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REINVESTING IN CHILDREN? POLICIES FOR THE VERY YOUNG IN SOUTH EASTERN EUROPE AND THE CIS

Kitty Stewart and Carmen Huerta

IWP-2006-01

October 2006

Innocenti Working Papers

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The papers in this series (ISSN 1014-7837) are available for download in .pdf format from the IRC web site http://www.unicef.org/irc

ISSN: 1014-7837

This paper presents a further analysis of child support policies in a selection of countries in CIS and SEE in support of a study on child poverty carried out in the context of the UNICEF Innocenti Social Monitor 2006 on 'Understanding Child Poverty in South-Eastern Europe and the Commonwealth of Independent States' (2006).

The research reported here was developed with the generous support of Irish Aid with additional support from Country Offices and the Regional Office for CEE/CIS.

Readers citing this document are asked to use the following form:
Stewart, Kitty and Carmen Huerta (2006), 'Reinvesting in Children? Policies for the Very Young in South Eastern Europe and the CIS' *Innocenti Working Paper* No. 2006-01. Florence, UNICEF Innocenti Research Centre.

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Correspondence should be addressed to:

UNICEF Innocenti Research Centre
Piazza SS. Annunziata, 12
50122 Florence, Italy

Tel: (+39) 055 20 330
Fax: (+39) 055 2033 220
Email: florence@unicef.org

REINVESTING IN CHILDREN? POLICIES FOR THE VERY YOUNG IN SOUTH EASTERN EUROPE AND THE CIS

Kitty Stewart and Carmen Huerta[a]

[a] ESRC Research Centre for Analysis of Social Exclusion (CASE) London School of Economics, < k.j.stewart@lse.ac.uk> and <m.c.huerta@lse.ac.uk>

Summary: Economic collapse in the former Communist bloc led to soaring levels of child poverty in the 1990s. The effects of rising unemployment, underemployment and wage arrears were exacerbated by the erosion of state support for families with children as governments responded to a collapse in revenue.

Since 1998, even the poorer countries of the bloc - those in South Eastern Europe and the CIS - have seen a return to economic growth. But have the benefits of growth been felt by children? Are child support policies being restored or restructured as economic conditions improve, and to what effect?

This paper examines three aspects of government support for the youngest children – maternity leave policy, child and family allowances and pre-school/nursery provision. For each aspect, it explores formal provision before using microdata to analyse the allocation of each service across the population in four countries: Bulgaria, Albania, Moldova and Tajikistan. Is provision now skewed towards poorer households (e.g. because of effective means-testing)? Or towards richer households (e.g. because of charging policies for pre-school)? For the case of child allowances in particular, it also uses the microdata to examine whether and where the allowances are large enough to lift children out of poverty.

The aim of the analysis is to assess the adequacy of child support services in the countries under investigation, and to seek lessons from more successful countries in the region for others where child support is not reducing child poverty. The paper concludes that most countries in the region are spending insufficient resources on policies for very young children, and that while in some countries family allowances are targeted towards poorer households with some degree of success, pre-school overwhelmingly benefits urban families and the better off, while paid maternity leave is in practice increasingly rare, despite generous formal provision.

The paper calls for governments and donors to pay greater attention to the needs of very young children. It calls for a substantial increase in public spending on each of these policy areas, and it further recommends that governments (a) introduce proxy means tests to improve the targeting of family allowances; (b) make maternity benefit available on a social assistance as well as a social insurance basis; and (c) make a commitment to ensuring that all 3-5 year olds have free access to some early years education each week, albeit on a part-time basis.

Keywords: children, child poverty, family allowances, maternity benefit, pre-school.

Acknowledgments: The authors are grateful to Gerry Redmond, Eva Jespersen, Leonardo Menchini, Cassie Landers, Sarah Klaus, Jane Falkingham and István Tóth for comments on earlier drafts of this paper as well as to participants at two workshops at the UNICEF Innocenti Research Centre in Florence and a conference on Global Policy, Local Solutions, hosted by UNICEF and the New Economics School in New York. They also thank Leonardo Menchini for preparing the datasets used for the microdata analysis and Angela Baschieri for additional discussion and assistance with the data.

Contents

1. INTRODUCTION

The countries of South Eastern Europe and the CIS had a history of low poverty and extensive state support for young children. Guaranteed employment ensured that most families had an income from earnings. Wages were low, but prices and rents were controlled, protecting households from severe material deprivation, though average living standards were poor in western terms. State investment in maternal and early child health was evident through much lower levels of infant mortality than in countries of similar income levels. Widespread pre-school provision was available, allowing mothers to work and giving children a start in early education; educational attainment was also much better than that in similar income countries, with many countries outperforming the west in international comparisons.

All this changed with the collapse of communism, as has been well-documented, in particular by regular reports from UNICEF's MONEE project (see e.g. UNICEF 1997; UNICEF 2001). Wage income evaporated for many workers as state industries became bankrupt and closed down. The generosity of additional state financial support for needy families was eroded by inflation and budgetary constraints. Children's services suffered as government revenue collapsed.

Since the late 1990s, however, countries across the region have been experiencing a return to economic growth, offering governments a new opportunity to reinvest in children. This paper asks whether and how far they have taken this opportunity, and whether state support and services for children are now starting to expand. As well as protecting a vulnerable group, investing in children can be seen as taking the long view: the health, education and development of children are vital determinants of any society's future.

The paper focuses in particular on the very youngest children, those of pre-school age. In many countries in the region the risk of poverty is highest for the youngest children (see Menchini and Redmond forthcoming), while the importance of early childhood for later outcomes is also becoming increasingly clear. For example, evidence from the US suggests that income poverty in early childhood is particularly important for later life chances – more so than income poverty in adolescence (Duncan and Brooks-Gunn 1997). There is also a growing literature which highlights the importance of other, non-income aspects of early childhood. It has been established (for the UK and the US) that early maternal employment can have adverse effects on a child's later cognitive outcomes, especially if mothers work full-time in the first 12-18 months of life (Waldfogel et al., 2002, Brooks Gunn et al., 2002, Ruhm 2004, Gregg et al,. 2005). Later on, from the age of two or three, there is evidence that pre-school can play an extremely important role in preparing children for both social and academic success in school (Waldfogel 1998, Sylva et al., 2004).

With this literature in mind, the paper looks at three types of policy affecting children of pre-school age: family allowances, maternity benefits and pre-school provision. These policies are key from both a financial and a wider perspective. Family allowances represent clear financial support to households with children: a monthly allowance helps a household to shoulder some of the additional costs associated with raising children. Maternity benefit also has obvious resource implications for households at a time of particular pressure, as the loss of a mother's wage income in the first few months coincides with the extra costs of a new baby. But maternity benefit has wider implications too if it enables mothers to remain at home for longer in the first year. In addition to emotional and cognitive benefits for the child,

paid maternity leave can have serious implications for child health: recent studies of OECD countries have found that increases in the length of paid maternity leave are strongly associated with falls in the rate of infant mortality (Ruhm 2000, Tanaka 2005). Pre-school provision can also serve two purposes, allowing a mother to go out and work, thereby raising household income, but also playing a key role in child development and socialisation.

