

The experience of the households with many members faced to poverty taking or not taking into account the social benefits in 2009

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Abstract: - Analyses showed that in the presence of social benefits, poverty rates are quite high for certain types of households, but especially for those with many members, according to our simulation models of poverty rates, when some social benefits were included or excluded. Thus, some of these households, although they received social benefits, are still in poverty, showing high rates of its incidence. Other households exceeded the poverty threshold in the presence of social benefits, which is really gratifying. But those types of households that increase the number of the poor people should be considered, especially where poverty incidence is very high and hence their share in total poor people, and/or in the total population is representative. This paper aims at households with many members, with numerous dependent children or family nucleus, and this type of household recorded high incidence of poverty over time. These vulnerable groups should be in attention of decision makers and targeted policies for them should be efficient and effective.

Key-Words: - poverty rates, social benefits, simulation models, large households

1 Introduction

Poverty was a concern of all societies and every government has made efforts to make this issue a key objective of government policy. Thus, anti-poverty strategies were introduced and materialized in economic and social policies in order to reduce poverty and its extreme forms, marginalization and social exclusion. Although these problems are not new ones, it is well known that poverty increases were quite important and it was not absorbed by the processes of appropriate economic and social development, as it would be desired.

Always the most vulnerable categories of population to the risk of poverty, among others, were the households with many members, those who have dependent children or those who, besides having numerous children, are also inactive or unemployed, or those of single parents with dependent children, and so on. Thus, household size and structure are related to the risk of poverty. In addition, regarding these large households, any combination of determinants such as education level, age, and occupational status correlated with

low incomes, health and other variables as gender, rural residence, household size, and so on, amplify the risk of poverty among these people.

Thus, poverty monitoring and evaluation should always be taken into consideration, especially because the households vulnerable to poverty often have children, and the shares of these households in the poor people and in the total population are fairly representative. In addition, the presence of children in the household contributes to the increase of consumption, without bringing additional and appropriate sources of income. As such, children will continue to be one of the groups most vulnerable to the risk of poverty, if these population segments will not be the target of more pronounced support programs. Such measures are necessary to prevent the risk of perpetuating poverty, its transgression to the next generation, since, for children poverty means also health and physical development risks, risks regarding their participation in education, with further implications on their future employability and earnings, with impact on their future standard of living [1].

2 Problem Formulation

With the increasing of poverty and placing of large segments of population in the area of poor people, several international bodies have established priorities and created numerous programs to reduce poverty and improve the life of people. Our country has made also considerable efforts in order to acquire the common European strategic documents. But despite all these efforts, we are still faced with poverty, with large social disparities, that is the sad reality of today's world.

Thus, poverty reduction - the key and permanent objective of social policy must be linked at the same time with a coherent system of social protection, in order to prevent poverty, by providing appropriate replacement income and through income support for categories of population under poverty incidence.

Poverty reducing and ensuring an appropriate social protection system remain two major challenges, current and future of the European Union; and we must find solutions to improve social protection systems in order to reduce poverty substantially.

In this line, the pulse of poverty must always be taken, especially for vulnerable people, because they must be actively supported. For any diagnosis of poverty, analyses are based on the statistics offered by the National Institute of Statistics, on Household Budget Survey.

This paper is an iteration of the relationship between social benefits and poverty reduction in the year 2009. This paper is different from similar research [2], [3], because here the analyses are for the year 2009, highlighting the importance of social benefits for households with many members, knowing that they always face higher poverty rates. In addition, this paper envisages only the household's size (the households with many members). Besides the dimension of the household, there are also other elements such as: many children in the household, rural households, young age of the household's head or other determinants such as low education level or precarious health and if these cumulated the picture of the poverty would be even more worrying. In this case, these households would be placed in the poorest area, facing multiple disadvantages, with almost no chance of escaping poverty. These analyses are particularly important to highlight the picture of poverty among households consisting of numerous members. Through this feedback, these alarm signals may require attention of the decision makers for a better monitoring and evaluation of policies related to the poverty of these segments of the population.

As a relevant contribution to the development of poverty research, we highlight in this paper an estimated impact of groups of social benefits on relative poverty reduction, calculated at the threshold of 60% of median income per adult equivalent. Through these evaluations, in addition to the fact that the influence of the social benefits on the poverty reduction will be known, statistical data and analysis show that certain categories of households are still poor, even in the presence of social benefits in their incomes. More targeted, the paper makes reference to large households, for which the poverty rates were always very high.

Therefore, these analyses are useful to direct the efficient and effective policies on target groups, as large families, families with many children, young people or older - groups that have experienced high rates poverty over time. Thus, the contribution of the paper is increased by the fact that once again it highlights these aspects of the poor people and a proper diagnosis could mean better policies, a better targeting to these vulnerable groups.

