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**Size matters:
Poverty reduction effects of means-tested
and universal child benefits in Russia**

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Abstract

Since the start of the transition, the Russian Federation has experienced a number of regulatory and administrative reforms with respect to the provision child benefits. Besides changes in financing from local to federal budget, the introduction of means testing of previously universal child benefits was the most radical reform in child benefit provision. The current programme has been in place since 2000. Using the cross-section and panel components of the Russia Longitudinal Monitoring Survey (RLMS) from 2000 to 2004, this paper is the first to evaluate whether the targeting efficiency of child benefits has increased during this period and whether benefit receipt adequately assists households in the prevention of (chronic) poverty. We show that incidence and coverage rates under the target population have increased strongly but that leakage remains considerable. Our analysis also shows that the impact of child benefits on family welfare is rather small and benefit receipt helps little to prevent (chronic) poverty. Simulations of four alternative benefit scenarios show that universal child benefits perform slightly better in terms of poverty reduction. Although all tested scenarios perform better than the current scheme, doubling the size of the universal benefit and allocate it universally, would have the largest impact and reduce poverty with 12% at a cost of an estimated 0.025% of GDP.

Keywords: (chronic) poverty, child benefits, social protection, targeting, Russian Federation

Introduction

As in many other countries, children are particularly at risk of living in poverty in Russia. In 2003, the poverty incidence among children younger than 16 years old was 27% compared to the national average of 20%. Younger children have an even higher risk of living in poverty (World Bank, 2004). The poverty status of families with children is closely related to their position in the life cycle. Families with children have a lower income at a time when their needs are higher. First, the young parents have a lower income as their career is not as advanced, and secondly, one of the earners is often temporarily out of employment when the children are young.

Family allowances are the main instrument in most social protection systems to provide income support to families with children. Child allowances and other family policies always played an important role in Russian (and Soviet) social policy. In 1995, the main law regulating child and family allowances was approved. Since then, several regulatory and administrative reforms took place. In 2000, eligibility requirements for child benefits changed from universal to means-tested allocation. The aim of this paper is to analyse whether means-tested child benefits are an effective instrument to alleviate (chronic) poverty in Russia. We use the cross-section and panel components of the Russia Longitudinal Monitoring Survey (RLMS) from 1994 to 2004.

The paper is structured as follows: the following section recapitulates the main arguments of the debate between proponents of universal and targeted cash benefits as most effective and efficient instruments to support poor households and provides evidence from other countries and studies, focusing on child benefits. Section three presents the data and methodologies used and section four summarizes the main poverty characteristics and analyses the targeting performance of current child policies in Russia. Section five simulates different policy options and compares their targeting performance with the current system. The final section summarizes the main findings.

Universal versus targeted cash benefits – the debate

The debate between universal and means-tested benefits is a longstanding one and centres around costs (administration and leakage), incentive effects and the political economy.

The main advantage of means-tested benefits is that a larger share of scarce resources is going to the poor. Under the condition of a constrained budget, poverty is reduced more effectively and efficiently. Targeting, though, comes at a cost. Administrative costs are related to the identification of eligible households and the amount of leakage, i.e. benefits wrongly assigned to non-eligible households. The costs for poor households are opportunity costs and costs of psychological nature caused by shame and stigma related to benefit application. From an economic perspective, means-tested benefits create disincentives and prevent recipients from labour market participation or improving their income position.

Atkinson (1998) argues that the preference for means-tested benefits as most efficient instrument depends on the sharpness of the poverty line. If the marginal value of one dollar above the poverty line is zero, then the means-tested benefit may be preferred. However, if the poverty line is understood as a moving concept, if there is disagreement in the society about the correct location of the poverty line, or if there is also concern for people living close to the poverty line, then a strictly means tested benefit may not be the most efficient instrument.

Proponents of universal benefits argue that the costs related to means testing may outweigh the actual benefit.¹ Universal benefits are less costly in administrative terms and cause fewer disincentives (see, e.g., Barr, 1998). The argument that also non-poor households are receiving the transfer is frequently brought forward against universal benefits. Compared to means-tested benefits, universal benefits are smaller if the same budget constraint is applied. A higher benefit translates into higher total costs.

¹ With universal we mean also benefits allocated based on other criteria than income, such as age, type of housing, geographical location, etc.

Besley (1990) offers a formal comparison of means-tested and universal benefits based on critical cost levels caused by administration and leakage in the context of poverty alleviation. Assuming that the available information is perfect and that expenditures are fixed, he finds that in most circumstances means-tested benefits are superior to universal benefits in achieving the poverty reduction objective. However, the assumption of perfect information does not hold in the real world. It is difficult to assess income, and, even if income is observed, the underlying incentives to generate income are not observed. Moreover, alleviating poverty may not be the only objective. Most social protection systems have several functions. They alleviate poverty, smooth income over the life cycle, provide insurance against certain risks and redistribute welfare. A benefit that is said to be 'poorly targeted' based on the poverty objective may be effective in terms of another objective (Atkinson, 1998). The main objective of a means-tested benefit is the reduction of poverty through vertical redistribution. Universal benefits, such as child benefits, have wider objectives. Besides poverty relief, they are also aimed at smoothing income over the life cycle. Although they also contribute to vertical redistribution, solidarity motivates the existence of universal benefits as well (Barr, 1998).

Starting from the preposition that perfect targeting is the ideal solution when household income is observed accurately and costless and there are no incentive effects, Besley and Kanbur (1990) conclude that the existence of administration and information costs, individual behavioural effects and the political economy of targeting render an optimum that is somewhere in between means testing and universalism. Atkinson (1998) shares the view that limits of targeting are set by imperfect information, work disincentives and the political economy. Van de Walle (1998) adds to the individual behaviour the behaviour of the government and the administration to the list of aspects that influence the choice between means-tested and universal benefits.

Several authors have argued that the optimal policy for the poor is not necessarily a policy that targets benefits as narrowly as possible (Moene & Wallerstein, 2001; Gelbach & Pritchett, 1997; Atkinson, 1995; Sen, 1995). Moene and Wallerstein (2001) state that the impact of targeting on the political support makes a strongly residual

welfare state unsustainable in the absence of altruistic voters. Theoretically, a certain degree of targeting is optimal to maximize social welfare. However, when introducing feedback effects, the statement does not hold anymore according to Gelbach and Pritchett (1997). Changes in the degree of targeting have second round effects on the size of the available budget if the budget is politically determined. The share for the poor after targeting is introduced is reduced. Targeting is not optimal under a political feasibility constraint. Social welfare is maximal by spending nothing on targeted benefits.

Coady, Grosh and Hoddinott (2004) analyse the targeting outcomes of 122 interventions in 48 countries. Interventions are targeted using various methods, such as means testing, categorical targeting, proxy means testing, community targeting, etc. The median targeted program is progressive and transfers 25% more to the poor than universal allocations. The targeting performance is better in countries with higher income and more inequality, and where governments are held accountable. Similar results are found by Behrendt (2000) and Sainsbury and Morissens (2002). Essential for the income targeting performance is the local administrative and implementation capacity. As Coady et al. state (2004:75), "...no matter how good the choice among methods or programs, effectiveness of implementation is a key factor determining the targeting performance".

Universal child benefits are typical examples for indicator targeting. In most countries, poverty and the presence of children in a household are positively correlated. The poverty status of families with children is closely related to their position in the life cycle. Families with children have a lower income at a time when their needs are higher. First, the young parents have a lower income as their career is not as advanced, and secondly, one of the earners is often temporarily out of employment when the children are young. However, because universal benefits are not income targeted, they are frequently said to be poorly targeted. Various countries have attempted to improve the targeting efficiency of child benefits by introducing an income test. Some have reversed the policy change by turning back again to universal child benefits, as for example Slovenia, Hungary and Poland.

Within the EU-15, Spain, Iceland, Malta, Italy and Portugal have income-related child benefits. In some countries, as for example in Italy, the income level is rather high and excludes mainly the wealthy households (European Commission, 2005). Of the transition countries, Slovenia, Poland, Hungary, Czech Republic, and Uzbekistan have experience with means-tested child benefits (Coady et al., 2004; Edmonds, 2005; Förster & Tòth, 2001; European Commission, 2005). Edmonds (2005) studies the distributional consequences of means tested child benefits in Slovenia in the early nineties. Leakage occurs mostly to households that are close to the income threshold, while under-coverage is larger in 'richer' households under the poverty line. According to Edmonds, this result is consistent with the prediction that the size of the benefit matters for take-up. In other words, opportunity costs may have outweighed the benefit. Simulating the introduction of a universal benefit, he concludes that the result would still be progressive because poor households have more children, though to a lesser extent than means tested benefits. The study does not measure the poverty reduction effect.

Nelson (2004) analyses the effect of different parts of the social transfer system on poverty in selected countries, distinguishing between means tested and not means tested transfers.² Overall, Sweden's universal and generous transfer system achieves the highest poverty reduction effect. In three out of five countries, means tested benefits are more effective if the poverty line is set at a low enough level (40% of median income). At higher poverty lines, means tested benefits score better only in the UK, while the non-targeted entitlements are much more effective in the other countries.

Förster and Tòth (2001) analyse the effects of family cash transfers on child poverty in Hungary, Poland and the Czech Republic. Around 1995, these countries moved away from the universal principle and introduced means tested family allowances. As a result, the share of child allowances in the family income decreased in all countries as a consequence of policy reforms. In all three countries, poverty headcount reduction rates were lower after the reform, but the impact on the poverty gap was even larger. It

² Sweden, Germany, UK, USA and Canada.

should be noted though, that the reforms were not very restrictive. The introduced tests mainly excluded the wealthy households.

Immervoll et al. (2000) conclude that poverty reduction properties of universal child benefits may be improved without resorting to means tests, for example by varying benefits by age and family size. Family benefits are very important in child poverty prevention in Europe. Their role as a percentage of average income varies between 0.2% in Spain to 6% in Belgium. In the absence of these benefits, child poverty rates would increase with 0.2 percentage points in Spain to 11.2 in France.³

Heady et al. (2001) analyse the distributional and poverty impact of social transfers in the European Union. Taking poverty severity as indicator, family benefits reduce poverty proportionally between 2% in Italy and 55% in Ireland, all else being equal. The effect of other benefits varies between 2% in Greece and Italy and 58% in Denmark, all else being equal.

Matsaganis et al. (2004) assess the effect of family transfers of child poverty in Southern Europe and examine the impact of reforms using micro-simulation. The overall value of family transfers is very low in Southern European countries. Family transfers are more effective in large families. Family benefits are better targeted in Italy and Portugal, while Greece fails to target low-income families. In Spain, due to strict means testing, only the poorest households receive family benefits. But what they receive is far from sufficient to improve their living standard significantly. Modelling the introduction of universal child benefits, Matsaganis et al. conclude that the anti-poverty effects are mixed. Only if benefits are high enough, a considerable redistributive impact can be observed.

Clearly, there is no straightforward answer or unambiguous evidence to whether universal or means-tested child benefits are more efficient and effective in reducing poverty. During the transition, countries moved back and forth in finding the optimal policy instrument for their objectives. In many societies, the objective of child benefits

³ Poverty line is 50% of EU 15 mean income.

is wider than reducing poverty, which favours the application of the universal principle. Solidarity with families that raise children and a contribution to the (foregone) income in times of higher need are some of the objectives supporting this vision. Evidence from the European Union has shown that the poverty reduction performance of universal child benefits can be further improved by introducing benefit variations based on child age and family size (source?).