There are of course many other elements of government support which affect families with young children, including the generosity of unemployment benefit and the level of pensions in countries where multi-generational households are common. Clearly, however, this paper cannot cover all of these. The three policies chosen, explicitly aimed at the youngest, are arguably of particular importance. At the same time they give us a barometer of the priority given by these societies to the youngest children.

The following section provides some macroeconomic background to the paper, discussing the fall and recovery in GDP and providing preliminary evidence from administrative data on what has happened to public spending overall. Sections 3, 4 and 5 then examine provision across the region of each of the three types of support in turn. In each case we look at the formal rules governing provision and at administrative data on coverage before drawing on microdata for four countries to explore the distribution and impact of policies in more detail. Microdata are examined for Bulgaria, Moldova, Albania and Tajikistan. This provides a spread of countries across the region, although they are not necessarily the countries that would have been chosen from first principles: for one thing, Bulgaria, Moldova and Albania are all relatively small countries, and the four together cover just 2 million of the region's 27 million children aged 0-6. Inevitably, however, the choice has been restricted by data availability.

Section 6 uses the microdata to examine the combined impact of some of the policies – are some families benefiting from all three types of support and others from none? Section 7 concludes, seeking to summarize the paper's findings and to draw out recommendations for how countries in the region can seek to improve provision in the future.

2. MACROECONOMIC BACKGROUND

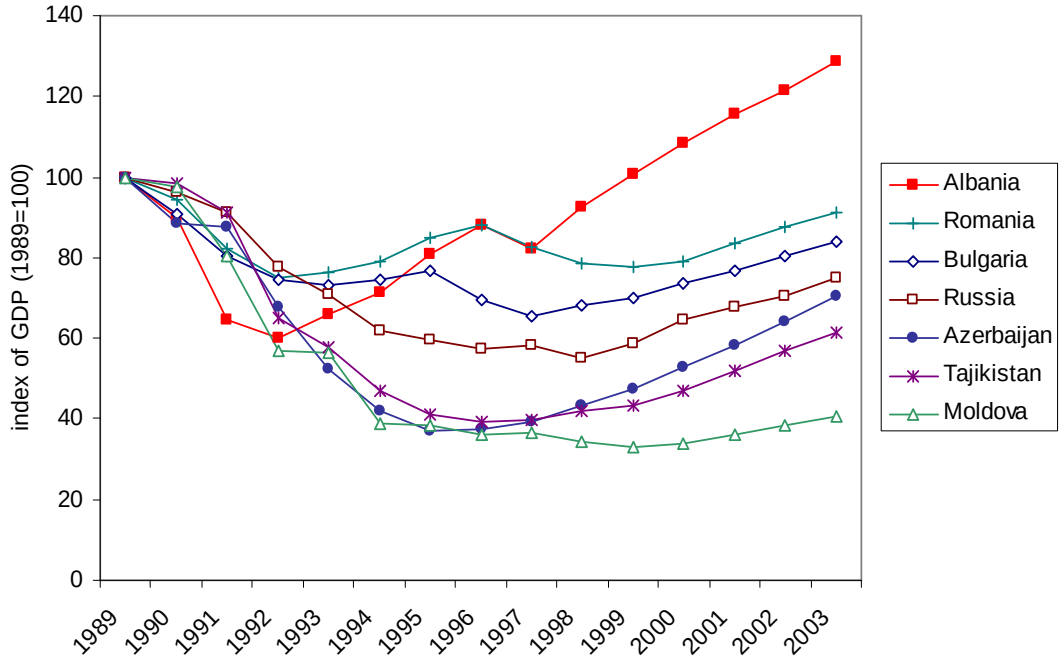
Both the extent of the economic shock which followed 1989 and the speed of subsequent recovery varied considerably, but since the early 2000s it has been possible to say that economies across South-Eastern Europe and the CIS appear to be on an upward trajectory of growth. Figure 1 shows changes in an index of GDP in seven countries, including at least one in each of the five sub-regions covered in this paper (Central Eastern Europe, South Eastern Europe, the Western CIS, the Caucasus and Central Asia)[1] Data are taken from the UNICEF TransMONEE database.[2] Not all countries are fair representations of the others in their sub-regions – Albania represents by far the strongest progress in its group, and both Moldova and Tajikistan the weakest in theirs, each having faced considerable obstacles to recovery (see

[1] Under Central and Eastern Europe we include Bulgaria and Romania; under South-Eastern Europe Albania, Croatia, FYR Macedonia, Bosnia-Herzegovina and Serbia and Montenegro; under Western CIS Moldova, Russia, Belarus and Ukraine; under the Caucasus Azerbaijan, Armenia and Georgia; under Central Asia Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Countries which have recently joined the European Union are not considered.

[2] The TransMONEE database is a time-series set of administrative data, collected annually by the UNICEF Innocenti Research Centre in Florence from national statistical offices in each of the transition countries. A public version of the database can be downloaded from the Innocenti website at <www.unicef.org/irc>

Falkingham 2001 on Tajikistan, and Cornia 2004 on Moldova, which recorded a deeper recession than any other transition country except Georgia). However, the figure does give a good picture of the spread of change, and illustrates that recovery had begun even in Moldova by the year 2000.

Figure 1: GDP from 1989 to 2003 (1989=100)