2.1 Methodology

To highlight the impact of social benefit groups on relative poverty we compare the influence of these benefit groups when they are included and after they are excluded in the total income (authors studied other social benefits, but this paper presents a few).

Calculations were made based on data from the Family Budget Survey conducted in 2009. We calculated relative poverty rates at the individual, at the national level and on different profiles. The profile used in the paper was built only according to household' size.

Also analyses of the relative poverty were made taking into account the consumption from own resources in the disposable income component.

The variables used were the following groups of social benefits: allowances for maternity and childcare; allowances for children; scholarships for high school students and for students in higher education; special aids for persons with disabilities; social support provided by municipalities, according to the Law no. 416/2001 on the guaranteed minimum income; other benefits; equivalent incomes in kind from the beneficiaries of social benefits; subsidies to cover the costs of public utilities. In this paper, we focused on the allowances for maternity and childcare, on the allowances for children, and on social support provided by municipalities, according to the Law no. 416/2001, because these types of allowances are more representative regarding the amounts and the

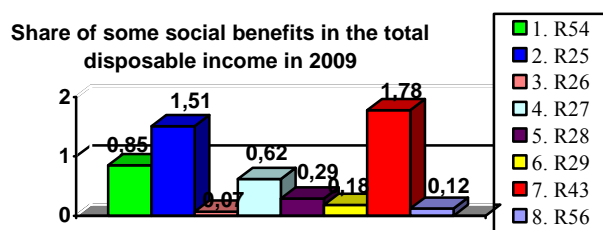
number of beneficiaries compared to the other social benefits mentioned above.

This paper aims at large households, respectively those with many members, with more dependent children or more families, because these types of households recorded over time large incidents of poverty.

We selected some social benefits, and we did not take into account the pension system, although pensions represent the largest share in total households' income and, of course, in the incomes from social benefits.

For an overview of the "importance" of each social benefit in the total disposable income of the household, except pensions, the share of each type of social benefit in total income is presented in the graph below (Fig 1). The income from social benefits is about a quarter of the total household's income. In this quarter, pensions represent about 20%, while other social benefits accumulate 5% in total income of the household.

Fig.1. The share of some social benefits groups in the total disposable income in 2009



Source: Estimations based on Household Budget Survey results, 2009

These social benefit groups are: 1. R54. Allowances for maternity and childcare; 2. R25. Allowances for children; 3. R26. Scholarships for high school students and for students in higher education; 4. R27. Special aids for persons with disabilities; 5. R28. Social support provided by municipalities, according to the Law no. 416/2001 on the guaranteed minimum income; 6. R29. Other benefits; 7. R43. Equivalent incomes in kind from the beneficiaries of social benefits; 8. R56. Subsidies to cover the costs of public utilities.

The largest share in the total disposable income belongs to the income in kind obtained by the recipients of social benefits (1.8%) and allowances for children (1.5%). These weights, as in the case of pensions, are mainly influenced by the number of beneficiaries. The allowance for maternity and childcare is slightly below 1% (0.85%). Other types of social benefits are below 0.7%, such as: special aids for disabled persons, social benefits granted

under the Law regarding the guaranteed minimum income, other social benefits, grants to cover expenses related to public utilities and scholarships for students.

Except pensions, considering the fact that other types of social benefits represent approx. 5% of total available income of the household, this means that the share of each benefit group shown in Fig. 1 has quite important values, if it is related to all benefits.

The shares of these social benefits in total disposable income used in the simulation and the number of beneficiaries of these social benefits used in the simulation model are important to be known, in order to present a comprehensive picture of poverty as a whole. And that feedback is particularly important in estimating the impact of social benefits in reducing poverty and in monitoring and assessing economic and social policies in reducing poverty and its extreme forms. It is important also to improve these social programs, considering also other parameters as indicators of efficiency and effectiveness of each policy.

The most numerous are those households with two persons (about one third of all households), followed by those with three persons (about one quarter). Also single parent households have a fairly large share in total (for example, in the household consisting of 2 persons, approx. three quarters are the couples without children, while only approx. a quarter are single parents with children). Instead, the households consisting of 3 persons, composed entirely of a single core family, couples with children are about three quarters, while the share of households consisting of a single parent and children is about one eighth.

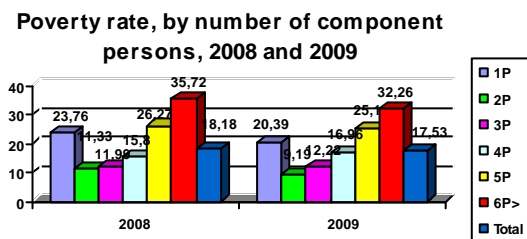
So, a quite important number of households, regardless of composition, have dependent children, whether there are single parents or couples (spouses or partners). And it is known that the presence of dependent children contributes to consumption increasing, without bringing additional and adequate income. By default, as the number of children in families is higher, the households are more numerous, so the poverty rate increases.

