour market, qualify only for the lower amounts of universal and means-tested benefits. In Poland, the eligibility threshold for the means-tested family allowance and contributory child care benefit is set somewhat higher than in Romania, but the amounts of the benefit are low and their overall impact is comparable to the situation of similar Romanian families

Table 11. The incomes of a jobless couple with two children, who are not entitled to unemployment benefits: one below the age of two, the other 5 years old.		
Romania	Lei	Euro
Family allowance (universal child allowance: 200 lei for children below the age of two and 42 lei for children aged 2-18)	242	60.3
Complementary child-allowance for needy families (75 lei/month for two children)	75	18.7
Social assistance benefits (Minimum Income Guarantee level for a family of four persons=399 Lei; all incomes imputed, except from the complementary child allowance)	157	39.2
Total income (cash transfers):	474	118.2
Poland	PLN	Euro
Family allowance (48 PLN for the two-years old, and 64 PLN for the five-years old child, in total 112 PLN)	112	28.7
Social assistance benefits (Periodic Allowance "Zasilek Okresowy", the amount for a family is 418 PLN/month).	418	107.2
Total income (cash transfers)	630	135.9
Hungary (assumption: there are opportunities for occasional subsidized work)	HUF	Euro
Family allowance (child-allowances: 13300 HUF/month/child, in total 16600 HUF)	16,600	62.4
Non-contributory child care allowance (GYES): 28462 HUF/month	28,462	107.0
The family is not entitled to social assistance benefits, given that the mother is on GYES. However, the father may perform occasional work subsidized from public funds, maximum 15 days per month (Law LXXIV/1997, modified by Law CLII/2009). The <i>minimum</i> payment per day for occasional work is 1,800 HUF, and the public subsidy for that is 400 HUF (received by the employer). We have used a slightly higher amount: 2,000HUF/day. The estimated income from occasional work is therefore: 15*2,000 HUF=30,000 HUF/month (around half of the minimum wage), out of which 6,000 HUF comes from public funds.	30,000 (out of which 6,000 from public funds)	112.8 (out of which 22.5 Euro from public funds)
Total income (cash transfers + occasional work)	75,062	282.2
Cash transfers only	45,062	169.4

Table 11 and 12 report on the incomes of jobless couples with two dependent children, at various ages, who supplement incomes from family benefits (family allowance and child care allowance) with social assistance benefits (Minimum Income Guarantee – MIG schemes in Poland and Romania; social assistance benefits and occasional work programs of local governments in Hungary, subsidized from public funds). In Hungary and Romania, couples raising at least one child below the age of two are entitled to special cash transfers: in Hungary, it is *the right of the mother* to receive a *non-contributory child care allowance (GYES)* of around 107 Euro/month; in Romania, it is *the right of the child* to receive a *higher amount of the universal child allowance*, around 50 Euro/month. In Poland, these families are not entitled to any special child allowance; however, low-income families receive a double-

amount of the *allowance at birth (becikowe)*: 228 Euro (1,000 PLN) as a one-time payment, then they can apply for social-assistance benefits under the MIG scheme (the maximum amount for a household is 418 PLN/month, i.e. 107 Euro). It is important to highlight that family benefits and social assistance benefits, cumulatively, provide cash transfers of cca 170 Euro in Hungary (but one should add to family income the value of subsidized occasional work, around 112.8 Euro/month), 136 Euro in Poland and 118 Euro in Romania (Table 11). Therefore, although in Poland jobless couples with children do not receive generous family allowances, their incomes are somewhat boosted by social-assistance benefits (plus housing and child-care subsidies in some cases). In Romania, couples combine three sources of income: universal child allowance, means-tested family allowance and social assistance benefits, but the actual amount of cash transfers is lower than in Poland. In Hungary, due to the fact that the mother is receiving the non-contributory child care allowance (GYES), her partner is not entitled to social assistance benefits provided by the local government. However, the father may perform occasional work subsidized from public funds, maximum 15 days per month (Law LXXIV/1997, modified by Law CLII/2009). The *minimum* payment per day for occasional work is 1,800 HUF, and the public subsidy for that is 400 HUF (received by the employer).

Table 12. The incomes of a jobless couple with two children, who are not entitled to unemployment benefits: one 5 years old and the other 7 years old. Assumption for Hungary: there are no opportunities for subsidized employment.		
Romania	Lei	Euro
Family allowance (universal child allowance: 42 lei for each child, in total 84 lei)	84	20.9
Complementary child-allowance for needy families: 75 lei for two children	75	18.7
Social assistance benefits (Minimum Income Guarantee level for a family of four persons=399 Lei; all incomes imputed, except from the complementary child allowance)	315	78.6
Total income (cash transfers):	474	118.2
Poland	PLN	Euro
Family allowance (64 PLN for each child, in total 128 PLN)	128	32.8
Social assistance benefits (Periodic Allowance "Zasiłek Okresowy", the maximum amount for a households is 418 PLN/month).	418	107.2
Total income (cash transfers)	546	140.0
Hungary (assumption: no opportunities for subsidized occasional work)	HUF	Euro
Family allowance (child-allowances: 13300 HUF/month/child, in total 16600 HUF)	16600	62.4
Non-contributory allowance for raising at least three children, the youngest child aged 3-7 (GYET) – the family is not entitled, as they have only two children	0	0.0
Social assistance benefits granted by local authorities - the family is entitled as long as they are registered jobseekers. The maximum amount is 90% of the minimum pension, i.e.90% of 28500=25650 HUF/month. Family allowance is deducted as imputed income, therefore the amount is 9050 HUF/month.	9050	34.0
Total income (cash transfers)	25650	96.4

The incomes of a jobless couple with three children, who are not entitled to unemployment benefits: the children are aged 5, 7 and 12		
<i>Hungary (assumption: no opportunities for subsidized occasional work)</i>		
Family allowance (child-allowances for a family with three children: 16000 HUF/month/child, in total 16600 HUF)	48000	180.5
Non-contributory allowance for raising at least three children, the youngest child aged 3-7 (GYET)	28500	107.1
Social assistance benefits granted by local authorities - the family is entitled as long as they are registered jobseekers	0	0.0
Total income (cash transfers)	76500	287.6