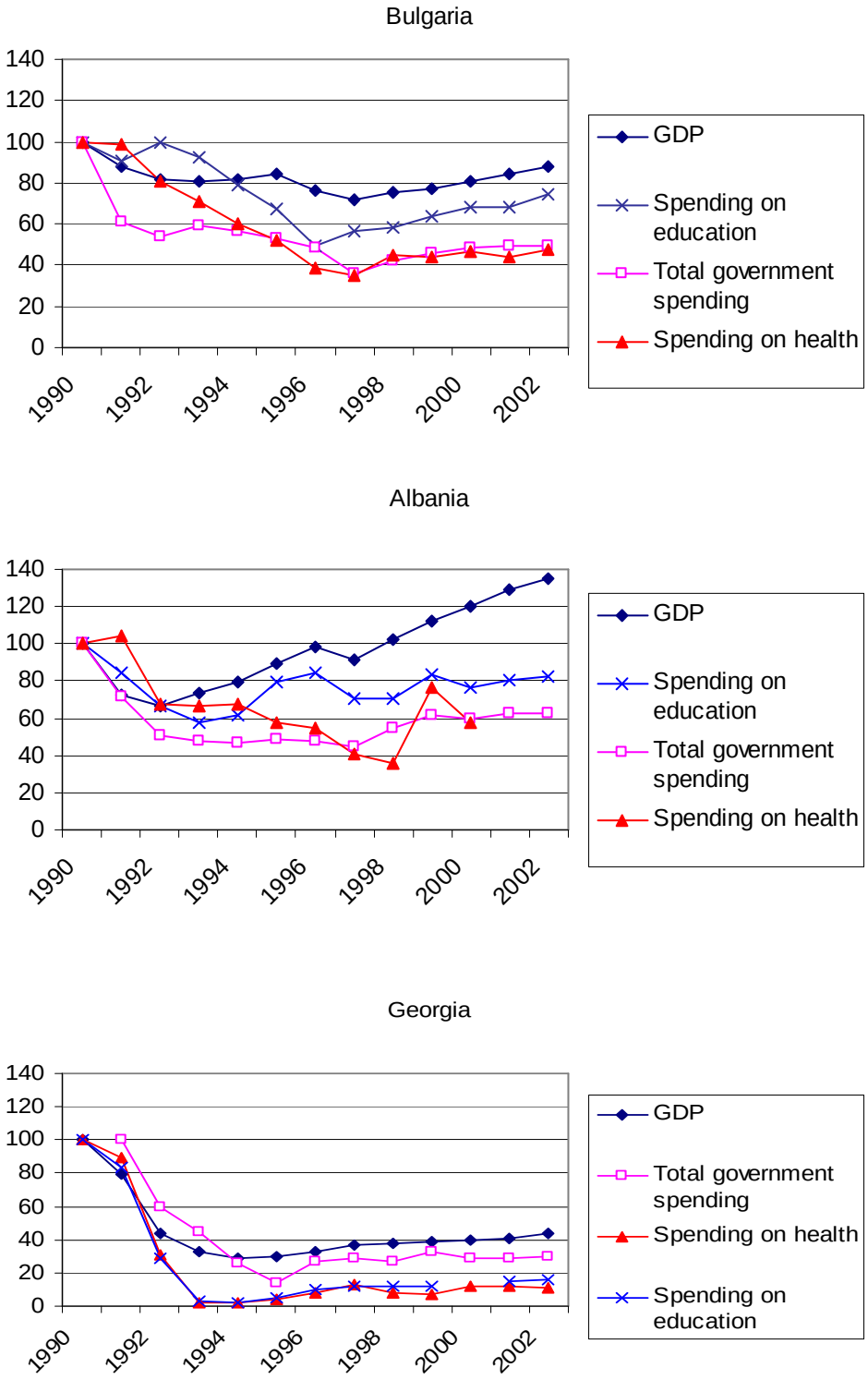
Source: TransMONEE database 2004.

In many countries, government revenue and hence overall government spending fell more sharply than GDP as revenue raising capacity deteriorated. Figure 2 illustrates for three countries, Bulgaria, Albania and Georgia. In all three countries, public spending fell further than GDP and has been slower to recover. In Bulgaria and Albania, however, we see the impact of efforts made to ensure that social sector spending – and education spending in particular – was relatively protected. This is a pattern witnessed across the region, although it is not universal: in Georgia spending on both health and education fell by considerably more than overall public expenditure.

It is beyond the scope of this paper to consider in detail reasons behind the gap between GDP and total government spending illustrated in Figure 2, although this gap is clearly central to the paper's concerns (see Cheasty and Davis 1996, Pinto et al., 2000 and Klugman et al., 2002 on the causes of revenue decline, which include weak revenue raising capacity and the loss for many CIS countries of substantial transfers from Moscow). We cannot expect growth in spending on children's services to mirror growth in GDP if the capacity to raise public money is not there. On the other hand, we have also seen that there is room for prioritization within the government budget. Furthermore, the recent return to GDP growth means states once again have the opportunity to make positive choices about the shape of future society, even if making the most of these opportunities first requires action on improving resource-raising power. If what happens to the very young is important for children's own future outcomes and for those of the country as a whole, a share of expanding economic resources should be channelled to services protecting and promoting child well-

being and development. How this can be done, and how states can build on the positive legacy of communism rather than letting it slide, may be seen as a key challenge of the post-transition period.

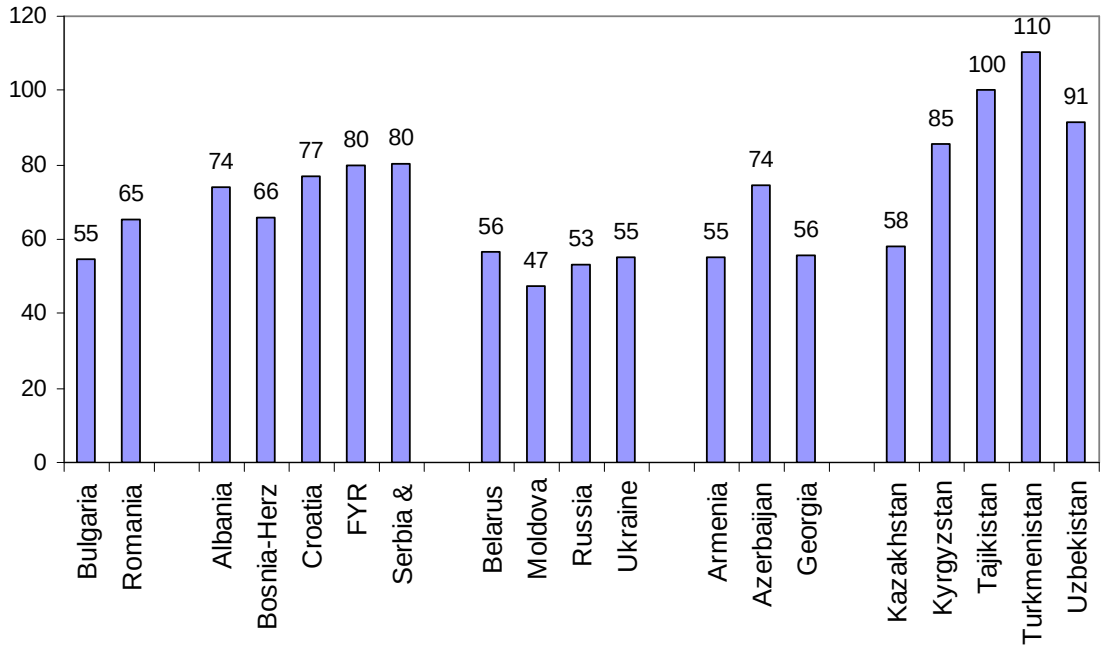
Figure 2: Real GDP and public expenditure in Bulgaria, Albania and Georgia



Source: Calculated from TransMONEE database, Tables 6.10, 7.6, 10.1 and 10.4.