If for the household with a person, the relative poverty rate is approx. 24%, in households consisting of 2 or 3 people, the poverty incidence is 11-12%, values much lower than even at the total level. Instead, for households of 3 persons, the poverty rate starts to increase, and for households with 6 members and over, the poverty rate reaches 36%. So, the poverty rates present a significant increase as the number of persons in the household increases.

While poverty rates for households consisting of 2 and 3 people are the lowest, these households are the most numerous, accounting for between a quarter and one third of all households. In households with 6 and more persons, couples with children are the majority, compared with single-parent families with children.

Households of six or more members, even if their number is much lower, have dependent children and, implicitly, the poverty rates rise quite high, as household size increases (Fig 2).

Fig.2. Relative poverty rate, by number of component persons, 2008 and 2009



Source: Estimations based on Household Budget Survey results, 2008 and 2009

The situation of these households, in terms of poverty rate, is quite difficult, because the poverty for these people is high. For households with more children in care, the presence of social benefits regarding the state allowance for children and the support allowance for single parents reduces the relative poverty. Without these social benefits related to allowances for children (R25), the poverty rate presented a maximum value of approx. 40% for households with 6 persons and over (38.76%), while in the presence of these social programs, the relative poverty rate was in the year 2009, approx. 32% (32.26%).

Thus, the major impact of these benefits can be found in these households with many members, where the difference between the two relative poverty rates is 6.5 percentage points (6.5 percentage points is the difference between relative poverty rate without taking into account child allowances, R25, respectively 38.76% and relative poverty rate that takes into account these benefits, 32.26%, respectively, for households consisting of 6 and more persons).

Thus, the impact of these benefits in reducing poverty is much differentiated as the number of persons in the household is higher, as follows: for households of one person, as, indeed, it was obvious, we did not observe any change whether the child allowances and benefits to support single-

parent allowance are included or excluded, and the two poverty rates are identical.

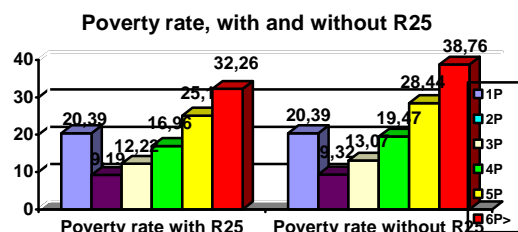
A reduced impact of these benefits in poverty is observed for households consisting of two people, instead the presence of these benefits in the income is important as household composition increases.

2.1.1 Social benefits R25. Allowance for children

Of all the social benefits used in the simulation model, child allowances have an important share in disposable income (1.51% in 2009).

If these allowances for children are not included in the total income of the household, then the poverty rate is higher by 2.10 percentage points in 2009, which would be a very important value, especially because this value is recorded at the total, and we saw that poverty increases when the size of the household increases, too. This means that for households with many members, the poverty incidence in the absence of the benefit is high and the percentage differences are important, with high values (Fig. 3).

Fig.3. Relative poverty rate, with and without social benefit R25, by number of component persons, 2009



Source: Estimations based on Household Budget Survey results, 2009

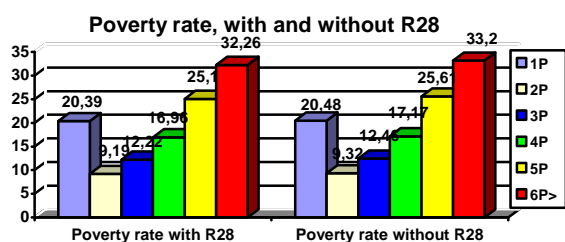
Thus, households most affected by allowances unpaid are the household with many members, more than 6 people, where poverty rates reach approx. 40% (38.76% in the absence of social benefit allowances for children), and the differences between the poverty rate without taking into account this social benefit and the poverty rate in the presence of such social benefit is 6.5%, which is the highest value recorded for the entire group of social benefits presented in the paper.

This means that child allowances reduce the poverty rate in a significant way for large households. In addition, because the monthly average number of beneficiaries for this social benefit is 20% of the total population, this would mean that a child allowance is an important social benefit for households' incomes, especially those with dependent children.

2.1.2 Social benefits R28. Social support provided by municipalities, according to the Law no. 416/2001 on the guaranteed minimum income

The share of these social benefits in the total disposable income was 0.29% in 2009. The poverty rate calculated without taking into account the social benefit would have been higher, by 0.32 percentage points in 2009. The most affected were the members of households with 6 more people (Fig 4).