In Poland, the amount of total cash transfers for jobless couples with all children above the age of two are the same as those of jobless couples with a small child are almost the same (140 Euro/month for the former and 136 Euro/month for the latter), while in Romania these are equal (118 Euro/month) (see Tables 11 and 12). In Poland, the structure of cash transfers is also the same (provided mainly by social assistance benefits under the MIG scheme), whereas in Romania most transfers are no longer granted as family allowance, but as social-assistance benefits under the MIG scheme (66% of all cash transfers). In Hungary, the situation is radically different from the previous one: there is no means-tested family allowance, and the couple is not entitled to the non-contributory child-raising allowance, which is granted only for having at least three children, the youngest aged 3-7. Their income can be somewhat boosted by applying for social assistance benefits granted by the local government, but their cumulative amount is only 96 Euro/month, as compared to the previous value of 169 Euro/month, received while the mother was on GYES. *In case that the jobless couple would have three children instead of two, and the youngest below the age of eight, the family would be entitled to the non-contributory child-raising allowance (GYET), which provides a monthly cash transfer equal with the minimum social pension (cca 107 Euro/month). Therefore, for parents with bleak prospects of finding employment, having the third child constitutes an opportunity for obtaining a regular source of income for seven years (GYES followed by GYET), although the value of the cash transfers is rather modest (see Table 12).*

Table 13. Differences in the incomes of jobless couples with two dependent children and the situations when one of the parents is employed for the minimum wage (amounts in Euro)				
<i>A. Couple with two children: one below the age of two, the other 5 years old</i>				
	1. Jobless couple	2. One parent working for minimum wage	Ratio 1/2	Rate of increase when an unemployed parent starts working for the minimum wage
Hungary	169.4	424.3	0.40	150.5
Poland	135.9	310.7	0.44	128.6
Romania	118.2	199.5	0.59	68.8

B. Couple with two children, aged 5 and 7				
	1. Jobless couple	2. One parent working for minimum wage	Ratio 1/2	Rate of increase when an unemployed parent starts working for the minimum wage
Hungary	96.4	279.8	0.34	190.2
Poland	140	303.3	0.46	116.6
Romania	118.2	158.6	0.75	34.2

Source: Own calculations based on data provided by national statistical institutes and ministries in charge of social protection.

Note: See the micro-simulations presented in Table 6 and Tables 11-12 for details on the computations of the figures from the table. For section B., column 1: for Hungary, incomes consists of minimum net wage of 1055 HUF/month and family allowance of 16600 HUF/month; for Poland, incomes consists of minimum net wage of 1055 PLN/month and family allowance of 128 PLN/month; for Romania, incomes consists of minimum net wage of 477 lei/month, universal child allowance of 84 lei/month and complementary family allowance of 75 lei/month.

Table 13 presents the differences between the net incomes of jobless families with two small children and those of families where at least one of the parents is employed for the minimum national wage, in order to evaluate the existence of a “poverty trap” induced by cash transfers for dependent children. We assume that one of the parents remains at home to take care of the children: a realistic assumption, given that there are very few places in public crèches and the costs of private child care services are prohibitive for low-income families. Jobless families with small children have strong financial incentive for getting employed in Hungary (increase of 150% of household income) and Poland (128% increase). In Romania, the increase is much modest (only 68% for families with children below the age of two and 34% for families with older children). However, in real terms incomes are very low in Romania, and even that small increase would be enough to provide incentive for finding employment on the national labour market or abroad. In addition, social assistance benefits may actually be much lower, due to the various kinds of imputed income: household assets, agricultural property, but also potential income from occasional work (Methodological guidelines of the Law 416/2001, updated in 2006: HG 1010/2006). To conclude: the micro-simulations reveal considerable differences between Hungary, Poland and Romania in terms of their cash-transfer systems for families with children and the anti-poverty functions of these benefits.

The Hungarian system contains *strong incentives for having at least three children*: the value of the family allowance per child (*családi pótlék*) increases together with the number of children in the family; only parents with at least three children are entitled for a prolonged non-contributory child-raising allowance (*GYET*) until their smallest child reaches

the age of 8; tax breaks for children are available only for employees with at least three dependent children in the household. Given that there is *no Minimum Income Guarantee scheme in Hungary*, social assistance benefits granted by local authorities are very narrowly targetted towards those unable to work, and local public work programs for the unemployed are hardly effective. Therefore *jobless families with children often ought to rely on cash transfers offered as family benefits*: universal, non-contributory allowances for parents raising their children. *This system rewards motherhood (anyasági támogatás) and child-raising, benefits are not conditioned by the work-record of parents and their income, although it favours the middle-class in terms of the absolute values of cash transfers. The state is a direct provider of financial support for all parents (traditionally: mothers) caring for their small children. In order to fully benefit from the systems, families ought to have at least three children.*

The Polish system provides *cash transfers mainly for the low-income, working families*. The only universal benefit is the new-born allowance, but even that is differentiated according to the income of the family (double for low-income parents, regardless of their working status). Family allowances are granted only for low-income families, but their values are modest, yet these are increased slightly with the age of children. Paid parental leave for working parents is also available only for the low-income families. *This system rewards motherhood (becikowe), but provides only selective support for raising children, for the “deserving” families: working, but registering low incomes. Parents ought to be the main providers for their children, and the role of the state is only to compensate for the costs, in cases of proven need. Moderate tax breaks are available for middle-class parents, but there are no strong incentives for large families.*

The Romanian system has a complex structure of distinct benefits, yet overall it *favours middle-class families and encompasses strong disincentives for having more than four children*. New-born allowance (*indemnizație la naștere*) is granted only for the first four children, and paid childcare leave is available only for the first three children. The lack of a non-contributory child care allowance for parents with small children is somewhat compensated by the higher amount of the universal child allowance for children below the age of two (50 Euro/month); however, for children above that age the amount is very low. Jobless and low income families may receive a modest means-tested family allowance (conditioned by social inquiry and the proof of school attendance), but the amount flattens after the fourth child. Parents with a continuous work record are entitled for an earnings-related paid child care leave, with an upper ceiling of 1,000 Euro/month. *This system seeks to encourage*

middle-class families to have children, by granting generously paid child care leave for working parents. Tax breaks for children and other dependent household member are considerable, up to the maximum four dependents. Modest cash transfers are targeted to low income families, but these contain clear elements of social control through social inquiries and proof of school attendance. The state is a direct provider for children, while controlling parents in the fulfilment of their roles. Large families are explicitly disadvantaged in this system.