To some extent, the task may be made easier by the demographic shift illustrated in Figure 3. The size of the cohort of very young children has shrunk dramatically across the transition area over the past decade, in part reflecting demographic changes witnessed throughout the industrialized world, but further exacerbated, it would seem, by family responses to falls in living standards and economic uncertainty (see Grogan 2002 and Heleniak 2005 for further exploration of the causes of fertility decline in the region). Figure 3 suggests that in eight countries out of nineteen the number of children aged 0-6 in 2002 had fallen to less than 60 per cent of the number in 1989, while only one country, Turkmenistan, saw the cohort grow over the period. It should be noted that for the later year official data may underestimate the number of young children in some of the southern countries in particular: recent surveys have pointed to possible gaps in birth registration in several countries in Central Asia and the Caucasus as a result of the very high cost of registration relative to the average wage (see UNICEF 2001, p.19 and UNICEF 2003). But inaccurate data are likely to represent only a small part of the overall phenomenon.

Figure 3: A shrinking cohort: Children aged 0-6 in 2002 as a share of children aged 0-6 1989



Source: TransMONEE database 2004

Falling numbers will have reduced the cost of providing a given level of support to the very young, while the numbers also point to the urgency of improving levels of assistance to young families if the birth rate is to recover. At the same time, however, a shrinking cohort also means the likelihood of less internal political pressure to provide the sorts of policies discussed in this paper, alongside a shift towards a priority for policies for older people. This suggests that it may be particularly important for external and donor agencies to continue to remind governments of the importance of investing in young children.

3. MATERNITY BENEFIT

As noted in the introduction, maternity benefits have a dual role to play in promoting child well-being and development in the first few months of life. First, along with birth grants, they are crucial in protecting household income at a very vulnerable time. In their absence, families in which a mother has been working are likely to experience a substantial drop in income just as demands on the household budget rise.

At the same time, paid maternity leave enables and encourages mothers to spend time at home both immediately before and in the first few months after birth, and this has been shown to have a significant impact on child development. It has been established for the UK and the US that early maternal employment can have adverse effects on a child's later cognitive outcomes, especially if mothers work full-time in the first 12-18 months of life (Waldfogel et al,. 2002, Brooks Gunn et al., 2002, Ruhm 2004, Gregg et al., 2005). Throughout the first year there is also a health impact: recent studies of OECD countries have found that increases in the length of paid maternity leave are strongly associated with falls in the rate of infant mortality (Ruhm 2000; Tanaka 2005). In part this is because paid maternity leave appears to reduce low birth weight (perhaps because it allows a mother to stop working some weeks before the birth); in part it is likely to be related to higher breastfeeding rates. Both transmission mechanisms point also to long-term implications for morbidity. Focusing on the first three months post-birth, (Berger et al., 2005) find considerable associations between early return to work and a decline in immunisation and breastfeeding; children whose mothers return full-time in the first 12 weeks also display higher rates of behavioural problems at age four.

As context, there is a fairly wide range of maternity leave packages offered across OECD countries (see Bradshaw and Finch 2002). The Scandinavian countries are most generous: Sweden provides 1.2 years of leave which can be shared between parents, most of which is paid at 80 per cent of salary, while Norway offers 48 weeks at 80 per cent of salary or 38 weeks at 100 per cent. At the opposite end of the spectrum, the US is the only country of the 22 examined by Bradshaw and Finch which offers no paid leave at all, though five states pay a maternity allowance for a number of weeks at a low level (e.g. in New York leave is paid at the level of unemployment benefit). Most countries fall into a range of offering between 12 and 18 paid weeks, with compensation between 60 per cent and 80 per cent of salary. It is worth noting that a large number of countries have increased the duration or generosity of either paid maternity leave or parental leave in recent years, as governments seek to make it easier for parents to balance work and family life.

3.1 FORMAL RIGHTS AND ADMINISTRATIVE DATA

Table 1 shows the provision made for maternity benefit in each of the countries covered in this paper. On paper, the situation looks fairly impressive, with all countries offering a period of paid maternity leave comparable in length to average OECD levels, but often at higher rates of compensation. In Bulgaria, Romania and the Commonwealth of Independent States (CIS), working mothers are in general entitled to around four months paid leave (though throughout the CIS at least half of this must be taken before the baby's birth). In most cases, leave is paid in full at the level of the mother's previous monthly salary, though in Belarus minimum and maximum restrictions apply. Exceptions include Romania, where mothers were paid 85 per cent of their monthly earnings over the previous six months until a recent change to 85 per cent of the gross average salary used to set up the state national insurance

budget, benefiting those in lower paid jobs (Romania Country Analytical Report, 2003).[3] Similarly, in Armenia, the benefit is equal to the average monthly salary. In Uzbekistan, the Mahalla (local citizens' self-governing bodies) have been responsible for allocating maternity benefit on the basis of perceived need since 1999, and we have no further details on the guidelines governing length of provision or benefit size (Coudouel and Marnie 1999).

Table 1: Formal rights to paid maternity leave 2003

	Duration	**Value**	**Eligibility**	**Changes since 1989**
Bulgaria	135 days (45 to be taken before the birth and 90 afterwards)	100% earnings; minimum wage for non-insured	Available on both a social insurance and a social assistance basis	
Romania	126 days	85% wage in last six months	Linked to employment; need six months of contributions to social security scheme immediately prior to childbirth.	2000: share of base salary extended to 85% for all 2004: value to change to 85% *average* salary (benefiting those on lower incomes)
Albania	365 days (35+330) plus 25 extra days for multiple births	80% salary over last year for 150 days; then 50%	Employment for more than one year	1994: duration of second part of leave increased from six months
Croatia	6 months, plus additional leave until the child is one (or three for twins and third and subsequent children).	100% salary (with minimum and maximum restrictions; the maximum is lower for additional leave, and a fixed rate is paid after child is one)	Linked to employment	1996: leave extended to three years for twins and third and subsequent children, including for unemployed mothers.

[3] In 2003, National Statistical Offices were asked by the MONEE Project to accompany their standard data reporting with a Country Analytical Report on 'Mothers' Employment and Child Poverty'. These reports have been used as background information and data sources for this paper. They can be downloaded from the IRC's website: www.unicef.org/irc.