Fig.4. Relative poverty rate, with and without social benefit R28, by number of component persons, 2009



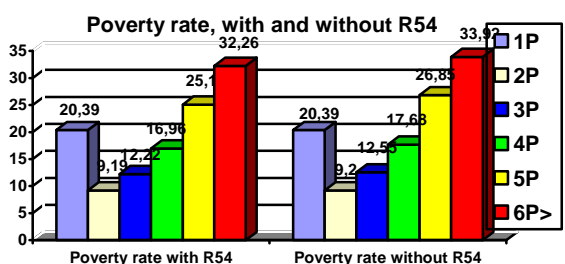
Source: Estimations based on Household Budget Survey results, 2009

The number of beneficiaries for this social support is important here. In the year 2009, the beneficiaries of the law regarding the guaranteed minimum income, represented approx. 20% as the share in total population. It is true that the guaranteed minimum income has been given to the poorest of the poor, in other words a more important effect of the law would be shown in the lower threshold of poverty, that 40% of disposable income, and not at 60% taken into account here.

2.1.3 Social benefits R54. Allowances for maternity and childcare

If this type of social benefit regarding the allowance for maternity and childcare was not granted, the poverty rate would have been 0.70 percentage points in 2009 for the total households (Fig 5).

Fig.5. Relative poverty rate, with and without social benefit R54, by number of component persons, 2009



Source: Estimations based on Household Budget Survey results, 2009

Analyzing this "model" on various demographic characteristics, we can see that not paying the compensation would affect mostly large households with 5 people and 6 people and over.

A negative impact of non-payment of maternity allowance, in 2009 affected mostly the households with more than 6 persons (1.66 percentage points is the difference between the poverty rate when the allowance for maternity and childcare is included and after is excluded, for households with 6 and more members).

The number of beneficiaries, and also the share of these in the poor people and in the total population is important here. These indicators and their correlation would be particularly important to highlight the poverty among these large households.

3 Problem Solution

The shares of these social benefits in total disposable income used in the simulation models and the number of beneficiaries of these social benefits, the poverty rates also in the presence of these social programs, the share of these person in poor people and in total population, are important to be known to have a complete and complex picture of poverty.

These analyses and the feedback are particularly important to estimate the impact of these social benefits in reducing the relative poverty rate, at 60% of disposable income and in monitoring and assessing economic and social policies in reducing poverty and its extreme forms, to improve these social programs for these vulnerable groups, considering also other parameters as indicators of efficiency and effectiveness.

4 Conclusion

Analyses showed that in the presence of social assistance benefits, poverty rates are quite high for certain types of households.

Thus, some of these households, although they received some social benefits, are still in poverty, showing high rates of its incidence. Other households exceeded the poverty threshold in the presence of some social benefits, which is really gratifying. Many households, especially those with many children are still facing poverty, even in the presence of some important social benefits for their income, such as child allowances, or complementary allowances, or allowance for maternity and childcare.

Of course, these benefits were not designed to reduce poverty, their role was to support the family, but this paper aimed to see the impact in poverty of these social programs, especially for households with many members, because these types of households were in poverty over time.

These types of social benefits significantly reduce the poverty, both in the total (with 2 pp), and especially for the household with many members, so for those households with 6 and more persons, the influence of child allowance is important, reducing poverty significantly (by 6.5 pp).

The number of beneficiaries is also very important, more so as it represents a significant share in total population and poverty among them is high. Thus, in the case of allowance for children, the monthly average number of beneficiaries represents 20% in the total population, which is also a significant share to take into consideration. Whatever the type of social benefit, the allowance for children remains the only social program with an important impact in relative poverty reducing (relative poverty rate calculated at 60% of median disposable income).

Also, the impact of such benefits in relative poverty at 40% of median disposable income would be of major interest, since below this threshold the influence on child allowance benefits in reducing poverty would be more pronounced. It is possible that at this minimum threshold of 40% of median disposable income, also other benefits to be important in relative poverty rate reducing, and here we refer to maternity and child care allowance, to the equivalent incomes in kind obtained by the beneficiaries of social benefits, to the special support for people with disabilities and to the grants provided to cover the cost for public utilities, to the social aids specially designed to reduce the poverty.

Instead, the share of beneficiaries of these social benefits presented above in total population for each type of benefit has not an important value as the beneficiaries of allowance for children have in total population (20%).

In any case, no matter that we refer to the threshold at 40% or 60%, regardless of social benefit correlated with the number of beneficiaries, one thing is certain, namely that, especially for large households, poverty rate shows high values and, even in the presence of some social benefits, these types of households are facing an emphasized poverty risk.

As such, these types of households, as those with many members, that increase the field of the poor people should be considered, especially where poverty incidence is very high.

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