With respect to means-tested benefits, size clearly matters. If the benefit is small, the costs of strict means-testing may outweigh the benefit, both for the beneficiary and the administrator. As for the means test itself, essential for its validation is the underlying objective. Does the means test aim at targeting the poor or is it meant to cut-off the wealthy households and to redirect some of the resources to poorer households? The latter 'mild' targeting may offer an alternative that comes close to an optimum as discussed by Besley and Kanbur (1990). In addition, the amount of leakage of benefits to households close to the poverty line may not be considered as a cost under the presumption that the poverty line is not a stringent concept. This 'mild' evaluation takes into account that income may not be perfectly observable and that there is no such thing as a single poverty line. However, once made legitimate, such an approach creates uncertainty among implementing agents and citizens as it introduces a certain degree of arbitrariness and reduces the accountability of (local) government agencies.

Russia - from universal to means-tested child allowances

Child allowances and other family policies always played a prominent role in Russian (and Soviet) social policy. The objective of providing child allowances is to assist families in having and upbringing children (Karelova, 2003). The aim of the policy is to increase the birth rate and, at the same time, improve the demographic situation. The main law regulating child and family allowances was passed in 1995. Since then, several major reforms have been implemented that had a direct impact on child allowances.

The first reforms in 1997 and 1998 transferred the responsibility for the assignment and payment of the child allowance from enterprises to the social protection bodies. Up to 1999, child allowances were allocated according to the universal principle. The second reform in 1999 introduced a means test for child allowances. The eligibility rules changed two more times before they were finally set and approved in the amended law. In 2000, the size of the allowance was established as a fixed amount. The latest reform took place in 2001 when child allowances started to be financed from the federal budget. The allocation of the funds is based on applications from the regions. Transfers are earmarked and cannot be used for other purposes than targeted child allowances. This financing procedure was legally established in 2002.

Currently, the selection criteria for child allowance are a combination of categorical and income targeting. Families with children below 16 years (or below 18 years if they still go to school) and with average per capita income below the Minimum Subsistence Level (MSL) are entitled to a child allowance. The methodology for calculating the MSL is governed by federal law. Regions are free within the boundaries of the law to determine the content of the minimum consumer basket and adjust its composition to regional needs and habits. As a result, the value of the MSL may differ per region, and sometimes even within region.⁴

The income test for child allowances only takes the nuclear family into account: the income of the parent(s) and the number of children younger than 16 years. The total family income is divided by the number of family members, i.e. parent(s) and underage children. The application procedure is un-bureaucratic and simple. One of the parents (usually the mother) has to apply for the child allowance at the social protection authorities of her place of residence. The income sources to be taken into account are defined by federal law. The test includes all formal income from employment or self-employment including bonuses, all types of pensions, benefits and allowances and income such as alimony payments over the three months prior to the application. The applicant fills in an application form, stating the total family income (no official documents or further income documentation have to be submitted) and providing the

⁴ This may be the case if the region covers several climatic zones, as for example in the Republic of Komi (Gassmann, 2003:10).

birth certificate for the child. The size of the allowance depends on the family situation at the time of birth of the child.

Based on the theoretical and empirical evidence surveyed above and the formal rules governing the allocation of child allowances in Russia, we expect that (i) the introduction of federally financed child allowances resulted in an increase in benefit incidence and coverage, (ii) the share of the budget allocated to child allowances reduced after the introduction of the means test, (iii) there is a considerable amount of leakage around the poverty line as the application of the targeting rules is mainly based on trust towards the applicant, and (iv), that the introduction of the means test did not increase the poverty reduction impact of the child allowance.

The following section describes the data and methodology for the analysis of the targeting performance and poverty reduction properties of the current child benefits and, subsequently, for the simulation of alternative benefits.

Data and methodology

This study uses data from the Russia Longitudinal Monitoring Survey (RLMS). The RLMS is a household-based survey with the objective to measure the economic well-being of households and individuals in Russia. The survey has been designed as a repeated sample of household dwellings, meaning that the sampled dwelling is revisited every survey round. From round 8 onwards, attempts were made to follow households that have moved. The data have been collected over 13 rounds since 1992.⁵ For each round, information is collected on individual, household and community levels on a wide range of variables such as expenditures, income, assets, land use, employment, education and health. The RLMS can be used for (repeated) cross-section as well as panel analyses. The cross-sections are representative for the Russian population. For our analyses we use both dimensions for the years 2000-2004 (rounds 9 to 13). For the cross-sections, we selected those households that were observed at least in one round

⁵ The data are publicly available and can be obtained through anonymous FTP server from the RLMS website. Detailed information on the RLMS project is provided on the following website: <http://www.cpc.unc.edu/projects/rlms/home.html>.

and had no missing observations on demographic, expenditure and income variables. After cleaning, the following number of households remained per survey round:

Table 1: RLMS sample size, Rounds 9 - 13

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Cross-section | 3,094 | 3,203 | 3,206 | 3,176 | 3,114 |
| Panel | 2,435 | 2,435 | 2,435 | 2,435 | 2,435 |

Source: Own calculations based on the RLMS

Households are part of the panel if they participated in all 5 rounds and if they have no missing observations for the main variables. Unlike the cross-section component where a household drops out when it moves from the sampled dwelling site, the panel does include households who moved and were interviewed in subsequent rounds. The sample also includes so-called offspring households; these are households that are created when a household splits up in two households and both households remain in the RLMS sample. We treated offspring households as new households.

The data include information about household demographics, expenditures, income, poverty lines, child benefit receipt and some variables on household labour market participation and education. The poverty status of a household is measured using poverty lines provided by the RLMS and a welfare indicator based on total household expenditures. The poverty lines are based on regional age-gender specific food-baskets that are valued at regional prices. These individual poverty lines are aggregated for each member to the household level and subsequently multiplied by a factor to adjust for economies of scale. The adjustment factor varies between 1 for single person households and 0.7 for households with 6 or more members.

Our preferred welfare indicator is total household expenditures. Total expenditures are systematically above income, which is a common feature of these data. Dissaving or memory failure cannot convincingly explain the discrepancy over time. Depleting savings of course can explain why some households can maintain expenditures above their income, but the data here suggest that on average households in Russia would be dissaving over a period of 5 consecutive years. The main reason for this gap between income and expenditures provided in the literature is that households have a tendency to

underreport income from informal and semi-formal activities (among others Ravallion, 1994; Deaton, 1997; Atkinson et al, 1995A). For this reason we prefer to use total monthly expenditures as our welfare indicator instead of total income. The welfare indicator is composed of total expenditures for food and non-food goods and services. Total food consumption is obtained by adding the expenditures on all foodstuffs, both purchased and from home produced consumption. Total non-food consumption is obtained by summing expenditures on tobacco, clothing, fuel, health, services, luxury goods, rent, and utilities. Not included are gifts or loans provided to other households, expenditures for tax and insurance, and savings and expenditures on stocks and bonds. The reason for exclusion of these categories is that the expense is not made for the benefit of the sampled household or not used for consumption in the current period. Also excluded are expenditures on durables because the consumption benefits from such goods extend over multiple periods.

The main characteristics of the households in the cross-section data are summarized in table A1 in the appendix.⁶ These results take survey design into account and are weighted in order to represent the Russian population as a whole. A comparison of the characteristics of the cross-sections with the five year balanced panel (see table A2 in the appendix) shows a number of differences caused by different attrition rates. Urban households, notably those from Moscow and St Petersburg, are underrepresented in the panel. Households with children are somewhat overrepresented while there are fewer single person households in the panel sample. This implies that average income and expenditures are somewhat lower in the panel and poverty rates somewhat higher. However, despite some differences in levels for some characteristics, the main trends are similar in both datasets. These differences in composition will have some influence on some parts of our analysis of targeting efficiency. The level of benefit incidence will most likely be higher in our panel because of the higher share of households with children. For coverage rates and benefit adequacy we do not expect any large differences. In our opinion, the advantages of additionally using a panel dataset

⁶ The regional decomposition shows a doubling in the percentage of households from Moscow and St Petersburg from 2000 to 2001. In 2001, the RLMS sampled additional dwelling places because non-response was a problem in these regions.

(allowing a more dynamic perspective on poverty and benefit receipt) outweigh the differences in the sample characteristics.

The most relevant sub-sample of our dataset are households with children aged 16 years or 18 if still in high school. These are the households that are potentially eligible for child benefits. Note however, that for children under the age of 1.5 years another, more generous, child benefit program exists (International Social Security Association, 2004). A limitation of this study is that we can only distinguish between the benefits received for each of these programs from 2003 on.⁷ To maintain consistency over time we therefore decided to use the slightly larger group of households with children below 16 (or 18 if in high school) for our targeting and poverty impact analyses. Table 2 below shows that the total number of households with children in this category is decreasing over time. This is in line with demographic trends reported in other datasets (World Bank, 2005; Federal Service of State Statistics, 2002). The statistics in the table also show that households with children find themselves disproportionately more often in lower expenditure quintiles.

Table 2: Household with children below 16 or 18 if in high school (weighted sample)

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|-------|-------|-------|-------|-------|
| # of households with children | 1,280 | 1,269 | 1,232 | 1,207 | 1,136 |
| # of children | 1,836 | 1,795 | 1,728 | 1,683 | 1,580 |
| Households with child in this category (%) | 42.5 | 41.0 | 40.1 | 39.1 | 35.8 |
| Excluding children under 18 months (%) | 40.9 | 39.2 | 38.2 | 37.2 | 34.0 |
| Households with children per expenditure quintile (%) | | | | | |
| I | 50.5 | 40.4 | 40.2 | 37.2 | 41.3 |
| II | 44.2 | 42.1 | 41.1 | 41.7 | 36.7 |
| III | 41.0 | 41.6 | 41.6 | 40.3 | 35.4 |
| IV | 38.4 | 41.9 | 40.3 | 40.3 | 33.5 |
| V | 39.4 | 39.8 | 37.8 | 36.6 | 33.2 |

Source: Own calculations based on the RLMS.

⁷ From 2003 on the household questionnaire makes a distinction between child benefits received for children below 1.5 years and benefits received for children between 1.5 and 16 years old (or 18 if still in high school).

Prevalence of (chronic) poverty in families with children

We use the Foster-Greer-Thorbecke class of decomposable poverty indices (1984) which can be represented as follows:

$$FGT = 1/n * \sum_{c < z} \left[\frac{z - c}{z} \right]^\alpha \quad [1]$$

where n is the total number of individuals, q is the number of poor, z is the poverty line and c represents our expenditures aggregate. If $\alpha = 0$ equation [1] represents the headcount index which simply displays the percentage of individuals living below the poverty line⁸. Taking $\alpha = 1$ results in the poverty gap; this index measures the mean proportionate expenditure shortfall over the total population. The poverty severity index is calculated squaring the expenditure shortfalls before aggregation (setting $\alpha = 2$), thus putting a higher weight on larger shortfalls. Since 2000, all poverty indices declined until 2003, rising again in 2004. In 2004, 11% of the Russians had expenditures below the poverty line, having an average shortfall of expenditures over the total population of 3.4% and poverty severity index of 1.7%.

Table 3: Foster-Greer-Thorbecke Poverty indices

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------|------|------|------|------|------|
| Headcount | 21.7 | 14.5 | 12.3 | 9.4 | 10.7 |
| Poverty Gap | 7.3 | 4.9 | 4.3 | 3.1 | 3.4 |
| Poverty Severity | 3.6 | 2.4 | 2.2 | 1.6 | 1.7 |

Source: Own calculations based on the RLMS.