Table 1 (cont.): Formal rights to paid maternity leave 2003

FYR Macedonia	9 months plus 3 extra months for multiple births	100% average wage	Conditional on health insurance	
Serbia and Montenegro	365 days	100% earnings (up to maximum 5 times average wage)	Linked to employment	Current law 1992
Belarus	126 days (70+56) plus 14 extra for multiple births/ Complications	100% earnings (with minimum and maximum restrictions)	Linked to employment	1991: period before birth raised from 56 to 70 days
Moldova	126 days plus 14 extra for multiple births/ complications	100% earnings in last 2 months	Linked to employment	
Russia	140 days (70+70) plus 16 extra days for multiples	100% earnings	Linked to employment	1992: duration up from 112 to 140 days 1993: extended to women laid off during pregnancy 1995: extended to full-time students 1997: extended to 156 days for multiple births
Ukraine	126 days (70+56)	100% earnings	Linked to employment	1991: duration up from 112 to 126 days and from 50% to 100% of wage
Armenia	140 days (70+70)	100% earnings	Linked to employment	1991: duration up from 122 to 140 days 2004: to be reduced to 112 days
Azerbaijan	126 days plus 14 if in agriculture, plus 14 for multiple births/ complications; or 16/40 if in agriculture	100% earnings	Linked to employment	Current law 1997/1999
Georgia	126 days (70+56)	100% earnings	Linked to employment	

Table 1 (cont.): Formal rights to paid maternity leave 2003

Kazakhstan	126 days plus 14 for multiple births/ complications	100% earnings	Linked to employment	
Kyrgyzstan	126 days (70+56) plus 14 for multiple births/ complications	100% earnings	Linked to employment	
Tajikistan	140 days (70+70) plus 14 for multiples and 40 for complications	100% earnings	Linked to employment	
Turkmenistan	112 days (56+56) plus 16 for multiples and 40 for complications	100% earnings	Linked to employment	Current law 1998
Uzbekistan	Responsibility for maternity benefit allocation in the hands of citizens' self-government bodies (the Mahalla); allocated on basis of perceived need.			1999: shift away from traditional employment-based system

Source: UNICEF (Women in Transition) RMR6; Social Security Systems Across the World; UNICEF MONEE Country Analytical Reports for 2003 for Romania, Bulgaria, Albania, Moldova, Serbia, Belarus, Turkmenistan, Kazakhstan, Azerbaijan, Tajikistan, Armenia, Kyrgyzstan and Macedonia. Also Coudouel and Marnie 1999 on Uzbekistan.

In South Eastern Europe, formal provision is more generous, with the period of paid leave ranging from six months in Croatia to a full year in Albania and Serbia and Montenegro; in Croatia women can also take additional leave until the child is a year old (or three years old for twins and third and subsequent children), though at a lower rate of compensation. In the Former Yugoslav Republic of Macedonia nine months is available, or twelve for multiple births. In Albania leave is paid at 80 per cent of earnings for the first six months and at 50 per cent thereafter; in the other parts of this sub-region 100 per cent of earnings are replaced, though in some cases with minimum and maximum restrictions.

The final column of the table, which indicates changes since 1989 (where it is has been possible to identify these) shows us that changes have in general made the systems more generous by increasing the number of days paid leave, in an attempt to cushion some of the impact of reforms and perhaps to compensate for the closure of many pre-schools and nurseries as enterprises faced economic crisis (see Section 5 below). In many countries (e.g. Croatia) more generous leave is also part of an openly pro-natalist drive, aimed at reversing the decline in the birth rate. The only country in which maternity rights have tightened is Armenia, where budgetary constraints have led the government to reduce the number of days to 112, after an increase from 122 to 140 at the start of the 1990s.

However, maternity benefit is not a statutory right available to all new mothers. Almost across the board, it forms part of a social insurance package which accompanies formal employment. The self-employed and some agricultural workers are also covered, usually providing they have made insurance payments for a minimum qualifying period. Coverage is also extended in most cases to the registered unemployed, with the monthly benefit set at the level of the minimum wage. But those engaged in informal and black market

employment are not entitled to paid leave; nor are those without work who have left the labour market altogether and are not registered as unemployed. Only Bulgaria stands out as rather different, with maternity benefit available on a social assistance as well as a social insurance basis.

It should be made clear that these limitations on who is eligible for paid maternity benefit are common to most industrialized countries. Indeed the inclusion of the formally unemployed may be seen as generous: Bradshaw and Finch (2002) find that only Belgium, Denmark, Finland, France and the Netherlands offer statutory maternity pay to the unemployed and the self-employed as well as employees; the other 13 countries they examined restrict benefit to those who are employed for a specified period and/or who have been paying social security contributions. Some countries do offer a maternity allowance to those not eligible for maternity pay, but Luxembourg is the only country to offer an allowance to all such mothers; France and Greece offer a means-tested allowance regardless of employment or insurance status, but in Austria, the UK and the US there are employment restrictions.

However, the limitations on eligibility are arguably of particular importance for this part of the world. The transition has seen large increases in informal employment, as state-owned industries collapsed and people sought work in any way they could. There are limited figures on the growth of the informal economy, but scattered evidence points to its significance. The International Labour Organisation estimates that the share of the urban workforce engaged in informal employment grew from 5 per cent to 12 per cent in Kazakhstan between 1994 and 1995 alone; and from 12 per cent to 30 per cent in Kyrgyzstan between 1994 and 1999 (ILO 2003)[4] Kolev (1998) found the informal job market being used as an essential safety valve in Russia in 1995 for those laid off or experiencing long periods of unpaid leave in formal sector jobs. The Clean Clothes Campaign has estimated that in parts of Poland as much as 50 per cent of clothing manufacturing takes place in the grey economy (cited in Pollert 2002). We also know that in several countries, employment in agriculture increased in the 1990s as other forms of employment disappeared: in Azerbaijan and Romania the share working in agriculture rose from 30 per cent to over 40 per cent, while in Moldova, Tajikistan and Kyrgyzstan over half the population worked in agriculture by the early 2000s (Cazes and Nesporova 2003). In many cases this is likely to mean working on a family farm or plot of land. At the same time, a number of discouraged workers have left the labour market altogether. Registered unemployment has never really taken off, perhaps in large part because the level of benefits, outpaced by inflation, has hardly been worth claiming.