III. Exploring endogenous explanatory factors

1. State-socialist legacies and path-dependencies from the first decade of transition.

Unlike most Western European countries, whose economies were rather stable during the 1990s and beginning of 2000, countries from Central and Eastern Europe have just emerged from the deep economic crisis that marked their road from state-socialism towards liberal market economy (Kornai, 2000 [1990]; Standing, 1996; Kramer, 1997; Kovacs, 2002; Popescu, 2004a; Ferge and Juhasz, 2004; Cerami, 2006; Inglot, 2008). The nature of the current crisis is much different from that of post-socialist transition, and the institutions that ought to find the way out from the crisis are arguably much different from those of twenty years ago. However, for the everyday life of the people, crises have the same bitter taste: high rate of unemployment, reducing consumption, deterioration of health status, increased risk of homelessness, and un-affordability of private services. How do welfare states respond to these problems? At the beginning of 1990, policy responses to the challenges of transition were to a large extent “emergency” or ad hoc solutions to largely ideologised national concerns (Popescu, 2004a and 2004b; Ferge and Juhasz, 2004; Inglot, 2008; Szikra and Tomka, 2009), that tried to temper social unrest (Kramer, 1997; Haggard and Kaufman, 2008) while satisfying the requirement of external policy actors (at that time mostly the World Bank and the International Monetary Found), instrumental for reaching economic growth. As Inglot (2008) argues, under the strong influence of the institutional and policy legacies of the past these “emergency welfare states” were basically improvising a “crisis-driven expansion of cash transfers, followed by fiscal intervention and attempted retrenchment” (Inglot, 2008: 280). This mechanisms of this expansion resembled not only the communist/state socialist periods, but also early 20th century (and most importantly the interwar period) designs, administration, and policies of social insurance, social services and social (welfare) assistance (Pik. 2001; Inglot, 2008; Szikra and Tomka, 2009).

Historical legacies might well be the strongest in Hungary. In socialist Hungary, generous child care leave was provided for mothers with small children that allowed (and actually encouraged!) them to stay out from the labour market and focus on their mothering role. GYES was introduced in 1967, and initially it was tied to employment. GYED started during late state socialism, from 1985. The leave was granted for three years, and they received an earnings related contributory benefit (GYED) or, if lacking a work record, a non-contributory, flat-rate child care support (GYES) (Adamik, 2000; Fodor, 2003; Szikra, 2005 and 2011). During post-socialist transition, when the “shock-therapy” solution of tax increase and welfare cuts was applied by the liberal government (the so-called “Bokros-csomag”) and child care benefits became means-tested (eventually, GYED was eliminated altogether and GYES became means-tested), the public sanction came forcefully and unavoidably, leading to the return to the universal child care benefit, granted for three years (Darvas, 2000; Haney, 2002; Szikra, 2005 and 2011). These legacies discourage governments from targeting child care leave benefits towards poor families; GYES remains universal, but at a low level, while GYED remains a fairly generous income-replacing contributory benefit for working women to go on child care leave. The new-born allowance granted for mothers at each childbirth (literally, it is called “anyasági támogatás”, i.e. “maternity allowance” in the 1998 law) has a generous amount (225% of the minimum national pensions for every child and 300% for twins), but it is conditioned by the proof of commitment to being a healthy mother, as at least four medical examinations during pregnancy are required for getting the benefit.

In Poland and Romania, all family benefits except from the new-born allowance (*becikowe* in Poland and *indemnizatie la nastere* in Romania), were tied to the employed status during state socialism. Whereas in Poland maternity and especially child-care leave in the early 1980s was rather generous, in Romania maternity was limited to 112 days, and no child care leave was granted. Family allowance for working parents were generous (and slightly higher for those with low incomes), but there was no official acknowledgement of poverty among families with children.

The strongly constraining pro-natalist policies adopted by Ceausescu in 1966 led to the increase of abandoned and institutionalized children, whose situation was a primary concern for the post-socialist governments, at the pressures of the UN and, somewhat later, of the European Union. Children were defined therefore primarily as a “problem”, not as human resources to invest in. The fear generated by the past persistence of child abandonment and the necessity to pay for their social integration led the Romanian post-socialist policy-makers to implement measures that discourage jobless families living in poverty to have children, by

making them in-eligible for almost all family benefits, except from the universal family allowance (which is acknowledged as the right of the child) and the benefit at-birth (granted only for the first four children); the eligibility conditions for the means-tested benefits are generous in terms of the income-threshold, but very modest in terms of actual benefits.

2. Demographic concerns seem to have constituted an important driver of family-policies already in state socialism, in Romania and Hungary, as discussed above. In Poland these concerns surfaced for the first time in the early 2000s. During the transition period, fertility rates dropped considerably in all three countries, and they started to slightly increase only after 2004. In Hungary, from 1.78 in 1989, the fertility rate fell to 1.33 in 2000 and it slightly increased at 1.35 in 2008. In Poland, the fertility rate was 2.05 in 1989, 1.40 in 2000, 1.39 in 2008, thus it seems to have stabilized since. In Romania, it decreased from 2.20 in 1989 to 1.30 in 2000, and then it increased slightly at 1.34 in 2008 (for the detailed presentation of the evolution of fertility rates, see Chart 1 and Chart 2 from the Annex).

In Hungary and Romania, demographic concerns cannot be separated from the perceived threat of uncontrolled fertility among the Roma ethnic minority, who presumably are going to outnumber the Hungarian or the Romanian ethnics. The stereotypes are that “Gypsies” instrumentalize their children in order to gain social benefits, their attitude to work is inadequate and they fail to properly enact parenting roles, such as sending their children to school and prevent teenage pregnancy) (Ringold, 2000; Ringold, 2003; Stewart, 2002; Szelenyi and Ladanyi, 2002; UNDP, 2003; World Bank, 2005). This strengthens the social control function of family benefits: in Romania, means-tested complementary child allowance for needy families is conditioned by submitting *every three months* at the welfare office a certificate from the school, attesting that the child does attend school (Rat, 2009). This consecrates a discourse of divisions between the “deserving” and “undeserving” poor and provides a “red herring” for diverting debates from the problem of inadequate benefits to the “threat” of welfare abusers unwilling to work. It is plausible to hypothesize at this stage of research that in Hungary and Romania the demographic factors have consistently strengthened the income-maintenance role of family benefits, while weakening their anti-poverty potential.⁵

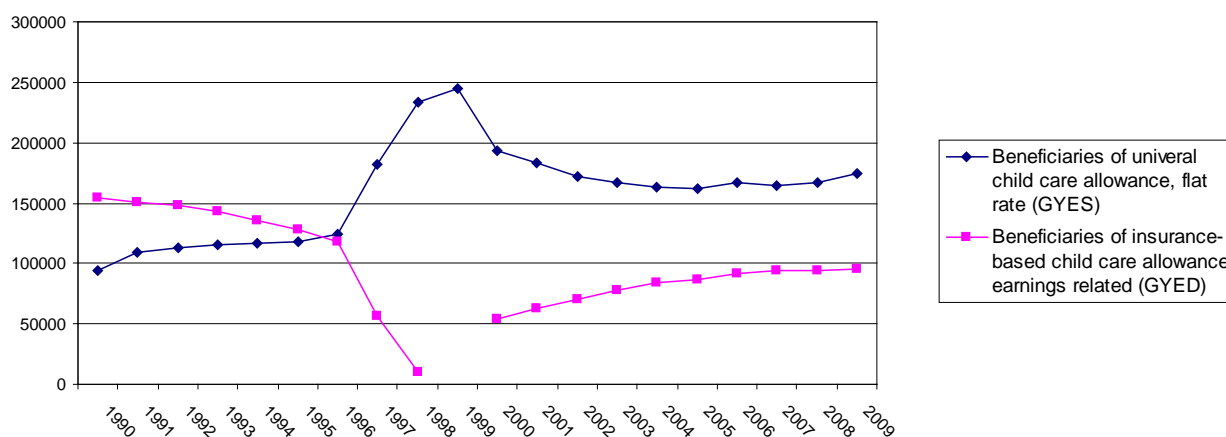
3. “Supporting functional, working families” – voices from the middle-class .