Intertemporal poverty studies have shown that the experience of poverty is not homogenous over time; some individuals experience poverty only once, others regularly and some only know a life of poverty (among many others Hulme and Sheperd (2003)). Underlying these patterns in poverty dynamics are different causes of poverty; the combination of job loss and economic recession might lead to an incidental period of poverty for a reasonable well qualified individual while an individual experiencing significant capability deprivations (low education, under nutrition, few assets, living in

⁸ As explained in the previous section, both total expenditures and the poverty line are aggregated to a household level. Typically, poverty is estimated on an individual level. To obtain individual level estimates we first examine whether household expenditures fall below the household poverty line. If a household is deemed poor then every household member is also poor. Then, the FGT poverty indices are calculated on an individual level and weighted to represent the Russian population as a whole.

a region with few income generating opportunities etc.) lives in poverty most of its life. Evidently the dimensions of poverty experienced are also multi-dimensional as should be any proposed policy solution to the problem.

Given the limitations of our data, this paper can only make a modest attempt to provide insights into the impact that child benefits have on chronic poverty in Russia. In this paper we use two chronic poverty indicators, which are both constructed using the ‘spells-approach’ that focuses on the frequency of poverty experienced (Hulme and Sheperd, 2003). Our first indicator groups the households according to a combination of the number of poverty spells and the mean value of expenditures; always poor, usually poor (mean expenditures under the poverty line), occasionally poor (mean expenditures above the poverty line) and never poor. Our second indicator simply provides a classification of the number of poverty spells that the households in our panel experienced. These indicators show that about one third of the panel’s individuals experienced poverty at least once in the period 2000-2004. The ‘occasionally poor’ comprise the largest group with 28% while 6.5% can be classified as chronic poor i.e. those households with mean expenditures under the poverty line.

Table 4: Intertemporal poverty indicators

| Poverty categories | |
|--|------|
| Always poor | 1.9 |
| Usually poor (mean expenditures under poverty line) | 4.6 |
| Occasionally poor (mean expenditures above poverty line) | 27.8 |
| Never poor | 65.8 |
| Frequency of poverty | |
| 0 | 65.8 |
| 1 | 16.8 |
| 2 | 7.8 |
| 3 | 5.0 |
| 4 | 2.8 |
| 5 | 1.9 |

Source: Own calculations based on the RLMS.

Poverty decompositions provide an indication which groups in a population are particularly vulnerable to poverty. When government intends to fight poverty and funds are limited such decompositions can be used as a screening device which groups are most in need of some form of assistance. Clearly, people living in rural areas have an

increased poverty risk. The child poverty rates are above average poverty rates for most years but the difference is not constant over the observed period. In 2000 and 2004 child poverty rates are clearly higher than average poverty rates but in the other years the difference is very small and even positive in 2003. The other decompositions show that particularly households with more children have an increased poverty risk as well as most household types with children. Households comprised of both parents and children are an exception, they have an average or less than proportionate poverty risk. Another relevant observation in this respect is that households with children have been moving between expenditure quintiles; in 2000 and 2004 households with children were disproportionately present in the lowest quintile while this was not the case from 2001-2003 (table 2). Combined with the results of the poverty decomposition, the pattern of distributional mobility might suggest that as poverty increases, the relative poverty risk of household with children also increases. This effect seems to occur notably for households with 2 or more children (see also Notten and de Crombrughe, 2006).

Table 5: Poverty profile (%)

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|------|------|------|------|------|
| Poverty incidence | | | | | |
| All Russia | 21.7 | 14.5 | 12.3 | 9.4 | 10.7 |
| Children (0-16/18) | 25.6 | 14.7 | 11.9 | 9.5 | 11.7 |
| By number of children eligible for child benefits | | | | | |
| 0 children | 17.9 | 14.0 | 12.2 | 9.5 | 10.4 |
| 1 child | 20.6 | 13.8 | 11.4 | 8.5 | 8.6 |
| 2 children | 27.6 | 14.4 | 10.0 | 7.4 | 12.6 |
| 3 or more | 35.6 | 25.1 | 26.8 | 23.2 | 21.7 |
| By household type | | | | | |
| Single person household | 14.5 | 11.9 | 11.1 | 9.4 | 8.2 |
| Couple no children | 15.5 | 12.7 | 9.5 | 9.2 | 8.1 |
| Single caretaker with children aged between 1.5 & 18 | 33.6 | 16.7 | 14.5 | 10.9 | 15.3 |
| Parents with children aged between 1.5 & 18 | 21.3 | 11.4 | 8.9 | 7.0 | 9.1 |
| Triple generations with children aged between 1.5 & 18 | 25.2 | 15.9 | 16.3 | 11.7 | 12.0 |
| Other households with children aged between 1.5 & 18 | 27.2 | 17.7 | 12.8 | 10.1 | 12.0 |
| Other households | 21.1 | 16.8 | 14.5 | 9.9 | 12.5 |
| Settlement area | | | | | |
| Urban | 19.1 | 11.9 | 8.8 | 5.8 | 6.4 |
| Semi-urban | 17.8 | 8.2 | 12.8 | 12.6 | 25.8 |
| Rural | 28.5 | 22.3 | 20.6 | 16.4 | 16.5 |

Source: Own calculations based on the RLMS.

Poverty estimates typically vary per dataset and methodology used. It is therefore important to check the consistency of such estimates. Our poverty decompositions do not unambiguously suggest that children have an increased poverty risk in Russia. Other poverty studies on Russia (World Bank, 2004; Gassmann, 2003) find higher poverty rates in general as well as an increased poverty risk for children. The trends in poverty indices are very similar.

The World Bank uses data from the Household Budget Survey (HBS) over the period 1997 to 2002 and reports an overall poverty rate of 19.6% in 2002 (a difference of 7 percentage points with our estimate). The population share of children is the same as in the RLMS (18.3%). This study also uses absolute poverty lines that take nutritional requirements according to sex, age and region into account. The food baskets are valued at regional prices and are adjusted for economies of scale due to different household size, albeit using a different method for the latter adjustment (the discount factor for economies of scale varies per non-food expenditure category). The World Bank poverty line amounts to a monthly average of 1,056 rubles per capita in 2002 compared to 972 rubles of our poverty line. The difference in poverty lines can only explain a small part of the difference in headcount rates; rescaling our poverty line with a factor 1.08 only increases the headcount to 14.3% in our sample.

Differences in the welfare aggregate are larger though; the monthly average per capita consumption aggregate amounts to 2,159 rubles in 2002 for the World Bank Study compared to 3,309 for our expenditures aggregate (153%). Detailed inspection of the questionnaires of both surveys as well as comparison of the expenditure categories included in total expenditures shows that our welfare aggregate includes the value of home produced and consumed foodstuffs (valued at local community market prices) whereas the HBS does not provide any information on this consumption category. Similarly, the HBS questionnaire only uses a weekly diary to obtain an estimate for all expenditure categories (including the non-food expenditures) whilst the recall period of the RLMS period varies from a week for food expenditures to three months for some non-food expenditure categories. Additionally, the level of detail in the non-food

questions is higher in the RLMS which might reduce measurement error due to memory failure.⁹ These two aspects can also explain why our expenditure aggregate is higher.

We have therefore also estimated the poverty incidence excluding consumption of home produced goods from our welfare indicator; the poverty rate in 2002 changes from 12.3% to 17.4% suggesting that the consumption of home produced food explains the difference in the headcount with more than 5 percentage points in 2002.¹⁰ We have also estimated poverty rates using income as a welfare indicator¹¹; the headcount using income lies well above our headcount for total expenditures but the difference is decreasing over time. Using income, children find themselves disproportionately more often in poverty. An important conclusion we can draw from this exercise is that poverty estimates in Russia are very sensitive to the inclusion or exclusion of various expenditure categories and to the choice of welfare indicator.¹²

Table 6: Comparison welfare indicators

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|------|------|------|------|------|
| Total expenditures | | | | | |
| All Russia | 21.7 | 14.5 | 12.3 | 9.4 | 10.7 |
| Children (0-16/18) | 25.6 | 14.7 | 11.9 | 9.5 | 11.7 |
| World Bank (2004, p.13 & p20) | | | | | |
| All Russia | 35.9 | 26.2 | 19.6 | n.a. | n.a. |
| Children (0-16) | n.a. | n.a. | 26.7 | n.a. | n.a. |
| Total expenditures excluding consumption home production | | | | | |
| All Russia | 30.1 | 20.7 | 17.4 | 13.8 | 14.9 |
| Children (0-16/18) | 33.1 | 20.4 | 16.8 | 13.0 | 15.7 |
| Total income | | | | | |
| All Russia | 28.2 | 21.3 | 16.1 | 13.8 | 9.3 |
| Children (0-16/18) | 38.0 | 29.4 | 23.5 | 20.1 | 14.6 |

Source: Own calculations based on the RLMS.

⁹ From round 9 on, the expenditure section of household questionnaire adjusted resulting in more detailed questions for expenditures in health and other services. This change led to an increase in reported expenditures in these categories (see also Notten et al, 2006).

¹⁰ There was no consistent strategy available to adjust our welfare indicator to incorporate the effects of lower reported non-food expenditures in other categories.

¹¹ Our aggregate of total income includes income received from wages, transfers such as pensions, housing allowance, fuel benefits, and child benefits as well as income from renting property, home production, alimony payments and help received from others. Income from selling assets is not included in our aggregate.

¹² Goskomstat uses income as welfare indicator for its poverty estimates (World Bank 2004).

Targeting efficiency of child allowance¹³

This section provides an analysis of the targeting efficiency of the current child allowances. The RLMS data are collected every year in the months November/December. The previous section has shown that the child allowance program changed many times during the transition but that since mid 2000 there have been no federal changes in eligibility requirements. Note however that this does not imply that the latest reforms had been implemented already by the end of 2000. Officials from the MLSD expected that distributional effects of the introduction of income targeting would be visible in survey data earliest in 2003 as a consequence of problems that arose during implementation of the new rules (Gassmann, 2003). Also note that only in 2001 the child allowances started to be financed from the federal budget. In this respect, the data from round 2000 provide a benchmark year for analyzing changes in the targeting efficiency of child allowances. We measure the targeting efficiency of child allowance along three dimensions; incidence (benefit receipt relative to the total sample), eligibility, coverage (benefit receipt relative to eligible households) and adequacy (size of benefits). We use the cross-sections for these analyses and can therefore use the post-stratification weights to represent the Russian population as a whole.

Incidence

The results displayed in table 7 show an increasing trend in the incidence of child benefits; from less than 13% in 2000 to 21% in 2004. This is most probably due to the change in the financing responsibility from local to federal level. Particularly benefit receipt among (consumption) poor households has increased thereby providing some support for increased targeting efficiency. Incidence rates decomposed according to expenditure quintiles also show that lower quintiles are more likely to receive child benefits than higher quintiles. However, this need not only be due to increased targeting

¹³ Table A3 in the appendix shows the results of the analysis of targeting efficiency using our five year panel. The trends are similar for all our targeting efficiency indicators. As expected, the level of benefit incidence is higher in the panel but this merely reflects the fact that the proportion of households with children is also higher in the panel. Additionally, the differences between coverage rates and benefit levels are very small and most likely just reflect random variation between the samples.

but also due to the fact that there are more households with children in lower quintiles (see table 2).

Table 7: Incidence of child allowances

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|------|------|------|------|------|
| Households receiving child benefits (%)¹⁴ | | | | | |
| All | 12.4 | 18.5 | 21.0 | 22.3 | 21.4 |
| Poor | 14.9 | 23.1 | 26.1 | 27.7 | 25.1 |
| Households receiving child benefit per expenditure quintile (%) | | | | | |
| I | 15.7 | 22.7 | 26.1 | 26.1 | 29.8 |
| II | 12.1 | 22.6 | 23.6 | 30.0 | 25.4 |
| III | 13.0 | 18.8 | 23.0 | 23.0 | 20.2 |
| IV | 10.0 | 16.8 | 19.6 | 20.3 | 18.3 |
| V | 12.9 | 12.4 | 13.9 | 13.6 | 14.9 |

Source: Own calculations based on the RLMS.

