UNITED NATIONS UNIVERSITY

Policy Brief

NUMBER 4, 2018

Overview

This policy brief investigates the costs of child poverty in the Balkans, including deprivation in terms of education, health, and social mobility. It then lays out the potential of social protection, most notably in terms of building resilence and fostering development. Set against recent case studies from around the world, including Cambodia and Uganda, the brief gives policy recommendations on various critical issues including transfer schemes, transformative measures, and (alternative) care for children with disabilities.

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ISBN 978-92-808-5010-9

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The Importance of Social Protection for Children in the Balkans[1]

OVER THE LAST TWO DECADES, THE WORLD HAS WITNESSED remarkable progress in reducing poverty and improving the well-being of adults and children in many countries. Social protection has been an essential tool in ensuring that economic growth reaches even the poorest and most marginalised, and has contributed to equity and development. Yet progress has taken place unevenly across countries. While some, including Croatia, Moldova, Kosovo and the former Yugoslav Republic (FYR) of Macedonia have seen a decrease in the incidence of poverty, in others, such as Montenegro, Slovenia, Albania and Romania poverty rates have increased over the last decade (World Bank, 2017a).

Globally, children are overrepresented among the poor, accounting for almost half of all people living in extreme poverty (UNICEF and World Bank Group, 2016). In most countries around the world, children are more likely to be poor than adults. This also applies to the Balkan countries. The share of children (aged 0-15) at risk of poverty ranges between 14.7% in Slovenia and 31.5% in FYR Macedonia (UNICEF, 2015a).

Poverty and social exclusion can affect children's development opportunities. While primary school attendance is nearly universal (UNICEF, 2015a), disparities in secondary school net attendance rates remain an issue in the region. For example, in FYR Macedonia, nearly 100% of children from the richest quintile attend secondary school compared to just above 60% of children of the poorest quintile (UNICEF, 2015b). Inequality in education is an even larger issue for children of Roma communities, with as little as 20% net secondary school attendance ratio in Bosnia & Herzegovina and Montenegro (UNICEF, 2015b). Estimations based on data from Eurostat suggest that poor children are very likely to become poor adults. More than 90% of those who experience deprivation as adults were also deprived during childhood in Croatia and Bulgaria (Grundiza and Lopez Vilaplana, 2013).

The costs of child poverty

Children experience poverty differently from adults (DFID et al., 2009). For children, decent living standards are not only of intrinsic value, but are instrumental in allowing them to enjoy their rights to survival and development, to education, to good health, and to the freedom from child labour. Children have limited ability to claim their own rights, as they depend for their well-being on those that care for them.

"...the strengthening of alternative forms of care for children with disabilities or children without parental care has to be a priority to protect the rights and interests of the most vulnerable children."

Children have specific basic needs and failure to meet them jeopardises their development and deprives them in their capabilities (Sen, 1999). Deprivation in childhood (particularly early childhood) causes irreparable damage in physical, emotional and cognitive development (Fajth, 2009; DFID et al., 2012; Samson, Fajth and François, 2016). When experiencing poverty, children are exposed to a multitude of issues: malnutrition, deprivations in housing conditions, poor health, low cognitive stimulation in early childhood, low education outcomes (see for instance in Aber et al., 1997; Ansalone, 2001; Bradshaw, 2001; Bradshaw, 2002; Hirsch, 2006; Horgan, 2007). Poverty, stigma and shame contribute to a lack of social and cultural capital, social exclusion and marginalisation (Hobcraft & Kiernan, 2001; Attree, 2006; Mayer, 2010). These factors interact, undermining social mobility and increasing the likelihood that poverty is passed on from one generation to the next. Childhood is a unique window of opportunity for making long-lasting investments. As Heckman (2008) has shown, early investments in human capital, such as through prenatal programmes and programmes targeted at early childhood, have the highest rates of return.

Moreover, child poverty has costs for communities and societies as a whole. Poverty is associated with higher fiscal costs and negative externalities, such as increased crime, higher health care spending, and even political instability (Expert Advisory Group on Solutions to Child Poverty, 2012; Blanden et al., 2012). A society whose children cannot meet their full potential does not fully utilise its human capital, which eventually results in sub-optimal levels of labour productivity. Given that productivity is a key determinant of economic growth (Szirmai, 2015), the economy will eventually perform below its potential and inclusive growth will be limited.