⁵ Further historical investigation would be necessary to verify this claim.

The problem of child-poverty was reframed in the context of economic crisis into the problem of working families with children, whose incomes were not sufficient to maintain decent living standards. The public discourse was dominated by the increased risk of impoverishment of working families with children, as unemployment grew, real wages fell and policy measures were consistently moving towards social dumping. The focus shifted from children living in poor jobless families towards working families with children that would become poor due to the improper measures of state social support. This was the discourse of an emerging, politically-empowered middle-class, defending their rights to earnings-related, more generous contributory benefits, and ignoring the existence or contesting the deservingness of the long-time workless parents and their children.

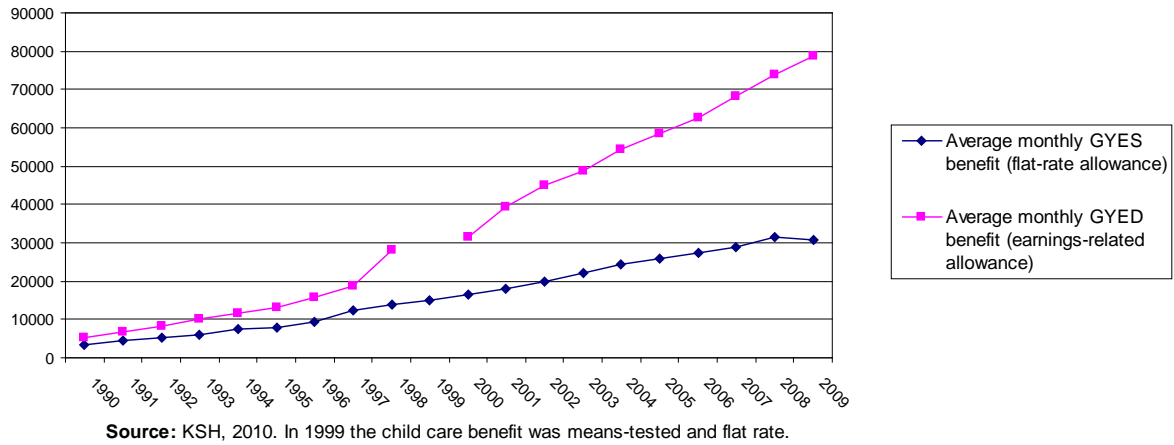
In Hungary, between 1990-1996, the beneficiaries of the flat-rate universal child care allowance (GYES) used to be much fewer than the number of beneficiaries of the earnings-related, insurance based benefit (GYED). Both benefits are granted for mother raising children below the age of three, but only the former is available for mothers who lack a consistent work record. However, after 1997, the situation reversed: the number of GYES beneficiaries is almost twice the number of GYED beneficiaries (see Chart 1). In 2009, 65% of beneficiaries of child care benefit were receiving the universal flat-rate GYES, and the average amount of the benefit was 30,716 HUF, i.e. 43% of the minimum gross wage. In the same year, the average amount of GYED was 78,725 HUF, i.e. 110% of the minimum gross wage (see Chart 2).

Chart 1: Evolution of the number of beneficiaries of child care benefits in Hungary: GYES and GYED between 1990-2009.



Source: KSH, 2010. In 1999 the child care benefit was means-tested and flat rate.

Chart 2: Evolution of the value of child care benefits in Hungary: GYES and GYED between 1990-2009. (Source: KSH, 2010)



However, the new Orban government, in the strategic plan to face the economic crisis, emphasizes support for “functional”, working families through generous tax breaks. In his speech occasioned by the launching of the new national economic strategy (*Az Új Szécsényi Terv*, 28 July, Budapest), Orban explicitly blames the social-assistance program, which provides public work and welfare benefits for the long-term unemployed, for taking away the earnings of working families and giving them to welfare beneficiaries to be wasted in gambling (*Nota bene*: the program “Work instead of welfare!” that aimed to provide public work for the beneficiaries of social assistance granted by local governments, as there is no Minimum Income Guarantee scheme in Hungary, created very few jobs, but served as a political tool to justify the eroding of benefits; see Szalai, 2008). The emphasis remained on supporting families to raise their children, and large families are depicted as a special concern of the new government: the prime minister himself has five children, and the governing political party (FIDESZ) shows receptivity to the initiatives of NGOs promoting the values of traditional, large families. Amidst the pressure to cut public expenditure, the role of the state to support families was never questioned, yet the compromises in the quest to fulfil this goal, legitimated by the budgetary constraints, clearly favoured the middle-class and weakened the anti-poverty role of family benefits. The lengths of both GYES and GYED benefits are going to be reduced to two years, yet the amounts remain the same; generous tax breaks are promised for working families, yet there is no promise to improve the availability of child care services in public crèches and kindergartens, while private services remain unaffordable for the largest segment of the population.

Poland has the advantage of the legacy of previous austerity (early 2000s economic downturn) – which coincided with the 2003 family allowance reform that drastically reduced the number of persons eligible to receive payments. The means-tested threshold has remained the same 504 zloty for seven years and in meantime real income may have grown by around 20% or more. So, even the recent increase in the level of family allowances in late 2009 actually does not affect much the steady decline in the number of families eligible to receive them since 2004. Poland seems to have a “two-track” family policy – the poor families with children have to rely on a rather wide range of available benefits – including the double-amount of at-birth allowance (*becikowe*), housing subsidies, short-term welfare cash and increasingly private charity donations and remittances from abroad to maintain a basic standard of living. The economic-coping strategies of Polish families, especially those from rural areas, resemble thus Romanian families: they rely on kinship or traditional local community networks (such as those mediated by the Catholic and the Orthodox Church) for finding temporary work in the country or abroad, live in multigenerational families where regular but modest sources of income (such as pensions or family benefits) can merge with intermittent, but higher earnings (such as those from working abroad). The crisis did not bring anything new in this respect – the anti-poverty dimension of family benefits has remained frozen since 2003, while the growing middle class is attempting gradually, since 2006, to win significant concessions for their present and future families: including real gains on expanding maternity and paternity leave at full pay, and also relatively generous tax breaks instituted from 2007.