Coverage

A household is eligible for child benefits when there are children under 16 (or 18 if the child is still going to high school) and if the income of the parents or guardian is below the Minimum Subsistence Level. Therefore, households with children in this age category are potentially eligible for child benefits and we decided to take this group as our benchmark for calculating coverage rates. The number of households with children in the eligible age category actually receiving child allowance has doubled since 2000; in 2003, 60% of those households receive child allowances. Further decompositions of poor households and per expenditure quintiles show that households at the lower end of the distribution have disproportionately higher coverage rates, thereby providing further evidence in favour of increased targeting efficiency. Also, households with more children are more likely to receive child allowances. One possible reason for this feature is that the benefit administration uses a *per capita* Minimum Subsistence Level benchmark for the income test.

¹⁴ For households with children aged between 1.5 and 16 years (18 if in high school) the overall incidence was 20.7 in 2003 and 19.4 in 2004 while the incidence among poor households was 25.8 in 2003 and 22.9 in 2004.

Table 8: Coverage of households¹⁵

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|-------------|-------------|-------------|-------------|-------------|
| # of households with children | 1,280 | 1,269 | 1,232 | 1,207 | 1,136 |
| Households with children (%) receiving child benefit¹⁶ | | | | | |
| All | 29.2 | 45.1 | 52.2 | 57.0 | 59.6 |
| Non-poor of which: | 29.2 | 43.5 | 50.4 | 55.4 | 58.9 |
| 1 child | 25.2 | 36.9 | 42.6 | 50.0 | 54.1 |
| 2 children | 33.9 | 54.1 | 63.5 | 65.7 | 68.7 |
| 3 or more children | 58.6 | 72.1 | 82.6 | 73.2 | 78.6 |
| Poor of which: | 29.2 | 55.3 | 67.4 | 73.3 | 66.1 |
| 1 child | 28.2 | 50.6 | 58.6 | 67.3 | 62.0 |
| 2 children | 26.6 | 56.2 | 83.0 | 76.6 | 72.1 |
| 3 or more children | 48.4 | 88.7 | 86.9 | 100 | 71.9 |
| Recipient households per quintile (%) | | | | | |
| I | 22.5 | 23.3 | 23.4 | 22.7 | 24.9 |
| II | 19.4 | 23.5 | 21.9 | 25.1 | 23.0 |
| III | 20.7 | 20.0 | 21.1 | 20.9 | 19.4 |
| IV | 16.7 | 18.8 | 19.3 | 18.1 | 17.5 |
| V | 20.7 | 14.5 | 14.5 | 13.2 | 15.3 |
| | 100 | 100 | 100 | 100 | 100 |
| % of children receiving child benefit | | | | | |
| All | 32.5 | 49.8 | 57.8 | 60.9 | 62.9 |
| Poor | 31.7 | 60.3 | 73.6 | 78.8 | 67.0 |
| % of children receiving child benefit per expenditure quintile | | | | | |
| I | 34.2 | 61.2 | 71.0 | 74.8 | 74.3 |
| II | 29.0 | 59.7 | 62.7 | 74.3 | 72.5 |
| III | 36.5 | 49.4 | 59.9 | 60.7 | 60.0 |
| IV | 30.5 | 43.7 | 53.5 | 54.8 | 58.0 |
| V | 31.8 | 34.4 | 39.5 | 39.0 | 45.2 |

Source: Own calculations based on the RLMS.

Alternatively, it can also be that eligible households are more likely to apply when a second or third child is born (for instance because the effort of application outweighs the modest benefit for many households) or that the administration is more likely to approve applications of households with several children. Albeit lower than average, households in higher expenditure quintiles still have considerable coverage rates. From our information it is not clear how often recipient households are being re-evaluated, if

¹⁵ The number of observations in the category of 3 or more children is rather small (varying from 58 to 74 in the cross-sections) warranting careful interpretation of the trends in the “quintile – 3 or more children” decomposition.

¹⁶ For households with children aged between 1.5 and 16 years (18 if in high school) the overall coverage was 55.5 in 2003 and 56.9 in 2004 while the coverage among poor households was 73.2 in 2003 and 63.4 in 2004. The coverage rates for children were 60.9% in 2003, and 61.8% in 2004 (78.9% and 64.6% of the poor children).

at all. Infrequent re-evaluation might explain certain ‘stickiness’ in benefit receipt. Later in this paper we use our panel to investigate whether benefit receipt indeed is sticky.

When looking at coverage rates of children in the eligible category (table 8) we can see that more than three quarters of poor children receive child allowance in 2003 and that benefit receipt has increased a lot since 2000. All in all, one can conclude that coverage rates confirm an increased efficiency in the targeting of child allowances.

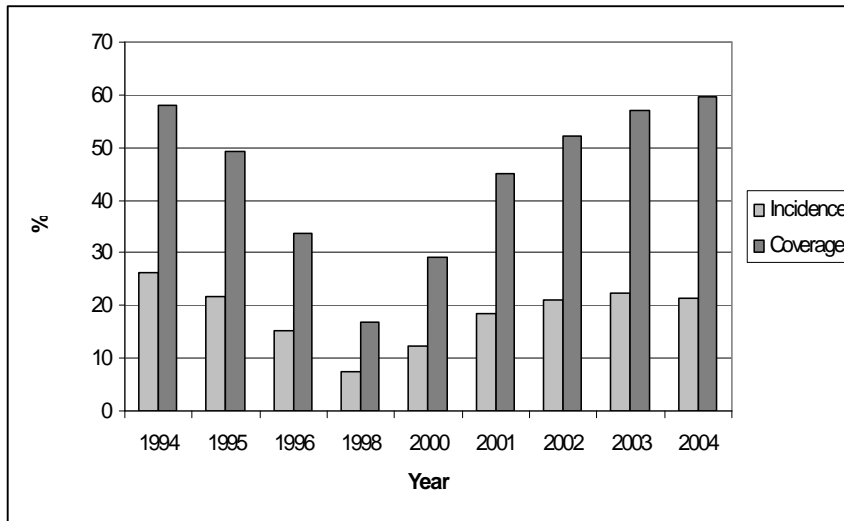
Figure 1 shows the coverage and incidence rates for a large part of the transition period (1994-2004). The provision of child benefits decreased dramatically during the second half of the nineties, with a coverage rate as low as 17% in 1998. By the end of the nineties reforms in the child benefit programs were clearly needed.

Adequacy

So far we have only looked at whether households are eligible and/or receive child allowances. Another, equally important aspect is the amount of allowance received. According to the 2004 issue of Social Security Programs throughout the World, child allowances are 70 rubles for each child from 18 months to age 16 (or 18 if still in high school). The allowance is higher when one of the parents is avoiding alimony payments (105 rubles) or doubled in case of a single parent. For children under 18 months the allowance (called child care leave allowance) is set at 500 rubles a month.¹⁷ Nevertheless, the size of the actual allowance depends on the family situation at the time of birth of the child.

¹⁷ The allowance is only 70 rubles for unemployed workers.

Figure 1: Child Benefit Receipt per household (1994-2004)



Source: Own calculations based on the RLMS.

Table 9: Adequacy of child allowances

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|------------|------------|------------|------------|------------|
| Child allowance per HOUSEHOLD (median) | | | | | |
| Nominal | 116 | 140 | 140 | 84 | 91 |
| Real 1992 rubles | 164 | 165 | 145 | 78 | 76 |
| Child allowance per CHILD (median) | | | | | |
| Nominal | 60 | 70 | 73 | 70 | 80 |
| Real 1992 rubles | 85 | 84 | 76 | 65 | 66 |
| Median benefit share of the poverty line (%) | | | | | |
| % | 3.8 | 3.6 | 3.2 | 2.7 | 2.4 |
| Median benefit share of total income per expenditure quintile | | | | | |
| Overall | 3.5 | 2.7 | 2.1 | 1.6 | 1.3 |
| I | 7.3 | 4.3 | 3.8 | 2.9 | 2.2 |
| II | 4.1 | 3.6 | 2.0 | 2.0 | 1.6 |
| III | 2.3 | 2.1 | 1.7 | 1.3 | 1.0 |
| IV | 2.6 | 1.9 | 2.0 | 1.1 | 0.9 |
| V | 1.6 | 1.4 | 1.3 | 1.0 | 0.8 |

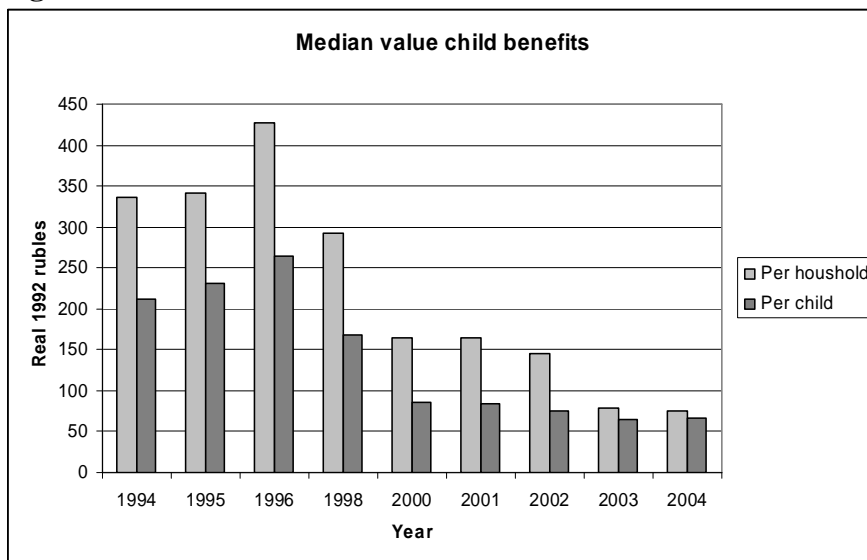
Source: Own calculations based on the RLMS.

To facilitate comparison between survey years, we denote the values of child allowances in table 9 in real 1992 rubles as well as in nominal values. The nominal amount of child allowance received in 2004 is 80 rubles. The mean and median values of child allowance have been decreasing in real terms since 2000. This decrease is only partly due to a reduction in the benefit levels due to the (late) implementation of the last reforms in 2000 but mostly due to the fact that child benefits are not indexed for inflation. In each survey round there are some heavy outliers, which cannot be fully

explained by eventual supplementary benefits, birth grants or maternity benefits (from local authorities or employers). Another possibility is that some social assistance offices do not pay on a monthly basis (although this could still not explain the highest outliers). For this reason we prefer to work with the median instead of an average. There is also not much dispersion in median benefit amount per expenditure quintile.

What is the relative contribution of child allowance? Compared to average monthly income and expenditures, child benefits are rather modest. The benefit shares are also decreasing over time, whether using total income or the household's poverty line as a benchmark. For the lowest income quintile the benefit share over total (reported) income decreases from 7.3% in 2000 to 2.2% in 2004.

Figure 2: Median value of child benefits



Source: Own calculations based on the RLMS.

Determinants for receipt of child allowance

What are the determinants for child benefit receipt and how did they change over time? In this section we want to find out if there also is statistical evidence for the changes in the child benefit program. We use a binary choice model to find out which household characteristics increase the probability of child benefit receipt. Such a model can be written as follows (Greene, 1997):

$$\Pr[Y = 1 | x] = \lambda(\beta'x) \quad [2]$$

where Y is the dependent variable, λ the standard normal cumulative distribution function, x a vector of explanatory variables and β a vector of parameters to be estimated. In the models estimated below, $Y=1$ when the household receives a child benefit and $Y=0$ when it does not receive one. The explanatory variables are the number of children eligible for child benefits, the logarithm of nominal income minus child benefits, a dummy for the poverty status of the household, a dummy taking the value of 1 if at least one household member is unemployed, a dummy for female headed household, dummies indicating a semi urban and rural dwelling place and dummies for the primary sampling units. For the estimation of the probability to receive child allowance we only include households that have children in the eligible age category i.e. under 16 or 18 if the child is still in high school.