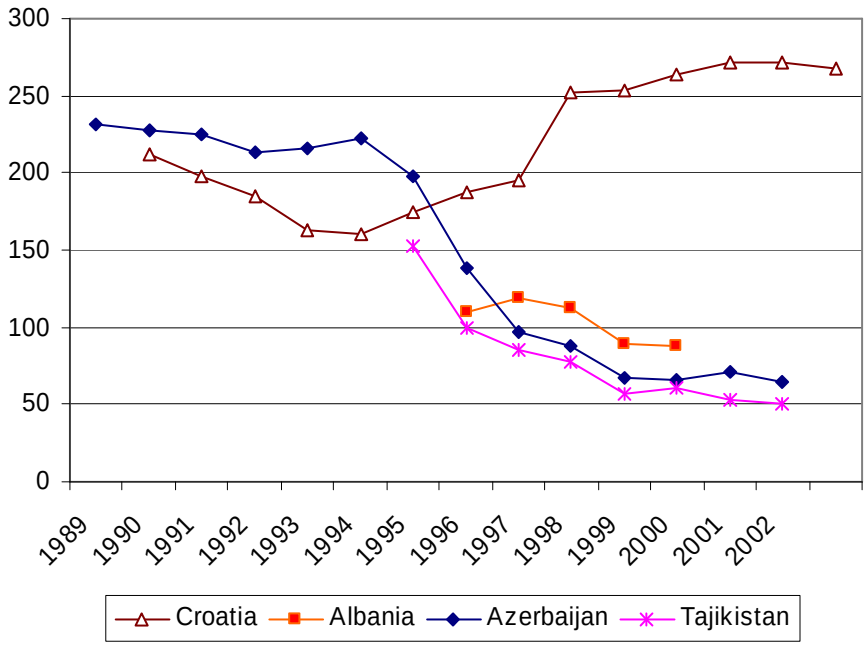
Women appear to have been disproportionately affected by the employment situation. In Russia, for example, women lost seven million formal sector jobs between 1990 and 1995 while men lost one to two million (UNICEF 1999). Evidence from Central Asia also suggests that a greater proportion of female than male employees have been laid off, and that more women than men are on unpaid leave (Falkingham 2001). In addition, women appear to face greater difficulty in re-entering employment. Evans-Klock and Samorodov, 1998 (cited in Falkingham, 2001) report that women were hired for just one out of every four new jobs in Kyrgyzstan. A study for Poland found married status to be a serious handicap for unemployed women (UNICEF 1999), a result which may well be more broadly applicable: in Albania, job

[4] Note, however, that definitions vary slightly for the two estimates for Kyrgyzstan: the 1994 estimate excludes the electricity, gas and water sectors; while the 1999 estimate excludes agriculture. Both Kazakhstan estimates exclude agriculture, mining, construction, trade, restaurants and hotels, suggesting the true figures would be much higher.

announcements can be seen daily calling for single women, in contravention of the country's labour code (Albania Country Analytical Report 2003). It is no surprise, then, that, while formal rights remain strong, this does not always translate into positive reality, and the level of take-up of paid maternity leave in practice appears to have fallen sharply across much of the region. (At the same time, there is evidence that the formal rights themselves may be having a negative impact on female labour market outcomes: the Poverty Reduction Strategy Paper for Macedonia claims that maternity leave costs are responsible for lower female wages (Government of the Republic of Macedonia 2002, p.21)).

Figure 4 shows available data for four countries, taken from the MONEE database. The figure shows the change in the average number of days paid maternity leave taken for each live birth since 1989, an average taken across all mothers, whether they take any paid leave or not. In the case of Azerbaijan, some 230 days were taken on average at the start of the period, dropping sharply from the mid-1990s to just 60 days in 2002, less than half the formal entitlement. (It is not clear why the number of days exceeds the level of formal entitlement at the start of the period; it may be that the data records all those who are on leave, including those on unpaid leave at the end of the period of paid leave.) Fewer data are available for Tajikistan and Albania, but the trend and number of days taken appears similar, though decline in Albania is less sharp. However, in Croatia we see a very different story, with numbers of days leave taken rising across the period. The increase may reflect the change in Croatian law in 1996 which extended the right to paid additional leave to three years for twins and third and subsequent children, including for unemployed mothers.

Figure 4: Average days maternity leave for each live birth



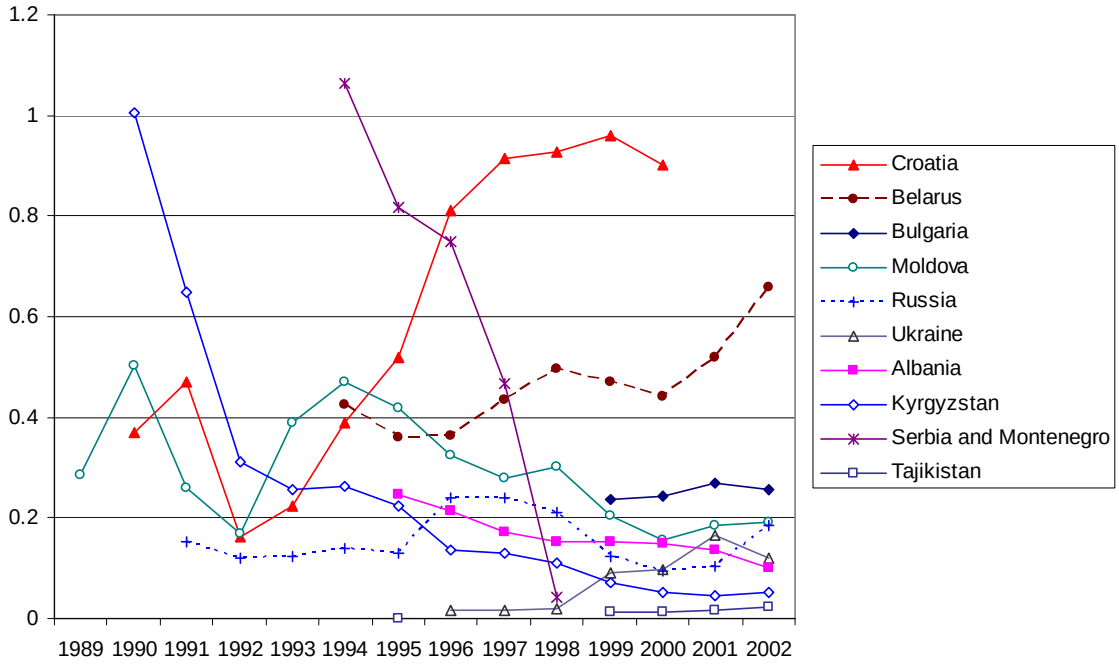
Source: TransMONEE database 2004.

The Country Analytical Reports drawn up for UNICEF by national statistical offices provide some information for other countries. In particular, the Moldovan report notes that a large difference between the number of live births and the number of paid maternity allowances (and also birth grants) has emerged for the first time only in the last few years, with births now four times higher than paid maternity allowances (Moldova Country

Analytical Report 2003). The report points to the rise in the number of non-insured mothers, those who were outside the labour market at the qualifying point of 30 weeks of pregnancy.

Another indication of numbers claiming is given by data on total government spending on maternity leave payments, shown in Figure 5 (spending on birth grants and parental leave is also included to be fair to countries which are more generous on one of these aspects of support). Once again, Croatia stands out, with spending rising as a share of GDP throughout the 1990s to reach 0.9 per cent by 2000; the World Bank (2001, p.31) also points to 'exceptionally high levels of spending on social transfers' in general in Croatia. However, the spending share has also been rising steadily in Belarus, reaching 0.65 per cent by 2002; and has remained stable at around 0.25 per cent in Bulgaria. Ukraine, Russia and arguably Moldova show signs of an upward trend in recent years as economies have recovered, though spending remains low. In all other countries with available data, spending has fallen (precipitously in the cases of Kyrgyzstan and Serbia and Montenegro), now lies below 0.2 per cent of GDP and shows little sign of recovery. For much of the period this represents a shrinking share of a shrinking pie.