The potential of social protection for children

Social protection builds resilience against shocks, provides real opportunities to children, and serves goals of equity. Such policies have the potential to address issues of discrimination and social exclusion, which is particularly relevant in the context of Roma communities (UNICEF, 2013), children with disabilities, and internally displaced people. A wide array of social protection interventions exist that can support children's rights and foster their development. Cash transfers, including social assistance and social insurance are essential components of well-developed social protection schemes. Near-cash, in-kind, nutrition and health interventions can provide valuable support to households with children. Social services and programmes to ensure access to services include (among others) early childhood development programmes, social care services, social work services, child protection, and birth registration.

According to the ILO's overview of child and family benefits around the world, 117 out of 186 studied countries had some form of child or family benefit scheme anchored in the national legislation in 2017 (ILO, 2017). Thirty-two countries provided child benefits on a universal basis, meaning that all children were eligible to receive transfers regardless of their income or employment history (ILO, 2017). Universal child benefits are typically present in Western European countries, but can also be found in Canada, Australia, and New Zealand. Among the new EU member states, Estonia, Latvia, Hungary, Romania, Slovenia and Slovakia offer universal child benefit programmes anchored in the national legislation (ILO, 2017). Serbia and Romania are the only two countries in the region that offer universal child benefits. The examples of these and other countries, such as Belarus and Mongolia prove that universality is not a privilege only the wealthiest nations can afford. In Nepal, one of the poorest countries in the world, a child grant is provided universally in the poorest Karnali zone, and categorically for Dalit children in the rest of the country. Universal programmes come with clear benefits compared to means-tested schemes: exclusion errors are practically eliminated, beneficiaries do not suffer from social stigmatisation, and administrative costs are generally low. Furthermore, political economy considerations argue in favour of universal programmes, if we accept the assumption of budget endogeneity (Gelbach & Pritchett, 2002). However, as Schüring and Gassmann (2016) argue, numerous country-specific factors[2] have to be considered when deciding on the optimal targeting method from a political economy point of view.

There is a growing pool of evidence on the positive impacts of social protection on children's lives (Fiszbein et al., 2009; UNICEF, 2015; Bastagli et al., 2016). The potential of social protection in reducing poverty is also reflected in the World Bank's data for Eastern Europe and the Balkan countries. In Bosnia & Herzegovina, for example, social protection programmes are responsible for a 31% reduction in poverty at the national poverty line (World Bank, 2015). In Serbia, the corresponding rate exceeds 60% (World Bank, 2015).

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European examples provide an idea of what social protection is capable of achieving for children. In Ireland, for instance, social transfers reduce the incidence of child poverty by 66%, from 45% to just above 15% (ILO, 2015). In Finland, almost 30% of children would be poor without social transfers, but post-transfer poverty rates are below 10% (ILO, 2015). In Hungary, social transfers remain powerful instruments in combating child poverty, but to a much lesser extent in 2013 than in 2007 (ILO, 2015). This is due to the lack of indexation of the universal child benefit, and the move towards a regressive system of family allowances, dominated by income tax credits that benefit better-off households disproportionately. In Bulgaria, transfers in 2013 were responsible for an approximately 25% lower incidence of child poverty – an astonishing improvement compared to 2007 (ILO, 2015). Overall, there is a strong correlation between child poverty reduction and social protection expenditures on families and children in Europe. Higher expenditures are associated with higher reductions in child poverty rates (Bradshaw & Hirose, 2016).

"Narrowly targeted transfer schemes may reinforce negative attitudes and social exclusion against Roma and poor populations..."

The impact on poverty depends on the coverage and the adequacy of social transfers. Providing a balanced mix of programmes, and achieving high coverage and adequacy requires substantial financial commitment. The average spending on social safety nets in developing countries is 1.6% of GDP, compared to an average of 2.2% of GDP in Europe and Central Asia (World Bank, 2018a). The disparities between countries are large. Some countries – such as Georgia, Ukraine, and Bosnia & Herzegovina – spend considerably more than 2% of their GDP on non-contributory social protection transfers, while others - for instance Tajikistan and Azerbaijan – direct less than 1% of GDP on social assistance interventions (World Bank, 2018b). Yet, higher spending levels do not necessarily mean a higher coverage of the poor or that benefits for the poor are more generous.
While Georgia allocates 7% of its GDP to social protection, the overwhelming share is dedicated to social pensions (World Bank, 2018). In Bosnia & Herzegovina, transfers directed at war veterans and their families capture much of the overall social protection budget, outperforming other benefits in terms of adequacy (OSCE, 2012).