Our estimation strategy is rather straightforward; for each cross-section we use Probit regressions to estimate a number of models. In our first model the main explanatory variables are the number of children in the eligible age category and household income. The second model replaces household income with a dummy variable on the poverty status of the household. The third model includes in addition to the number of children in the eligible age category and household income, variables related to the labour status of household members, the dwelling place as well as dummies indicating the primary sampling units (indicating the location of the household on raion level). As we repeat the estimation for each year, changes in sign, magnitude and significance of the estimated parameters can be interpreted as indicators for policy change. The results are reported in table 10 and display the estimation results in marginal effects indicating the change in the probability for a small change in each independent, continuous variable and, the discrete change in the probability for dummy variables.

As expected, the number of eligible children in the household is positively correlated with benefit receipt for all models and every survey year; households with more children are more likely to receive child benefits (also confirmed by the descriptive statistics in table 8). Additionally, the likelihood of receiving child benefits with an additional child increases from 10% in 2000 to 21% in 2002 and then drops to a value of around 10% in 2004.

The estimated marginal effects for household income are very small and insignificant in 2000 but increase in magnitude and become significant at a 1% level from 2001 on. The negative sign of the coefficient suggest that child allowances are indeed a progressive benefit; as income increases the probability of child benefit receipt falls. The described trend supports the assertion that the implementation of the income-test lagged behind changes in legislation. However, the visibility of distributional effects of the introduction of income targeting in survey data is earlier than expected; officials from the MLSD only expected a visible impact on survey data earliest in 2003 as a consequence of problems that arose during implementation of the new rules (Gassmann, 2003).

In our second model, the coefficient for poverty status also becomes significant at a 1% level in 2001 suggesting that poor households are more likely to receive child allowance. This effect, however, disappears in 2004. In the third model, the estimates for the unemployment and most of estimates for rural/semi-urban dummies are insignificant. The dummy indicating female head of the household is significant in 2001 and 2002 and points to an increased probability of receiving child benefits. There is also an interesting pattern in the explanatory power of the primary sampling dummies; the joint explanatory power of these location dummies is very high in 2000 (see the results of the F-test in table 10) but decreasing thereafter being insignificant at in 2002 and significant on a 5% level in 2003 and 2004. We believe that these dummies control for regional differences in the implementation and financing of child benefits for two reasons. Firstly, these dummies control for the fact that some regions are faster/slower in the implementation of the reforms. Secondly, only in the course of 2001, child allowances are fully financed from the federal budget via a compensation fund. The decrease of explanatory power in the coefficients of the primary sampling units might indeed reflect the harmonization of the child benefit program in the Russian Federation.

Table 10: Probit regressions on cross-sections¹⁸

| | Model 1 | | | | |
|--|---------------------|---------------------|--------------------|---------------------|---------------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 |
| # of households | 1,261 | 1,259 | 1,223 | 1,195 | 1,132 |
| Log income before child benefits | -0.017 -0.015 | -0.081 (0.018)** | -0.06 (0.017)** | -0.1 (0.020)** | -0.091 (0.022)** |
| Number of children in eligible category | 0.1 (0.019)** | 0.175 (0.024)** | 0.21 (0.026)** | 0.151 (0.025)** | 0.101 (0.032)** |
| | Model 2 | | | | |
| | 2000 | 2001 | 2002 | 2003 | 2004 |
| Expenditures under poverty line | -0.016 -0.03 | 0.101 (0.042)** | 0.165 (0.045)** | 0.172 (0.045)** | 0.046 -0.048 |
| Number of children in eligible category | 0.099 (0.018)** | 0.169 (0.023)** | 0.212 (0.026)** | 0.147 (0.024)** | 0.103 (0.030)** |
| | Model 3 | | | | |
| | 2000 | 2001 | 2002 | 2003 | 2004 |
| Log income before child benefits | -0.027 -0.018 | -0.052 (0.020)** | -0.036 -0.019 | -0.071 (0.023)** | -0.059 (0.022)** |
| Number of children in eligible category | 0.101 (0.021)** | 0.176 (0.025)** | 0.214 (0.029)** | 0.145 (0.027)** | 0.081 (0.033)** |
| At least one unemployed person | 0.072 -0.045 | 0.059 -0.048 | -0.017 -0.05 | 0.05 -0.053 | 0.023 -0.052 |
| Head of household is female | 0.064 -0.058 | 0.165 (0.057)** | 0.146 (0.055)** | 0.046 -0.058 | 0.016 -0.059 |
| Household living in semi-urban area | 0.16 -0.089 | -0.08 -0.086 | 0.023 -0.095 | -0.241 -0.097* | -0.08 -0.103 |
| Household living in rural area | 0.115 -0.067 | 0.163 (0.069)* | 0.056 -0.071 | 0.121 -0.075 | 0.059 -0.075 |
| Dummies indicating primary sampling unit (38-1=37 dummies) | Not reported | Not reported | Not reported | Not reported | Not reported |
| F-test on joint significance of primary sampling units, critical value (p-value) | 32.81** (0.0000) | 13.12** (0.0003) | 2.59 (0.1078) | 8.35* (0.0154) | 7.24* (0.0268) |
| Dependent variable: Child benefit receipt (yes=1, no=0) | | | | | |
| Model is estimated with households that have children in eligible age category. | | | | | |
| Robust standard errors in parentheses | | | | | |
| **significant at a 1% level, * significant at a 5% level | | | | | |
| Included in estimation but not reported: variables on demographic composition of household | | | | | |

Source: Own calculations based on the RLMS.

¹⁸ We have also estimated these models using households' total expenditures minus child benefit receipt instead of total income. The analyses yielded similar results.

Impact of child allowances on (chronic) poverty

So far we have seen that the targeting efficiency of child benefits has increased, that the corresponding probability of child benefit receipt increased since 2000 and that since 2001 income is negatively related to the probability of receiving a benefit indicating that income-targeting is taking place. As the objective of providing child allowances is to assist families in having and upbringing children, it is also important to investigate what the impact is of child benefits on the family and its children. The previous sections have shown that the size of child allowances is rather modest and that its real value is decreasing over time because the benefits are not indexed. In this section we analyse the impact of child benefits on households with children in the eligible age category by comparing aggregate poverty statistics before and after benefit receipt. Thereafter we use our panel to analyse the impact of child benefits on chronic poverty.

We have calculated the FGT indices for two sub-samples; one sample that includes all households in our sample and one that only includes recipient households. In all cases we excluded households for which the reported amount of child benefits could be classified as an extreme outlier because the households would have a disproportionately large influence on the poverty gap and poverty severity indices.¹⁹

Table 11 summarizes the results for this exercise. As could be expected with the modest size of the child allowances, the reduction in poverty rates is rather small. Overall poverty reduction rates are well below 1 percentage point while the reduction in poverty for recipient households varies between 0.4 and 1.4 percentage points. The impact of child allowances on the mean proportionate poverty gap is declining in an absolute though not a relative sense; in 2000 child benefits still reduced the mean poverty gap with 0.3 percentage points compared to 0.1 percentage points in 2003. The reduction

¹⁹ In the software package Stata 8.0 the syntax 'iqr' indicates which observations can be classified as 'extreme outliers'. This syntax defines outliers as severe when they "comprise about .0002% of the normal population. In samples, they lie far out enough to have a substantial effect on means, standard deviations, and other classical statistics." (Stata 9.0 Viewer).

poverty severity index is also small.²⁰ Figure 3 shows the impact of child benefits on child poverty headcount rates. The trends in poverty reduction are comparable.

Table11: Impact of child allowance on poverty indices²¹

| | All households | | | | | Recipient households | | | | |
|------------------------|----------------------------------|-------|-------|-------|-------|----------------------|-------|-------|-------|-------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2000 | 2001 | 2002 | 2003 | 2004 |
| # of households | 3,062 | 3,165 | 3,151 | 3,130 | 3,051 | 1,248 | 1,231 | 1,177 | 1,161 | 1,073 |
| | Headcount (FGT(0)) | | | | | | | | | |
| Before allowance | 22.4 | 15 | 13 | 9.7 | 11.3 | 25.6 | 15.8 | 13.6 | 9.8 | 12.3 |
| After allowance | 21.7 | 14.5 | 12.3 | 9.4 | 10.7 | 24.3 | 14.9 | 12.3 | 9.4 | 10.9 |
| <i>Absolute change</i> | -0.7 | -0.5 | -0.7 | -0.3 | -0.6 | -1.3 | -0.9 | -1.3 | -0.4 | -1.4 |
| <i>Relative change</i> | -3.2 | -3.4 | -5.7 | -3.2 | -5.6 | -5.3 | -6.0 | -10.6 | -4.3 | -12.8 |
| | Poverty Gap (FGT(1)) | | | | | | | | | |
| Before allowance | 7.6 | 5 | 4.5 | 3.3 | 3.5 | 8.7 | 5.2 | 4.7 | 3.1 | 3.5 |
| After allowance | 7.3 | 4.9 | 4.3 | 3.1 | 3.4 | 8.2 | 4.9 | 4.3 | 2.9 | 3.3 |
| <i>Absolute change</i> | -0.3 | -0.1 | -0.2 | -0.2 | -0.1 | -0.5 | -0.3 | -0.4 | -0.2 | -0.2 |
| <i>Relative change</i> | -3.9 | -2.0 | -4.4 | -6.1 | -2.9 | -5.7 | -5.8 | -8.5 | -6.5 | -5.7 |
| | Poverty Severity (FGT(2)) | | | | | | | | | |
| Before allowance | 3.8 | 2.5 | 2.4 | 1.7 | 1.7 | 4.3 | 2.5 | 2.4 | 1.5 | 1.7 |
| After allowance | 3.6 | 2.4 | 2.2 | 1.6 | 1.7 | 4 | 2.3 | 2.2 | 1.4 | 1.5 |
| <i>Absolute change</i> | -0.2 | -0.1 | -0.2 | -0.1 | 0 | -0.3 | -0.2 | -0.2 | -0.1 | -0.2 |
| <i>Relative change</i> | -5.3 | -4.0 | -8.3 | -5.9 | 0.0 | -7.0 | -8.0 | -8.3 | -6.7 | -11.8 |

Source: Own calculations based on the RLMS.

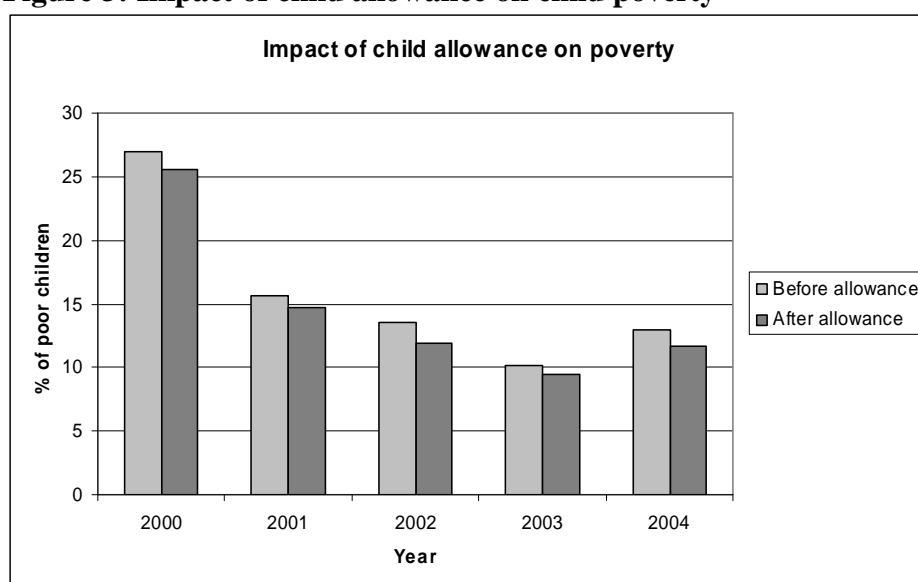
Table 12 shows the results for the chronic poverty indicators calculated using expenditures before child benefit receipt and after. Taking after benefit expenditures,

²⁰ We have also calculated the impact of child benefits on poverty using total expenditures minus the value of home produced and consumed goods. The poverty reduction impact of child benefits in relative terms is even smaller for recipient households (see table A5 in the appendix).