Figure 5: Spending on maternity leave benefits as a share of GDP



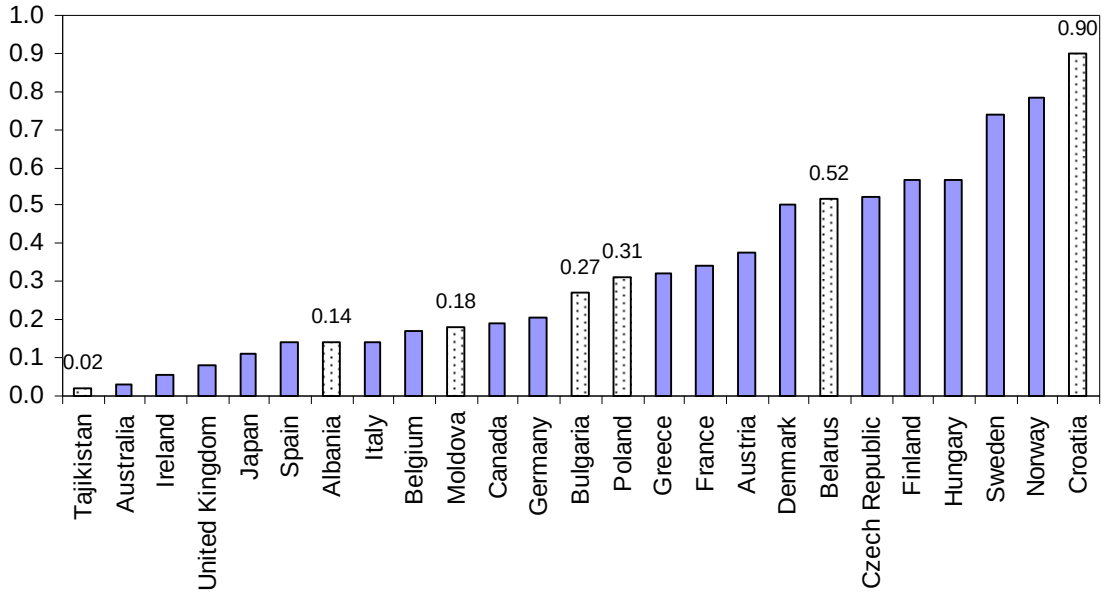
Source: TransMONEE database 2004.

Note: Includes spending on maternity leave, parental leave and birth grants.

This level of expenditure is not strikingly low compared with spending on maternity benefits as a share of GDP in many other OECD countries, as is illustrated in Figure 6. The current spending share in Croatia ranks that country up ahead of Sweden and Norway, while Belarus also ranks very highly. Bulgaria falls somewhere in the middle of the chart, between Germany and Poland, while Moldova and Albania look comparable to Portugal, Spain, Italy and Belgium, with spending more generous than in Australia, Ireland or the UK. However, it may be argued that rankings at this end of the international table are disappointing for countries with a strong inheritance in this area, especially given the negative direction of

change in many cases. The performances of other former Communist states such as Hungary, the Czech Republic and Poland serve as indications of what this group of countries could perhaps be aspiring to.

Figure 6: Spending on maternity leave benefits as a share of GDP in OECD and SEE/CIS countries, 2001



Source: OECD calculated from OECD Social Expenditure Database (SOCX) 2004. SEE/CIS from TransMONEE database.

Note: Data include spending on maternity allowances, paternity leave, parental leave and birth grants as well as statutory maternity pay. 'Very poor' is defined as a household living below an expenditure poverty line of US$ 2.15 a day per person, and 'poor' as living in a household with less than US$ 4.30 a day per person (the category 'poor' therefore includes the 'very poor'). In Bulgaria, 17 per cent and 42 per cent of households with a child under 6 fall into this category under the definition of expenditure used here, which excludes expenditure on rent, health care and durables. See Menchini and Redmond (2006) for further detail.

3.2 MATERNITY BENEFIT: EVIDENCE FROM MICRODATA

In sum, the prevalence of paid maternity leave appears to be falling across much of the region, despite formal rules which are generally moving towards greater generosity. Microdata analysis gives us perhaps the most reliable estimate of the share of women receiving benefit in practice, as well – in principle – as allowing us to investigate whether there are differences within countries in the characteristics of women on paid leave; for instance, whether poorer or richer mothers are more likely to receive maternity benefit.

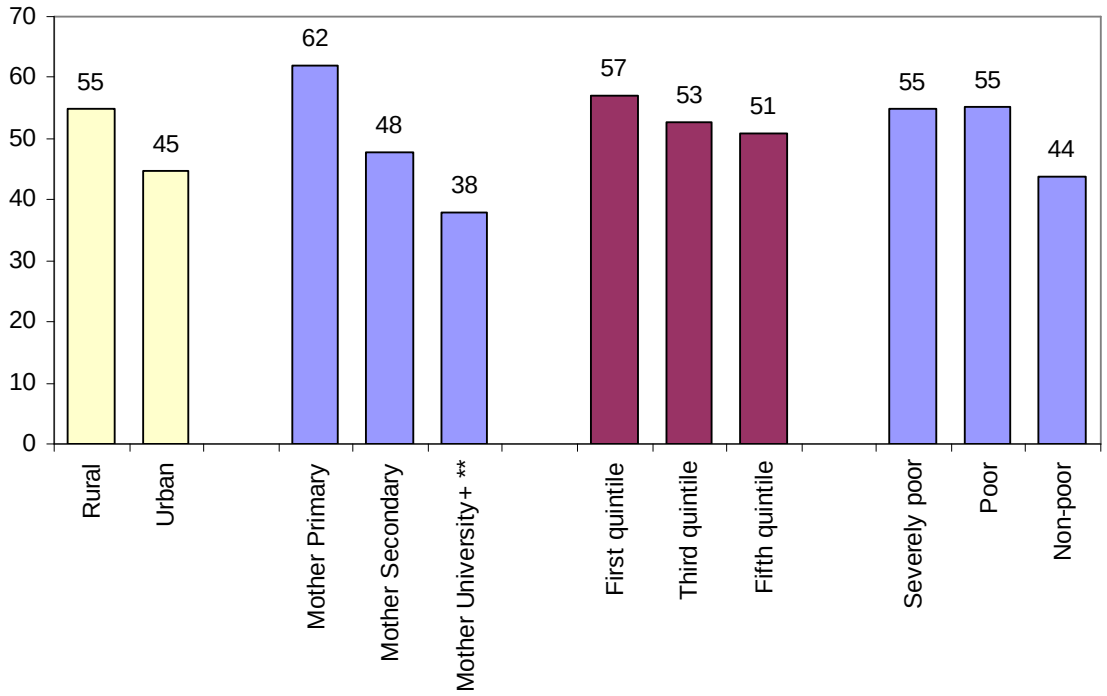
As noted above, microdata analysis was conducted for four countries – Albania, Bulgaria, Moldova and Tajikistan (details and summary statistics for the four surveys are provided in Annex 1). For Moldova, the household survey unfortunately contained no questions on maternity benefit receipt. For two of the remaining three countries, Albania and Tajikistan, just 1.4 per cent and 0.35 per cent respectively of households containing a child aged under two claimed to receive any income from maternity benefit. This is despite