In Romania, the government announced in May 2010 an “austerity package” designed to reduce public spending. Out of the ten austerity measures, three concerned directly families with children: (1) the contributory child-care benefit during parental leave would be cut by 15%; (2) the trousseau for new born, a universal benefit granted shortly after birth (around 35 Euro) would be eliminated; (3) the non-contributory complementary allowance for needy families with children and the support allowance for single-parent families would be changed from an earnings-related to a flat rate benefit, at the value of 600 lei/month (around 150 Euro). Almost immediately after this proposal was announced, the representatives of women organizations of the major political parties and leading women political figures raised their critical voice in the mass media (on the major TV channels as well as on their Internet Blogs). *But their discontent was with the flattening of the contributory child-care benefit; the other two non-contributory measures were seldom mentioned.* The whole public debate was channelled towards maintaining the earnings-

relatedness of the child-care benefit⁶. The situation was framed as an austerity measure against “mothers”, although, as a matter of fact, the benefit can be granted to either the mother or the father, and only in case that the claimant had taxable incomes from work throughout the last twelve months before the birth of the child. Moreover, the flattening did not affect all persons receiving the benefit, but only less than 15%: those with net incomes above 706 lei, i.e. earning 1.5 times the net minimum wage.

Table 14: Distribution of beneficiaries of child-care benefit according to their incomes in 2009

	Number of beneficiaries (mothers or fathers)	Distribution of beneficiaries (percentages) according to their net income before going on parental leave (RON)					
		<= 706	<=1358	<=2716	<=4074	<=4706	>4706
Urban	113180	84.12	9.11	5.02	1.13	0.21	0.41
Rural	65613	93.26	4.99	1.46	0.21	0.03	0.05
Total	178793	87.47	7.60	3.71	0.79	0.15	0.28

Source: Ministry of Labour, Family and Social Protection, 2010

*Note: 706 lei/month represents the amount of average monthly income, i.e. for beneficiaries with this income 85% of their wage is equal to the flat-rate value of the benefit.

As indicated in Table 14, only a very small segment of the upper-middle class (15.8% in the urban and 6.7% in the rural areas) actually benefited from the change of the legislation on the amount of the benefit that took place in 2009. Needless to say, the effects of the law are regressive, given that it was not accompanied by providing a universal maternity or childcare benefit. The “higher” amount of the universal child allowance for infants below the age of two (around €50/month) was regarded to serve as a surrogate for “universal” child care benefits: however, its value represents only one fourth of the childcare benefit granted to insured parents, who were gainfully employed throughout the last 12 months.

In the media debates, the advocates of maintaining the child-care benefit as earnings-related argued that it is a contributory benefit; as a matter of fact, the benefit is granted from the central budget, not from a separate social insurance fund. Neither the employers, nor the

⁶ Even the leader of the PD-L Women Organization stated that the government should find other methods of cutting social spending (which was admittedly necessary), than reducing child allowances and child-care benefits: “the benefits for children cannot be obtained by lying to the authorities” (Sulfina Barbu, head of the PD-L Women Organization, 15th of May 2010, www.hotnews.ro). Protests of mothers with children were organized in Bucharest first on Saturday morning (16th of May), than on Monday morning (18th of May), when around 1,000 mothers with children gathered in front of the Ministry of Labour, Family and Social Protection, bringing sacks with used pampers; an on-line petition was signed by 13,000 persons, who opposed the flattening of the child-care benefit. This high mobilization of mothers with small children was unprecedented for Romania, and it clearly depicted the political voice of an emerging cosmopolitan middle class, making use of its specific political tools: organization through Internet forums, on-line petitioning, ensuring high media coverage through personal connections with the TV program directors.

employees pay social contributions in order to qualify for the benefit. Moreover, the coverage of the benefit is low (estimated at around 40-50% of children)⁷. There are no statistics available from the Ministry of Labour on the coverage of child-care benefit among parents with children below the age of two (or three, in case of children with disabilities), therefore we should rely on rough estimates only. To summarize: the flattening of the child-care benefit affected less than 15% of parents entitled to receive state support during parental leave and probably less than 50% of small children live in families entitled to receive parental benefits.

However, the whole media debate was framed as an issue affecting all working mothers with small children. The problems of low-income families, who are entitled to receive only the flat-rate benefit (if regularly employed) and the universal child allowance, or (in case of irregular participation on the labour market) only the universal child allowance and the means-tested allowance for needy families with children, were never discussed in terms of inadequate state support. According to the estimations of the Ministry of Labor, 36% of the children live in families receiving either the complementary allowance or the sustenance allowance for single-parent families; there is a big discrepancy between rural and urban areas: whereas for children in urban areas the average coverage of the benefit is 18%, in rural areas the coverage is 54% (Ministry of Labour, Family and Social Protection, 2010). The amount of the benefit is very small: for a family with two children, the complementary allowance is only around 15 Euro/month, which equals with 12.7% of the minimum net wage.

As presented in the micro-simulation from part II., a family with four children, where the youngest child is below the age of two and the mother went on unpaid child-care leave (child care benefit is only granted trice) receives the universal child allowances for each child (i.e. 150 Euro for the child below the age of two and around 11 Euro for each child aged 2-18), and, in case that per capita income is below the minimum net wage, also the means-tested

⁷ There are no statistics available from the Ministry of Labour on the coverage of child-care benefit among parents with children below the age of two (or three, in case of children with disabilities), therefore we should rely on estimations. The Statistical Bulletin of MLFSP for the first quarter of 2010 reports for January 2010 that 386,537 children below the age of two received the universal child allowance, and 7,004 children with disabilities below the age of three: this means that there are roughly 393,541 children receiving the increased amount of child allowance. The number of child-care benefits paid by the Ministry in January 2010 was 186,398, at which one may add the 11,697 “stimulants” paid for those parents who are entitled to child-care benefits, but they opt for returning to job: cumulatively, 198,095 parents with children below the age of two (or three, in case of children with disabilities) received some form of state support. In comparison, there were around 393,541 children below the age of two and disabled children below the age of three (cumulatively). Given that there is no data on how many twins are born or in how many families the distance between the children is less than two years, it is difficult to estimate how many small children are raised in families where parents are not entitled to child-care benefit. In case that we assume that the proportion of children born as twins or earlier than two years after the birth of their older sibling is 20% (which would be rather high), it results that only 63% of children below the age of two (or three, in case of children with disabilities) are raised in families receiving child-care benefits, whereas 37% are raised in families not receiving child-care indemnity.

complementary child allowance (i.e. 17.5 Euro/month). In case that the father is working for the minimum wage, the family benefits will typically provide 84% of the income of the family; in case that he is working for the average wage, 28% of the income of the family would be from state transfers. In case that all children are above two years old and the mother returned to work, family benefits would typically represent 20% of the income of the family in case that both parents gain the minimum wage (they also qualify for the means-tested complementary family allowance), and 6% of the income of the family in case that both parents gain the average wage (they do not qualify for the means-tested complementary family allowance).