²¹ Households' expenditures are used as welfare indicator. Eligible households are households that have children under 16 or 18 if still in high school. We excluded recipient households with extreme outliers in child allowance receipt for the calculations of the poverty gap and poverty severity indices.

66% of the households in the five year panel did not experience poverty during this period while less than 7% had expenditures below the poverty line every survey round. Typically, literature on chronic poverty classifies households that are always and usually poor, i.e. having mean expenditures under the poverty line, as chronic poor. About one third of the households experienced one or several spells of poverty. Comparison of before and after benefit expenditures, using the whole panel, suggests that child benefits have little impact on the reduction of chronic poverty. The poverty reduction effect of child benefits is relatively larger for chronic poor households or households that have experienced several poverty spells.²²

Figure 3: Impact of child allowance on child poverty²³



Source: Own calculations based on the RLMS.

²² We have also calculated the impact of child benefits on chronic poverty using total expenditures minus the value of home produced and consumed goods. The impact of child benefits on chronic poverty reduction is somewhat larger for the always poor households as well as those that had 4 poverty spells and smaller for the other categories (see table A6 in the appendix).

²³ This is calculated for the sample of households that have children under 16 or 18 if still in high school. We excluded recipient households with extreme outliers in child allowance receipt.

Table 12: Impact of Child Benefits on Intertemporal Poverty Indicators

| | Before benefit | After benefit | Absolute change | Relative change |
|-----------------------------|-----------------------|----------------------|------------------------|------------------------|
| # of households | 2,435 | 2,435 | 2,435 | 2,435 |
| Frequency of poverty | | | | |
| 0 | 64.9 | 65.8 | 0.9 | 1.4 |
| 1 | 17.1 | 16.8 | -0.3 | -1.8 |
| 2 | 8 | 7.8 | -0.2 | -2.5 |
| 3 | 5.1 | 5 | -0.1 | -2.0 |
| 4 | 2.9 | 2.8 | -0.1 | -3.4 |
| 5 | 2 | 1.9 | -0.1 | -5.0 |
| Poverty categories | | | | |
| Always poor | 2 | 1.9 | -0.1 | -5.0 |
| Usually poor | 4.9 | 4.6 | -0.3 | -6.1 |
| Occasionally poor | 28.2 | 27.8 | -0.4 | -1.4 |
| Never poor | 64.9 | 65.8 | 0.9 | 1.4 |

Source: Own calculations based on the RLMS.

Dynamics in child allowances

This section investigates the patterns of child benefit receipt to find out if child allowances provide a stable source of income for Russian households. If benefit receipt is stable, households have at least one regular source of income, albeit small. Since 2000, the number of households reporting benefit receipt increased strongly. The majority of those households received allowances for two or more consecutive periods (see also table A4 in the appendix). Analyzing the patterns of benefit receipt we can see that the large majority of households continue to receive benefits in subsequent years (table 13). Of those households receiving child allowance in 2000, 53% still received child allowances in 2004, 26% still had children in the eligible age category but did not receive benefits while 21% of those households did not have any children in the eligible age category anymore. Since then, the percentage of households reporting benefit receipt in subsequent periods has increased; of those households receiving a benefit in 2003, more than 75% also received a benefit in 2004.

Table 13: Stability of child allowances

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|--------------|---------------|---------------|---------------|---------------|
| Households (%) with benefit in 2000 who also have benefit in subsequent rounds (# of households) | 100 (341) | 63.0 (215) | 63.9 (218) | 57.8 (197) | 53.4 (182) |
| No benefit but children in eligible category | 0 | 33.7 | 29.0 | 27.6 | 25.8 |
| No benefit and no children in eligible category | 0 | 3.2 | 7.0 | 14.7 | 20.8 |
| Households (%) with benefit in 2001 who also have benefit in subsequent rounds (# of households) | - | 100 (500) | 71.4 (357) | 68.6 (343) | 64.0 (320) |
| No benefit but children in eligible category | - | 0 | 23.4 | 21.6 | 20.2 |
| No benefit and no children in eligible category | - | 0 | 5.2 | 9.8 | 15.8 |
| Households (%) with benefit in 2002 who also have benefit in subsequent rounds (# of households) | - | - | 100 (554) | 75.5 (418) | 71.8 (398) |
| No benefit but children in eligible category | - | - | 0 | 19.9 | 18.4 |
| No benefit and no children in eligible category | - | - | 0 | 4.7 | 9.7 |
| Households (%) with benefit in 2003 who also have benefit in subsequent rounds (# of households) | - | - | - | 100 (578) | 75.3 (435) |
| No benefit but children in eligible category | - | - | - | | 16.7 |
| No benefit and no children in eligible category | - | - | - | | 8.1 |

Source: Own calculations based on the RLMS.

Why do those households that still have children in the eligible category do not receive child benefits in subsequent years? One reason could be that households do not receive child allowances because they failed the income test (i.e. their income was too high), or they did not reapply again for the benefit (i.e. they found the benefit too small or they assumed they were not eligible anymore). Comparison of the average incomes of households still receiving child benefits with those households that do not receive an allowance anymore, suggests the former, as these households have on average a higher income.

Table 14: Comparison of mean income

| | 2001 | 2002 | 2003 | 2004 |
|--|-------------|-------------|-------------|-------------|
| Households (%) with benefit in 2000 who also had benefit in subsequent round(s) | 63.0 | 63.9 | 57.8 | 53.4 |
| Mean per capita income (nominal) | 1,264 | 1,600 | 2,201 | 2,365 |
| Households (%) with benefit in 2000 who did not receive benefit in subsequent round but had children in eligible category | 33.7 | 29.0 | 27.6 | 25.8 |
| Mean per capita income (nominal) | 1,946 | 2,199 | 2,793 | 3,112 |
| Households (%) with first benefit in 2001 who also had benefit in subsequent round(s) | - | 71.4 | 68.6 | 64.0 |
| Mean per capita income (nominal) | - | 1,707 | 2,160 | 2,585 |
| Households (%) with first benefit in 2001 who did not receive benefit in subsequent round but had children in eligible category | - | 23.4 | 21.6 | 20.2 |
| Mean per capita income (nominal) | - | 1,978 | 2,304 | 3,239 |
| Households (%) with first benefit in 2002 who also had benefit in subsequent round(s) | - | - | 75.5 | 71.8 |
| Mean per capita income (nominal) | - | - | 2,172 | 2,543 |
| Households (%) with first benefit in 2002 who did not receive benefit in subsequent round but had children in eligible category | - | - | 19.9 | 18.4 |
| Mean per capita income (nominal) | - | - | 2,384 | 2,816 |
| Households (%) with first benefit in 2003 who also had benefit in subsequent round(s) | - | - | - | 75.3 |
| Mean per capita income (nominal) | - | - | - | 2,577 |
| Households (%) with first benefit in 2003 who did not receive benefit in subsequent round but had children in eligible category | - | - | - | 16.7 |
| Mean per capita income (nominal) | - | - | - | 2,933 |

Source: Own calculations based on the RLMS.

Simulation alternative child benefit programs

The previous section has shown that child benefits have a modest impact on (chronic) poverty reduction. In this section we investigate the poverty impact of a range of alternative child benefit programs and the funds needed for each policy option.

- Base case 0: Current situation;
- Option 1: Universal child benefit of 70 rubles per month per eligible child;
- Option 2: Budget neutral universal child benefit for each eligible child;
- Option 3: Universal child benefit of 140 rubles per month per eligible child;
- Option 4: Income tested child benefit of 140 rubles per month per eligible child, current beneficiaries.

Table 15: Expenditures on child benefits per program type²⁴

| Program type | 0 | 1 | 2 | 3 | 4 |
|--|----------|----------|----------|----------|----------|
| Total benefit expenditures in million rubles | 1,303 | 2,109 | 1,296 | 4,218 | 2,653 |
| Total benefits as % of GDP* | 0.008 | 0.013 | 0.008 | 0.025 | 0.016 |
| Total benefits as % of federal social policy expenditures* | 0.8 | 1.4 | 0.8 | 2.7 | 1.7 |

Source: Own calculations based on the RLMS.

We use the RLMS cross-section of 2004 as our benchmark year for analyzing the impact on poverty and our 5-year panel for the impact on chronic poverty. To obtain estimates on the expenditures on child benefits for each option we use the population data on the Russian Federation for 2004 as provided in the UNICEF TransMONEE data (2005).

In 2004, Russia's population was 144 million of which 20.9% was younger than 18 years (a bit more than 30 million in absolute terms). This figure includes the children under the age 1.5 as well as those children aged 16 or 17 who are not in high school anymore and will therefore somewhat overestimate the program's expected expenditures.²⁵ Due to lack of data we are unable to estimate the expected changes in the administration costs. Furthermore we ignore exceptions under the current program that would result in higher child benefits, i.e. 140 rubles for single parents and 105 rubles if a parent is evading alimony payments. From the coverage rates we know that in 2004, on average 61.8% of the children aged between 1.5 and 16 years (18 if in high school) receive child benefits. To estimate the current expenditures on child benefits we

²⁴ GDP in 2004: 16,751 billion rubles; Federal Government expenditures on social policy: 154 billion rubles (IMF, 2005; p. 3 and p. 19).

²⁵ Using the population shares provided by the weighted RLMS cross-section we know that 56% of the children aged 16 and 17 are going to high school. Combining this with the information provided by the 2001 population pyramid (Goskomstat, 2002) we estimate that there were about 28.8 million children in the eligible age categories, 1.3 million less than the number we use in the simulations.

simply multiplied the number of children in Russian with the child coverage rate and the legal nominal benefit per child (70 rubles). The estimated expenditures in the current program reported in table 15 are 1,303 million rubles, only 0.008% of Russia's nominal GDP in 2004 and 0.09% of subsidies and transfers (IMF, 2005). The impact on poverty and chronic poverty under current and simulated policy options is summarized in table 16 and 17.²⁶

Table 16: Poverty reduction per program type (headcount)

| | All households | Eligible households²⁷ |
|--|-----------------------|---|
| # of households | 3,051 | 1,038 |
| Current situation (0) | | |
| Before allowance | 10.9 | 11.4 |
| After allowance | 10.8 | 11.1 |
| <i>Absolute change</i> | -0.1 | -0.3 |
| <i>Relative change</i> | -0.9 | -2.6 |
| Universal child benefits of 70 ruble per child (1) | | |
| After allowance | 10.4 | 10.4 |
| <i>Absolute change</i> | -0.5 | -1 |
| <i>Relative change</i> | -4.6 | -8.8 |
| Budget Neutral Universal child benefits of 44 ruble per child (2) | | |
| After allowance | 10.5 | 10.7 |
| <i>Absolute change</i> | -0.4 | -0.7 |
| <i>Relative change</i> | -3.7 | -6.1 |
| Universal child benefits of 140 ruble per child (3) | | |
| After allowance | 10.2 | 10.0 |
| <i>Absolute change</i> | -0.7 | -1.4 |
| <i>Relative change</i> | -6.5 | -12.3 |
| Income tested child benefits of 140 ruble per child (4) | | |
| After allowance | 10.3 | 10.2 |
| <i>Absolute change</i> | -0.6 | -1.2 |
| <i>Relative change</i> | -5.6 | -10.5 |

Source: Own calculations based on the RLMS.