The rationale for providing social protection for children and their families is multifaceted, with economic, human development and human rights arguments making the case for such investments. Economic and development arguments are based on human capital, which is used to explain the differences in qualities of labour of individuals and countries (on the micro and macro level, respectively) (Szirmai, 2015). This - coupled with recent evidence that bottom inequality[3] slows down economic growth (Cingano, 2014) - provides the rationale for redistribution and investments in social protection. Investing in social protection for children is a crucial element in the battle against child poverty, supporting social mobility and breaking poverty traps.

Recent studies in Cambodia, Lesotho and Uganda have generated evidence on the positive long-term rates of returns to social protection. Mideros et al. (2016) estimated the rates of return to non-contributory social protection programmes, finding a positive effect on total household consumption through human capital accumulation. Dietrich et al. (2016) predicted that a national child grant in Lesotho would bring about lasting positive changes. As recipient households are supported in investing in education for their children, the returns of these investments would eventually manifest in increased household consumption (Dietrich et al., 2016). In Uganda, dynamic simulations of country-wide social assistance programmes foresee similar returns to investments (Dietrich et al., 2017a; Dietrich et al., 2017b). Integrating both health and education investments into the simulation model, the authors predict that cash transfers bring about short-term and long-term returns.

Conclusions and recommendations

Growing up in poverty has direct effects during childhood, and has long-term consequences into adulthood. If social mobility is limited, the poverty trap becomes very difficult to exit, and poverty (including its costs) is very likely to be passed on to the next generation. Child poverty remains an issue in the Balkans, with salient disparities between (and within) countries and population groups. Childhood is a window of opportunity, and investments in a child's development yield long-term returns for individuals and societies. Social protection systems have the potential to effectively support poor and vulnerable families, thereby contributing to children's security, development and human capital formulation. These positive impacts can be magnified by child-sensitive social protection.

Social protection in the Balkan countries is rather comprehensive, with at least one form of child or family benefit present in each country. Nevertheless, to better protect and invest in children, certain challenges have to be addressed. Social exclusion is a tenacious issue in the region, with Roma populations, children with disabilities, and internally displaced persons suffering from its consequences. Child protection, in particular the residential care of children remains a challenge. Despite global efforts to move towards community- and family-based care, rates of institutionalisation are increasing in several countries in the region. Even though the countries allocate substantial financial resources to social protection, there is room for improving the effectiveness and efficiency of existing programmes in protecting children and preventing and alleviating poverty. In many countries, the potential of transfers cannot be unleashed because coverage of the poor remains limited and transfer values are too low to make a real difference in beneficiaries' lives.

Notes

1. We refer to the Balkans as those European countries that have (at least partial) territory on the Balkan peninsular: i.e., Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Greece, Kosovo, FYR Macedonia, Montenegro, Romania, Serbia and Slovenia.

2. Such political factors include: voters' perceptions of social justice, attitudes towards the poor, social cohesions, perceptions of the effectiveness of fairness of the programme in question etc.

3. Bottom inequality refers to the ratio of the average national income versus the average income of the bottom decile.

The following policy recommendations could be considered:

- Social exclusion can be addressed by social protection, including by transformative measures that go beyond simply legally prohibiting discrimination, which is often inadequate as exemplified in cases of school segregation of Roma children.

- The political economy of targeting has to be taken into account when designing social protection policies for children and their families. Narrowly targeted transfer schemes may reinforce negative attitudes and social exclusion against Roma and poor populations, and undermine the political acceptance of social protection.

- Deinstitutionalisation and the strengthening of alternative forms of care for children with disabilities or children without parental care has to be a priority to protect the rights and interests of the most vulnerable children.

- The poverty reduction impact of existing programmes can be strengthened by increasing the coverage of the poor, eventually achieving the universal protection of all children in the region. The increase of transfer values would further contribute to improving the adequacy of existing programmes.

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INSIDE:

Policy Brief

The Importance of Social Protection for Children in the Balkans

Investigating the costs of child poverty in the Balkans and providing guidance on issues including transfer schemes, transformative measures, and (alternative) care for children with disabilities.

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