However, during the very same period of praising young middle class women for defending their social rights as mothers, the major Romanian newspapers published several articles that heavily criticised the “workless-ness” and “dependency” of recipients of social assistance benefits, most notably of the Minimum Income Guarantee program⁸. The situation of families with children was framed within the “welfare dependent underclass” approach, with allusions to the situation of the Roma minority, allegedly guilty of improper attitude to work and irresponsible fertility behaviour. The photos published along with the articles present poor families with many children, yet only the mothers and children are portrayed – mothers of more than five children, who would have been considered “hero mothers” twenty years before by the Ceausescu propaganda under state socialism.

Conclusions

Child poverty has remained high in all three countries analyzed in this paper; Hungary (20%), Poland (22%) and Romania (33%), even after their EU integration. In 2007, a relative poverty reduction of family benefits and social-assistance benefits was notable only in Hungary (57.4% of children avoid poverty due to receiving social benefits), while in Poland and Romania the effects of similar transfers were rather modest (33.3% in PL and 23.3% in RO). Also the three countries continue to differ considerably in terms of government commitment to spending (welfare effort) in this area of social policy. In 2007, public

⁸ Based on the number of on-line visualisations and forum comments, two articles were particularly popular: “Romanians whose profession is to receive social assistance” (Sorin Semeniuc: “Români de profesie asistați social”, *Evenimentul zilei*, 14 May 2010) and “Fifty Ways through which the state encourages worklessness” (Mariana Bechir: “50 de moduri prin care statul incurajeaza nemunca” de Mariana Bechir, *Adevarul*, 6 April 2010).

expenditures on cash transfers for families with dependent children, as % of the GDP, were 2.8% in Hungary, 0.8% in Poland and 1.7% in Romania. In 2009, in the latter country cash transfers for families and children decreased, and their primary function was income-maintenance and tackling transitional poverty, while jobless families received little financial support to overpass long-term, chronic poverty.

In sum, our analysis not only reveals considerable, previously neglected, differences in the poverty-reduction strategies, governments' efforts and the effects of these policies but also suggests new possible areas of investigation focusing on historical legacies, demographic and ideological factors, and political explanations tied to the rising influence of the middle classes. In Hungary, family policies perform to a large degree progressive redistribution in favour of poor families, while maintaining an important universal component and the generosity of contributory child-care benefits for the better-off. It appears that historical legacies and demographic concerns have played a large role in this country's family policies. Similar factors can be noticed in Romania, where, although compound, family policies have continued to have only weak impact on child-poverty, especially in the case of large families. In Poland, where demographic considerations are relatively new and the middle classes are only beginning to win concessions in this policy area, the lingering impact of the restrictive family allowance law of 2003 allows only for a modest redistribution while excluding better-off families from receiving state benefits for children and paid child care leave.

ANNEX

Table A1: Wages and taxes in HU, PL and RO in 2009 (national currency, January 2009)	Romania	Poland	Hungary
Gross minimum wage	600 lei	1,276 zł	71,500 HUF
Net minimum wage	470 lei	1,055 zł	57,815 HUF
Gross average wage	1,887 lei	3231.1 zł	199,755 HUF
Net aware wage	1,313 lei	2190 zł	125,122 HUF
Income tax paid by wage earners* (% of gross wage, after social contributions and deductions from the taxable income)	16%	18%	18%
Social contributions paid by wage earners (% of gross wage)	15.5%	17.31%	16%
Exchange rate to Euro (1Euro=...)	4.01 lei	3.9 zł	266 HUF

* **Note:** In Romania, income tax is paid only for the amount of wage that exceeds the national minimum wage (600 lei/month); in Poland, only for the amount that exceeds 556 zł/month.

Chart 1. The evolution of fertility rates between 1989-2008

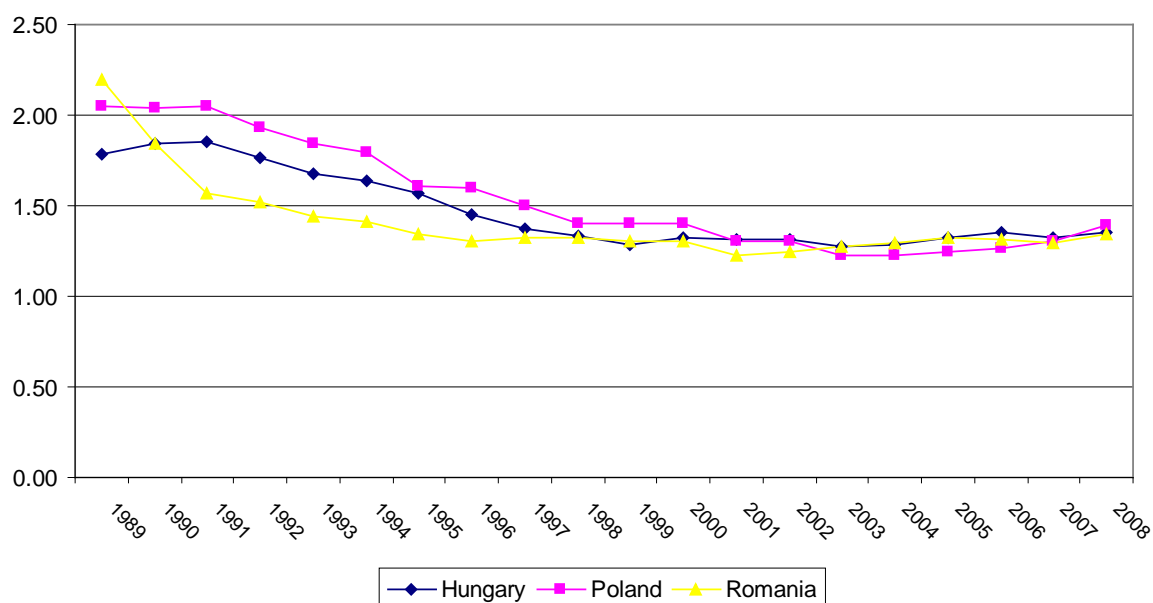
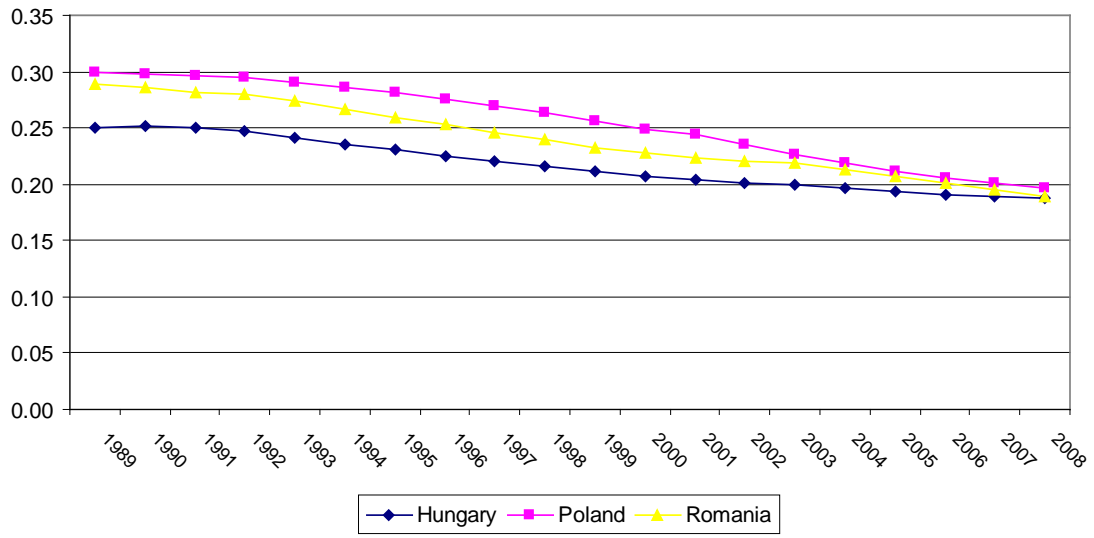