Firstly, we analyse what would be the effect of abolishing the income test and making the current program a universal benefit programme. We envisage two situations here, one in which we keep the level of child benefits at its current level of 70 rubles per eligible child (1), and the other one in which we adjust the benefit level such that the

²⁶ Note that the differences in poverty reduction reported in the current program and those reported in the section on poverty impact arise because we excluded children aged under 1.5 as well as the child benefits distributed to these children.

²⁷ Households with children aged between 1.5 and 16 years (18 if in high school) are eligible for these child benefits. Note that here we exclude children aged under 1.5 years.

impact on the government budget would be neutral (2). We estimate the impact on program costs and benefits assuming 100% take up rates under the universal scheme.²⁸ The program costs would rise to 2,109 million rubles in the first simulation, i.e. 0.8% of current federal government expenditures on social policy. Poverty would be reduced with one percentage point for households with children under the first universal benefit scheme and with 0.7% point in the budget neutral option. In terms of chronic poverty, the groups that would benefit the most from a universal scheme are the chronically poor. Albeit larger than in the base case, the effect on poverty reduction is modest.

Table 17: Reduction in chronic poverty per program type (headcount)

| | Always poor | Usually poor | Occasionally poor | Never poor |
|---|--------------------|---------------------|--------------------------|-------------------|
| # of households | | | | |
| Current situation (0) | | | | |
| Before benefit | 2 | 4.9 | 28.2 | 64.9 |
| After benefit | 1.9 | 4.6 | 27.8 | 65.8 |
| <i>Absolute change</i> | -0.1 | -0.2 | -0.3 | 0.8 |
| <i>Relative change</i> | -5.3 | -4.5 | -1.1 | 1.2 |
| Universal child benefits of 70 rubles per child (1) | | | | |
| After allowance | 1.7 | 4.5 | 27.1 | 66.7 |
| <i>Absolute change</i> | -0.3 | -0.4 | -1.1 | 1.8 |
| <i>Relative change</i> | -15.0 | -8.2 | -3.9 | 2.8 |
| Budget Neutral Universal child benefits of 44 rubles per child (2) | | | | |
| After allowance | 1.8 | 4.5 | 27.3 | 66.4 |
| <i>Absolute change</i> | -0.2 | -0.4 | -0.9 | 1.5 |
| <i>Relative change</i> | -10.0 | -8.2 | -3.2 | 2.3 |
| Universal child benefits of 140 rubles per child (3) | | | | |
| After allowance | 1.7 | 4.4 | 26.8 | 67.2 |
| <i>Absolute change</i> | -0.3 | -0.5 | -1.4 | 2.3 |
| <i>Relative change</i> | -15.0 | -10.2 | -5.0 | 3.5 |
| Income tested child benefits of 140 rubles per child (4) | | | | |
| After allowance | 1.7 | 4.5 | 27.6 | 66.2 |
| <i>Absolute change</i> | -0.3 | -0.4 | -0.6 | 1.3 |
| <i>Relative change</i> | -15.0 | -8.2 | -2.1 | 2.0 |

Source: Own calculations based on the RLMS.

Secondly, we simulate the effect of a doubling of the child benefit from 70 to 140 ruble in a universal program (3) as well as in the income targeted program (4). Estimating the

²⁸ We expect the take up rate to increase considerably when child benefits become universal although it is not likely that it would become 100%. Take up rates typically depend on a range of cultural and program characteristics. For instance the low level of the benefit, feelings of shame, lack of information or bureaucratic procedures might prevent eligible households to apply for a benefit (Coady et al, 2004A). As such, the presented results can be considered as an upper bound.

effects of the universal scheme, we assume again a 100% take up rate. For the income targeted version we assume that the households currently receiving a child benefit will also receive the doubled child benefit. This, in fact, may lead to an underestimation in the poverty reduction effect as well as in the estimated program costs as the benefit increase is likely to induce more households to file an application. We do not take these second order effects into account. In scenario 3, program costs will more than triple compared to the current situation but total benefit expenditures would still be only 2.7% of current social policy expenditures representing 0.025% of GDP. The costs option (4) are in-between both universal benefit schemes. Poverty headcounts would be reduced with 1.4 percentage points for households with children under the universal scheme with doubled benefit size (option 3), and 1.2 under the means tested option. Each of the tested options performs better than the current scheme. Although the reduction that can be achieved with alternative child benefit schemes seems rather moderate in absolute terms, in relative terms a poverty reduction between 8 and 15 percent can be achieved for the chronically poor households.

We can only speculate what the effect of these schemes would be on program's administration costs. In the universal benefit scheme (70 rubles per child) there are two opposing effects; firstly administration costs will rise as more households will apply under the universal child benefit scheme and secondly, the abolishment of the income test will reduce the workload per application. With current coverage rates of 56% of the households, local administration offices can expect an increase in applications of 79% (if every household with children in this category would actually apply). As the current application process is rather simple and not so bureaucratic, we expect that the increment in administration costs due to more applications is not fully outweighed by the decrease costs due to a reduced workload. A doubling of in the benefit level will increase administrative costs in both scenarios compared to current expenditures on administration; even comparing to the current scheme higher benefit level will induce more households to file an application, even if the scheme is income tested.

Conclusion

This study set out to investigate the impact of policy changes in the Russian Child Allowance Program and to study the impact of these child allowances on (chronic) poverty. Using the cross-section and panel dimension of the Russia Longitudinal Monitoring Survey (RLMS), this paper is the first to provide a comprehensive evaluation in this respect. Our analysis shows clear signs of increased targeting of child allowances to low-income households, a sign that the policy of income-testing is practised. Nevertheless, leakage of child benefits to higher income quintiles is still considerable.

Regardless of income targeting, we also find that more households with children in the eligible age categories are receiving benefits, a major improvement compared to the end of the nineties where the child benefit program merely existed in name but hardly in practise (Gassmann, 2003; Denisova *et al*, 2000). It seems that the 2001 reforms in the financing of child benefits (from regional to federal level) should get most of the credit for this overall increase in incidence and coverage rates. Our Probit regressions find evidence in favour of increased harmonization in the Child Allowance Program.

However, our results have shown that the impact of child benefits on households' welfare is rather small. The size of child benefits decreased over time both in real and nominal terms. The flat benefit amount implies that poorer households do not receive higher child benefits. Comparison of pre- and post benefit levels showed little impact on poverty reduction. Most of the reduction in poverty rates from 2000 to 2003 is due to an improved economic climate. Albeit limited in size, benefit receipt is rather stable over time and thus provides a reliable source of income for recipients.

There are some qualifications that need to be mentioned. For the reasons discussed in section 3, our poverty estimates are considerably lower than those reported by the World Bank (2004). The use of a different welfare aggregate and/or poverty line changes aggregate poverty indices, particularly in a country such as Russia with a highly unequal expenditure distribution but where differences in expenditure at the

lower end of the distribution are relatively small. Knowing this, we also checked our results using an alternative expenditure aggregate that better reflected the World Bank's aggregate resulting in higher aggregate poverty indices but similar trends and magnitudes in the impact of child benefits on poverty. Secondly, for our dynamic analyses we would have preferred to have more observations of households with children in panel. Where possible, we compared the results of the panel with those of the representative cross-sections. In our opinion, the benefits of being able to incorporate dynamics in poverty and benefit receipt to our analysis outweigh the costs in terms of loss of representativeness.

Our analysis of the current program and simulations of various policy options suggest that expenditures on child benefits are rather modest compared to national spending on social policy. It is evident from the analysis that only a major increase of the child benefit level would increase the poverty reduction impact significantly. To what extent is income-targeting of child benefits in Russia desirable? The simulations show that abolishing income testing would improve the (chronic) poverty reduction performance of child allowances, but doubling the benefit would have an even stronger effect. The results indicate that a child benefit program with benefits as low as current benefit levels should not be income tested. This particularly in a country such as Russia, where inequality is high and the welfare differences between households at the lower end of the distribution are small. 'Leakage' of benefits to households above the poverty line is not so problematic especially if this leakage occurs just above the poverty line. Additionally, the large shocks that have (and probably will) characterized Russia's transition economy so far have led to a surge in uncertainty; household's welfare status is more volatile. Child benefits can therefore provide households with children with a stable source of income. However, if the child benefit program's aim is to truly assist low income households in the raising of children or to counteract the decreasing fertility rates for that matter, benefit levels should be raised considerably. Our simulations have shown that doubling of the current benefit level is an affordable option.

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Appendix

Table A1: Characteristics of cross-sections

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|-------|-------|-------|-------|-------|
| # of households in cross-section | 3,094 | 3,203 | 3,206 | 3,176 | 3,114 |
| Dwelling place (%) | | | | | |
| Urban | 65.9 | 67.2 | 68.1 | 65.1 | 64.7 |
| Rural/Semi-urban | 34.2 | 32.8 | 31.9 | 34.9 | 35.3 |
| Region (%) | | | | | |
| Moscow/St. Petersburg | 5.3 | 10.8 | 12.7 | 10.7 | 11.0 |
| Northern/North Western | 6.6 | 6.4 | 6.1 | 5.4 | 5.6 |
| Central/Central Black-Earth | 20.8 | 19.4 | 19.3 | 19.8 | 19.2 |
| Volga-Vaytski/Volga Basin | 19.2 | 18.0 | 17.7 | 17.5 | 18.1 |
| North Caucasian | 12.8 | 12.3 | 12.4 | 12.0 | 11.8 |
| Ural | 14.8 | 14.2 | 14.0 | 14.0 | 14.3 |
| Western Siberia | 10.7 | 9.4 | 8.7 | 10.8 | 10.9 |
| Eastern Siberia/ Far East | 9.8 | 9.6 | 9.3 | 9.7 | 9.1 |
| Household size (%) | | | | | |
| 1 person | 20.3 | 21.5 | 21.1 | 22.1 | 23.9 |
| 2 persons | 27.8 | 27.9 | 27.7 | 27.5 | 27.9 |
| 3 persons | 22.1 | 21.5 | 22.0 | 21.7 | 23.3 |
| 4 persons | 20.0 | 19.6 | 19.5 | 19.4 | 15.9 |
| 5 persons | 6.1 | 6.2 | 6.2 | 5.9 | 5.5 |
| 6 or more persons | 3.7 | 3.5 | 3.5 | 3.4 | 3.5 |
| Children (<18) in household (%) | | | | | |
| 0 | 55.0 | 57.0 | 57.1 | 58.5 | 61.7 |
| 1 | 28.2 | 27.5 | 27.9 | 27.3 | 25.7 |
| 2 | 14.2 | 13.2 | 12.5 | 11.8 | 10.5 |
| 3 or more | 2.6 | 2.3 | 2.4 | 2.4 | 2.1 |
| Elderly in household (%) | | | | | |
| 0 | 52.6 | 52.8 | 51.9 | 51.7 | 50.6 |
| 1 | 31.5 | 32.0 | 32.4 | 32.9 | 34.3 |
| 2 or more | 16.0 | 15.2 | 15.7 | 15.5 | 15.1 |
| Female headed household (%) | 27.8 | 28.5 | 28.6 | 29.3 | 30.6 |
| Household head did not finish high school (%) | 31.2 | 27.7 | 27.4 | 28.6 | 28.3 |
| Household type (%) | | | | | |
| Single person household | 20.3 | 21.5 | 21.1 | 22.1 | 23.9 |
| Couple no children | 21.5 | 20.9 | 20.6 | 20.9 | 21.1 |
| Single caretaker & children aged between 1.5 & 18 | 4.6 | 4.4 | 4.7 | 4.2 | 4.2 |
| Parents & children aged between 1.5 & 18 | 19.5 | 18.3 | 17.4 | 17.6 | 16.5 |
| Triple generations & children aged between 1.5 & 18 | 8.6 | 8.0 | 8.2 | 8.4 | 7.7 |
| Other households & children aged between 1.5 & 18 | 8.2 | 8.5 | 7.9 | 7.1 | 5.6 |
| Other households | 17.4 | 18.4 | 20.1 | 19.9 | 20.9 |
| Headcount Poor (%) | 21.7 | 14.5 | 12.3 | 9.4 | 10.7 |
| Distribution (mean per capita expenditures per quintile in real 1992 rubles) | | | | | |
| I | 643 | 774 | 805 | 910 | 857 |
| II | 1,252 | 1,509 | 1,577 | 1,673 | 1,632 |
| III | 1,836 | 2,180 | 2,282 | 2,417 | 2,385 |
| IV | 2,661 | 3,220 | 3,306 | 3,519 | 3,483 |
| V | 7,072 | 7,718 | 7,913 | 9,469 | 9,170 |
| Labour Market (%) | | | | | |
| At least one member has a job | 70.7 | 71.5 | 70.7 | 71.1 | 70.1 |
| At least one member is unemployed (standard) | 10.3 | 9.4 | 8.9 | 8.0 | 8.8 |

Source: Own calculations based on RLMS.