Chart 2. The evolution of the share of children (aged 0-17) in the total population, 1989-2008



REFERENCES

- Balcerzak-Paradowska, B. (1999): *Polityka rodzinna: między dwoma modelami*. Warszawa: Instytut Pracy i Spraw Socjalnych – IPiSS.
- Balcerzak-Paradowska, B. (2004): *Rodzina i polityka rodzinna na przełomie wieków*. Warszawa: IPiSS.
- Braithwaite, J., Grootaert, C. and Milanovic, B. (2000) *Poverty and Social Assistance in Transition Countries*. London: MacMillan.
- Cerami, A. (2006) *Social Policy in Central and Eastern Europe. The Emergence of a New Welfare Regime*. Berlin: LIT Verlag.
- Cerami, A. and Vanhuysse, P. (eds.): *Post-Communist Welfare Pathways. Theorizing Social Policy Transformations in Central and Eastern Europe*. Basingstoke UK: Palgrave Macmillan.
- Council of Europe. (2001). *Promoting the Policy Debate on Social Exclusion from a Comparative Perspective*, Strassbourg: Council of Europe.
- Daly, M. (2004). Changing Conceptions of Family and Gender Relations in European Welfare States and the Third Way. In Lewis, J. and Surrender, R. (eds.) *Welfare State Change. Towards a Third Way?* Oxford: Oxford Univ. Press, pp. 135-157.
- Dean, H. and Taylor-Gooby, P. (1992): *Dependency Culture. The Explosion of a Myth*. New York : Harvester Wheatsheaf.
- Ferge, Z. and G. Juhász (2004) ‘Accession and Social Policy - The Case of Hungary’, *Journal of European Social Policy*, 14(3), 233-251.
- Ferge, Z., Tausz, K. and Darvas, A. (2002) *Combating Poverty and Social Exclusion*. Budapest: International Labour Office.
- Golinowska, S. (1996): State Social Policy and Social Expenditure in Central and Eastern Europe (May 1, 1996). *CASE Network Studies and Analyses* No. 80.
- Haggard, S. and Kaufman, R. (2008) *Development, Democracy, and Welfare States*. Princeton: Princeton University Press.
- Haney, L. (2002). *Inventing the Needy: Gender and the Politics of Welfare in Hungary*. Berkley: University of California Press.
- Inglot, T. (2005): From Theory to Practice: Lessons of Post-Communist Social Policy Reforms in Central Europe. In N. Gelazis, T. Inglot, and M. J. Cain (eds.): *Fighting Poverty and Reforming Social Security: What Can Post-Soviet States Learn from New*

- Democracies in Central Europe?* Washington DC: Woodrow Wilson Center for International Scholars (East European Studies).
- Inglot, T. (2008). *Welfare States in East Central Europe, 1919-2004*. Cambridge: Cambridge University Press.
- Inglot, T. (2009): Czech Republic, Hungary, Poland, and Slovakia: Adaptation and Reform of the Post-Communist 'Emergency Welfare States. In A. Cerami and P. Vanhuysse (eds.): *Post-Communist Welfare Pathways. Theorizing Social Policy Transformations in Central and Eastern Europe*. Basingstoke UK: Palgrave Macmillan.
- Kligman, G. (1998). *The Politics of Duplicity. Controlling Reproduction in Ceausescu's Romania*. Berkeley: Univ. of California Press.
- Kornai, J. (2000 [1990]). *Drumul nepietruit al transformarii [The Road to Free Economy]*. Cluj: Kriterion.
- Kovács, J.M. (2002) 'Approaching the EU and Reaching the US? Rival Narratives on Transforming Welfare Regimes in East-Central Europe'. *West European Politics*, 25(2), 175-204.
- Központi Statisztikai Hivatal (Hungarian Central Statistical Office – KSH) (2010): *Statisztikai Adattáblák (Statistical Indicators)*. Budapest, 2010. www.ksh.hu (August 2010).
- Kramer, M. (1997) 'Social Protection Policies and Safety Nets in East-Central Europe: Dilemmas of the Postcommunist Transformation' in E. Kapstein and M. Mandelbaum (eds.) *Sustaining the Transition: The Social Safety Net in Postcommunist Europe*. New York: Council of Foreign Relations Books, Brookings Institution Press. pp. 46-124.
- Kvist, J. (2007) 'State Generosity, Social Rights and Obligations' in J. Clasen and N. Siegel (ed.) *Investigating Welfare State Change*, Cheltenham: Edward Elgar. p. 198-214.
- Leitner, Sigrid (2003). Varieties of Familialism. The caring function of the family in comparative perspective, *European Societies*, 5(4): 353-375.
- Lewis, J. (ed.) (2006b). *Children, Changing Families and Welfare States*. Cheltenham: Edward Elgar.
- Lister, R. (2004). The Third Way's Social Investment State. In In Lewis, J. and Surrender, R. (eds.) *Welfare State Change. Towards a Third Way?* Oxford: Oxford Univ. Press, pp. 157-182.
- Lister, R. (2004). *Poverty*. Cambridge: Polity Press.
- Pierson, C. (2006) *Beyond the Welfare State. The New Political Economy of Welfare* (Cambridge: Polity Press).

- Pik, K. (2001). *A szociális munka története magyarországon. [The History of Social Work in Hungary]*. Budapest: Hilscher Rezso Szocialpolitikai Egyesület.
- Polakowski, M. and Szelewa, D. (2008). Who Cares? Patterns of Care in Central and Eastern Europe, *Journal of European Social Policy*, 18(1): 115-131.
- Polish Ministry of Labour and Social Policy (2008): National Strategy Report on Poverty and Social Inclusion 2008-2010. Warsaw: Ministry of Labour and Social Policy.
- Popescu, L. (2004a) *Politici sociale Est-Europene intre paternalism de stat si responsabilitate individuala* [Eastern European Welfare States between State Paternalism and Individual Responsibility] (Cluj-Napoca: Presa Universitara Clujeana).
- Popescu, L. (2004b) 'Romanian Post-Communist Social Policy. Towards the Third Way?' in W. Seelisch (ed.) *Soziale Verantwortung in Europa. Analysen und professionelles Handeln in verschiedenen Hilfesystemen* (Darmstadt: Bogen Verlag), p. 175-186.
- Popescu, L. (2006). Child Care, Family and State in Post-Socialist Romania. In Mesner, M. and Wolfgruber, G. (Eds). *Politics of Reproduction at the Turn of the 21th Century; the Cases of Finland, Portugal, Romania, Russia, Austria, and the US*, Innsbruck: StudienVerlag, pp. 109-127.
- Rat, C. (2009): Disciplining Mothers. Fertility Threats and Family Policies in Romania. *GESIS Thematic Series on Social Sciences in Eastern Europe*, Family Patterns and Demographic Development, GESIS Leibniz Institute for Social Sciences, pp. 75-87.
- Ringold, D. (2000). *Roma and the Transition in Central Eastern Europe: Trends and Challenges*. Washington: The World Bank
- Ringold, D., Orenstein, M., Wilkens, E. (2003). *Roma in an Expanding Europe: Breaking the Poverty Cycle*. Washington: The World Bank.
- Romanian Ministry of Labour, Social Protection and the Family (2009a). *Studiu de impact asupra masurilor promovate prin OUG 105/2003 privind alocatia familiala complementara si alocatia de sprijin pentru familia monoparentala in perioada 2006-2008*, Bucharest: Romanian Ministry of Labour, Social Protection and the Family.
- Romanian Ministry of Labour, Social Protection and the Family (2009b). *Studiu de impact asupra masurilor promovate prin OUG 148/2005 privind sustinerea familiei in vederea cresterii copilului in perioada 2006-2009*, Bucharest: Romanian Ministry of Labour, Social Protection and the Family.
- Romanian Ministry of Labour, Social Protection and the Family (2009c). *Analiza statistica a datelor privind acordarea indemnizatiei pentru cresterea copilului in functie de*

- veniturile beneficiarilor in trimestrul I al 2009*. Bucharest: Romanian Ministry of Labour, Social Protection and the Family.
- Sotiropoulos, D., Neamțu, I. and Stoyanova, M. (2003) 'The Trajectory of Postcommunist Welfare State Development: The cases of Romania and Bulgaria', *Social Policy and Administration*, 37(6), p. 656-673.
- Standing, G. (1996) 'Social protection in Central and Eastern Europe: A tale of slipping anchors and torn safety nets' in G. Esping-Andersen (ed.) *Welfare States in Transition: National Adaptations in Global Economies* (London: Sage), p. 225-255.
- Stewart, M. (2002). "Deprivation, the Roma and 'the underclass'." in Hann, C. (ed.) *Postsocialismus*, London: Routledge.
- Szalai, J. (2005) 'A jóléti fogda' [The Welfare Trap] *Esély*, 1, 3-32.
- Szalai, J. (2008) 'The Hungarian Bifurcated Welfare State', *European Social Policy Analysis Network Annual Conference*, Helsinki.
- Szelenyi, I. and Ladanyi, J. (2002). *Poverty, Ethnicity and Gender in Transition Countries*. Budapest: Akadémiai Kiado.
- Szelewa, D. (2006). Three faces of familialism: comparing family policies in the Czech Republic, Hungary and Poland. *RC19 Annual Academic Conference: Social Policy In a Globalizing World: Developing A North-South Dialogue*, Florence 6-8 September 2006.
- Szikra, D. (2005): Family and Child Support in a Postcommunist Society: Origins of the Mixed Hungarian Welfare Capitalism. In M. Cain, N. Gelazis and T. Inglot. (Eds.): *Fighting Poverty and Reforming Social Security: What Can Post-Soviet States Learn from the New Democracies of Central Europe?* Washington: Woodrow Wilson International Center.
- Szikra, D. and Szelewa, D. (2008). Passen die mittel- und osteuropäische Länder in das "westliche" Bild? Das Beispiel der Familienpolitik in Ungarn und Polen. In C. Klenner and S. Leiber (eds.): *Wohlfahrtsstaaten und Geschlechterungleichheit in Mittel- und Osteuropa. Kontinuität und postsozialistische Transformation in den EU-Mitgliedstaaten*. VS Verlag, Wiesbaden, Germany, 88-123.
- Szikra, D. and Tomka, B. (2009): Social policy in East Central Europe: Major trends in the 20th century. In Cerami, A., Vanhuysee, P. *Post-Communist Welfare Pathways: Theorizing Social Policy Transformations in CEE*, Basinstoke, Palgrave Macmillan.
- Szikra, D. (2011): Tradition Matters: Child Care and Primary School Education in Modern Hungary. In K. Hagemann, K. Jarausch and C. Allemann-Ghionda (eds.): *Child Care*

- and Primary Education in Post-War Europe*. New York and Oxford: Bergham Books (forthcoming).
- UNDP (2003). *The Roma in Central and Eastern Europe. Avoiding the Dependency Trap*: UNDP.
- Verdery, K. (1996). *What was socialism and what comes next*. Princeton: Princeton Univ. Press
- World Bank (1997). *Romania. Poverty and Social Policy*, Washington: The World Bank.
- World Bank (2005). *Current Attitudes Toward the Roma in Central Europe: A Report of Research with non-Roma and Roma Respondents*, Washington: The World Bank.
- World Bank (2007). *Romania: raport de evaluare a saraciei [Romania: Poverty Assessment Report]*, Washington: The World Bank.