Table A2: Characteristics of panel

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|-------|-------|-------|-------|-------|
| # of households in panel | 2,458 | | | | |
| Dwelling place (%) | | | | | |
| Urban | 61.1 | | | | |
| Rural/Semi-urban | 38.9 | | | | |
| Region (%) | | | | | |
| Moscow/St. Petersburg | 3.2 | | | | |
| Northern/North Western | 6.2 | | | | |
| Central/Central Black-Earth | 20.8 | | | | |
| Volga-Vaytski/Volga Basin | 22.9 | | | | |
| North Caucasian | 13.5 | | | | |
| Ural | 16.1 | | | | |
| Western Siberia | 8.6 | | | | |
| Eastern Siberia/ Far East | 8.6 | | | | |
| Household size (%) | | | | | |
| 1 person | 15.8 | 16.7 | 17.8 | 19.2 | 20.5 |
| 2 persons | 28.7 | 29.0 | 28.9 | 28.2 | 28.7 |
| 3 persons | 25.5 | 25.1 | 25.4 | 24.9 | 24.9 |
| 4 persons | 18.7 | 18.1 | 17.1 | 16.9 | 15.8 |
| 5 persons | 6.7 | 6.9 | 6.3 | 6.7 | 6.0 |
| 6 or more persons | 4.7 | 4.3 | 4.5 | 4.1 | 4.2 |
| Children (<18) in household (%) | | | | | |
| 0 | 51.2 | 53.6 | 54.9 | 55.9 | 58.9 |
| 1 | 30.0 | 29.1 | 29.1 | 29.1 | 27.2 |
| 2 | 15.3 | 14.1 | 12.8 | 12.0 | 11.3 |
| 3 or more | 3.5 | 3.2 | 3.2 | 3.0 | 2.6 |
| Elderly in household (%) | | | | | |
| 0 | 55.6 | 54.9 | 52.4 | 51.8 | 50.6 |
| 1 | 28.0 | 29.0 | 30.6 | 32.0 | 33.0 |
| 2 or more | 16.4 | 16.9 | 17.0 | 16.2 | 16.4 |
| Female headed household (%) | | | | | |
| | 25.3 | 25.5 | 26.5 | 27.8 | 28.2 |
| Household head did not finish high school (%) | | | | | |
| | 31.4 | 30.0 | 29.8 | 31.7 | 31.3 |
| Household type (%) | | | | | |
| Single person household | 15.8 | 16.7 | 17.8 | 19.2 | 20.5 |
| Couple no children | 22.7 | 23.0 | 22.6 | 21.9 | 22.1 |
| Single caretaker & children aged between 1.5 & 18 | 4.7 | 4.4 | 4.8 | 4.3 | 4.2 |
| Parents & children aged between 1.5 & 18 | 22.6 | 21.6 | 20.8 | 20.0 | 19.2 |
| Triple generations & children aged between 1.5 & 18 | 8.9 | 8.5 | 8.5 | 8.3 | 8.2 |
| Other households & children aged between 1.5 & 18 | 8.4 | 8.3 | 7.4 | 7.4 | 6.0 |
| Other households | 17.0 | 17.5 | 18.5 | 18.9 | 19.8 |
| Headcount Poor (%) | | | | | |
| | 22.9 | 15.3 | 14.2 | 10.8 | 12.2 |
| Distribution (mean per capita expenditures per quintile in real 1992 rubles) | | | | | |
| I | 614 | 756 | 730 | 852 | 805 |
| II | 1,189 | 1,436 | 1,468 | 1,566 | 1,529 |
| III | 1,759 | 2,041 | 2,118 | 2,242 | 2,224 |
| IV | 2,518 | 2,954 | 3,017 | 3,247 | 3,184 |
| V | 6,364 | 6,411 | 6,931 | 8,203 | 7,090 |
| Labour Market (%) | | | | | |
| At least one member has a job | 74.3 | 73.5 | 72.1 | 72.6 | 70.6 |
| At least one member is unemployed (standard) | 10.0 | 9.0 | 8.2 | 7.6 | 9.0 |

Source: Own calculations based on RLMS.

Table A3: Targeting of child allowance in panel

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|------|------|------|------|------|
| Incidence: Households receiving child benefits (%) | | | | | |
| All | 14.0 | 20.5 | 22.8 | 23.7 | 22.8 |
| Non-poor | 12.9 | 19.2 | 21.7 | 22.8 | 21.7 |
| Poor | 18.2 | 29.0 | 29.8 | 32.2 | 31.4 |
| Coverage: Households with children (%) receiving child benefit | | | | | |
| All | 30.1 | 45.8 | 53.0 | 57.0 | 58.4 |
| Non-poor | 29.4 | 43.5 | 50.8 | 55.2 | 56.3 |
| Poor | 32.1 | 58.6 | 67.4 | 72.4 | 74.1 |
| Children receiving child allowance | | | | | |
| % | 33.9 | 51.0 | 58.9 | 61.0 | 63.5 |
| Poor children receiving child allowance | | | | | |
| % | 34.9 | 64.1 | 70.5 | 75.6 | 78.7 |
| Child allowance per CHILD (median) | | | | | |
| Nominal | 59 | 70 | 70 | 70 | 70 |
| Real (in real 1992 rubles) | 84 | 84 | 73 | 65 | 58 |
| Median benefit share of the poverty line (%) | | | | | |
| % | 3.9 | 3.7 | 3.2 | 2.7 | 2.4 |

Source: Own calculations based on RLMS.

Table A4: Households having received child benefits at least once in period 2000-2004

| | # of households | % of total |
|--|-----------------|------------|
| Total number of benefit receipts reported over period | 2,527 | 100 |
| Benefit receipts per year | | |
| 2000 | 341 | 13.5 |
| 2001 | 500 | 19.8 |
| 2002 | 554 | 21.9 |
| 2003 | 578 | 22.9 |
| 2004 | 554 | 21.9 |
| Frequency of benefit receipt | | |
| Total of households reporting benefit receipt at least once | 900 | 100 |
| 5 years | 106 | 11.7 |
| 4 years | 202 | 22.4 |
| 3 years | 214 | 23.8 |
| 2 years | 169 | 18.8 |
| 1 year | 209 | 23.2 |
| Stability benefit receipt | | |
| 2 or more consecutive periods | 500 | 55.6 |
| Single or interrupted periods | 400 | 44.4 |

Source: Own calculations based on RLMS.

**Table A5: Impact of child allowance on poverty indices
(Total expenditures minus consumption of home production)**

| | All households | | | | | Recipient households | | | | |
|------------------------|----------------------------------|-------|-------|-------|-------|----------------------|-------|-------|-------|-------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2000 | 2001 | 2002 | 2003 | 2004 |
| # of households | 3,062 | 3,165 | 3,151 | 3,130 | 3,051 | 1,248 | 1,231 | 1,177 | 1,161 | 1,073 |
| | Headcount (FGT(0)) | | | | | | | | | |
| Before allowance | 30.6 | 21.1 | 17.8 | 14.5 | 15.9 | 32.4 | 21.6 | 17.7 | 14.1 | 17.1 |
| After allowance | 30.1 | 20.6 | 17.3 | 13.8 | 14.9 | 31.5 | 20.7 | 16.9 | 13 | 15.3 |
| <i>Absolute change</i> | -0.5 | -0.5 | -0.5 | -0.7 | -1 | -0.9 | -0.9 | -0.8 | -1.1 | -1.8 |
| <i>Relative change</i> | -1.7 | -2.4 | -2.9 | -5.1 | -6.7 | -2.9 | -4.3 | -4.7 | -8.5 | -11.8 |
| | Poverty Gap (FGT(1)) | | | | | | | | | |
| Before allowance | 12.3 | 8 | 7 | 5 | 5.6 | 13.2 | 7.9 | 7.1 | 4.6 | 5.9 |
| After allowance | 12 | 7.7 | 6.8 | 4.8 | 5.4 | 12.7 | 7.4 | 6.6 | 4.3 | 5.6 |
| <i>Absolute change</i> | -0.3 | -0.3 | -0.2 | -0.2 | -0.2 | -0.5 | -0.5 | -0.5 | -0.3 | -0.3 |
| <i>Relative change</i> | -2.4 | -3.8 | -2.9 | -4.0 | -3.6 | -3.8 | -6.3 | -7.0 | -6.5 | -5.1 |
| | Poverty Severity (FGT(2)) | | | | | | | | | |
| Before allowance | 7 | 4.3 | 4 | 2.6 | 3 | 7.5 | 4.1 | 4.1 | 2.4 | 3.2 |
| After allowance | 6.7 | 4.1 | 3.8 | 2.5 | 2.9 | 7.1 | 3.8 | 3.8 | 2.2 | 3 |
| <i>Absolute change</i> | -0.3 | -0.2 | -0.2 | -0.1 | -0.1 | -0.4 | -0.3 | -0.3 | -0.2 | -0.2 |
| <i>Relative change</i> | -4.3 | -4.7 | -5.0 | -3.8 | -3.3 | -5.3 | -7.3 | -7.3 | -8.3 | -6.3 |

Source: Own calculations based on RLMS.

**Table A6: Impact of child benefits on intertemporal poverty indicators
(Total expenditures minus consumption of home production)**

| | Before benefit | After benefit | Absolute change | Relative change |
|-----------------------------|-----------------------|----------------------|------------------------|------------------------|
| # of households | 2,435 | 2,435 | 2,435 | 2,435 |
| Frequency of poverty | | | | |
| 0 | 55.2 | 55.8 | 0.6 | 1.1 |
| 1 | 17.6 | 17.7 | 0.1 | 0.6 |
| 2 | 10.6 | 10.4 | -0.2 | -1.9 |
| 3 | 7.6 | 7.5 | -0.1 | -1.3 |
| 4 | 5.5 | 5.3 | -0.2 | -3.6 |
| 5 | 3.6 | 3.4 | -0.2 | -5.6 |
| Poverty categories | | | | |
| Always poor | 3.6 | 3.4 | -0.2 | -5.6 |
| Usually poor | 8.8 | 8.5 | -0.3 | -3.4 |
| Occasionally poor | 32.4 | 32.4 | 0 | 0.0 |
| Never poor | 55.2 | 55.8 | 0.6 | 1.1 |

Source: Own calculations based on RLMS.

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