extremely generous formal provision in Albania – a full year's leave, paid at 80 per cent of salary for the first 150 days and at 50 per cent for the remainder. In common with most of the rest of the former Soviet Union, formal leave is considerably shorter in Tajikistan – 140 days on full pay, of which 70 are to be taken before the birth and 70 after. At best, then, we would expect less than 10 per cent of Tajik households with a child under two to be reporting maternity benefit receipt. But the true figure is far lower, and suggests that in reality only a tiny fraction of mothers of newborns receive any paid leave. Measurement error may also be a partial explanation, but the finding is supported for Tajikistan at least by the very low spending share recorded in Figure 5: the employment-linked nature of the maternity benefit system appears to exclude the vast majority.

The tiny number of recipients rules out further analysis of the characteristics of those on leave in Albania and Tajikistan. In Bulgaria, in contrast, receipt of maternity benefit is very common: nearly half of households with a child under two (47%) were receiving benefit at the time of interview. In Bulgaria, mothers are formally entitled to take paid leave until a child is two, although on a reduced level of benefit (the minimum wage) after the first three months. As noted above, uniquely among countries in the region, in Bulgaria leave is available on a social assistance as well as a social insurance basis, with benefit in this case paid at the level of the minimum wage from the start. The fact that benefit is not solely linked to employment may explain why such a comparatively high share of Bulgarian mothers are able to take it up. Analysis of the characteristics of those in receipt further indicates that at least as many women from poor as non-poor backgrounds benefit. Figure 7 illustrates, showing receipt by urban-rural status, mother's education, expenditure quintile and poverty status.[5] Receipt is more prevalent in urban areas and among less advantaged categories, although only in the case of education are the differences statistically significant (perhaps because of the small size of the sample: there are just 194 women with a child under 2). The education results are striking: mothers with only primary education appear to be nearly twice as likely as those with a university degree to receive maternity benefit.

[5] Poverty status is measured against two poverty lines, one of US $2.15 per capita per day ('very poor'), and one of US $4.30 per capita per day ('poor', a category which encompasses the 'very poor'). Both lines are converted into local currency from US dollars using Purchasing Power Parity exchange rates based on OECD estimates for the year 2000. The World Bank has argued that the $2.15 line is more appropriate for the Europe and Central Asia region than the standard dollar-a-day line because of the extra costs of heat, winter clothing and food in colder climates (see World Bank, 2000). The $4.30 line is also used as it is likely to be more appropriate to the richer parts of the region, such as Bulgaria.

Figure 7: Share of households with a child 0-2 with a member in receipt of maternity benefit: Bulgaria 2001 (survey data)



Source: authors' analysis of Bulgaria 2001 household survey.

Notes: (1) N=194. (2) 'Very poor' is defined as a household living below an expenditure poverty line of US$2.15 a day per person, and 'poor' as living in a household with less than US$4.30 a day per person. Hence the 'very poor' are a subset of the 'poor'. In Bulgaria, 17 per cent and 42 per cent of households with a child under 6 fall into this category under the definition of expenditure used here, which excludes expenditure on rent, health care and durables. See Menchini and Redmond, forthcoming for further detail. (3) Categories marked ** are significantly different from the reference group (the first in each category) at the 5 per cent level. The only significant difference in this case is between mothers with primary and university education. (4) Quintiles are expenditure quintiles, calculated across the full population.

The higher share of mothers with lower education who are receiving maternity benefit may reflect a greater incentive and motivation to return to work early among mothers with more interesting and more highly paid jobs. It is plausible that most higher paid women choose to return to work after three months, when the right to leave on full pay runs out, while lower paid women – and those without jobs – prefer to remain off work for up to the full two years, compensated at the rate of the minimum wage. What a high level of coverage does not tell us in itself, of course, is how important the benefit is for family incomes. The minimum wage in many countries has fallen to very low levels, so for those claiming maternity benefit through social assistance or beyond the three months on full pay it may be that the level of the benefit is rather insignificant. In practice, however, maternity benefit in Bulgaria does appear to represent a very important share of household expenditure for those receiving it, particularly in the bottom quintiles. On average, receipt is equal to some 41 per cent of household expenditure in the bottom quintile (among those receiving the benefit), and to between 21 per cent and 27 per cent in higher quintiles.

In sum, Bulgaria appears to be the only country of eighteen covered in this paper which tries to ensure that all women receive some paid time at home in the months after childbirth, regardless of their employment history, by making maternity benefit available through the social assistance system. This effort is reflected in the survey data results, as well as in the overall spending data shown in Figure 5, where we see spending on maternity benefits as a share of GDP in Bulgaria well above that in Albania and Tajikistan, the other countries with microdata. We noted earlier in this section that the social assistance element of the Bulgarian system is unusual also for OECD countries, very few of which make maternity payments of any kind to mothers who are not employees and are not covered by insurance. Bulgaria may offer something of a unique model for other countries in the SEE and CIS region to follow, certainly in the short and medium-term, given the widespread phenomena of non-employment and informal employment which have accompanied the transition.

4. FAMILY ALLOWANCES

In many countries across the world, at least some part of child allowances are universal – paid to all households with children regardless of income – reflecting a belief that children are a public good, not simply a private lifestyle choice, and that society as a whole should assist with the extra costs households face in bringing them up. Elsewhere, allowances are means-tested – aimed at providing most support to those in most difficulty, and at protecting children from poverty because of the impact this can have on the rest of their lives. Some countries employ a combination of the two types of allowance. Bradshaw and Finch (2002) find that 14 of 22 industrialized countries examined have a universal child benefit (the exceptions are Australia, Canada, the USA, New Zealand, Germany, Italy, Portugal and Spain), while 10 pay a means-tested benefit. Five countries (Austria, France, Greece, Ireland and Japan) pay both a universal and an income-related benefit, while three (Australia, Canada and New Zealand) pay neither, though each of these has a system of income-related tax credits for families with children. Bradshaw and Finch point to a general trend towards delivering support to families through the tax system in this way: for instance, a number of countries such as the UK combine a universal child benefit with an income-related tax credit. However, tax credits are not considered further here given the less developed nature of the tax system in many of the countries covered in this paper.

The advantages and disadvantages of means-testing versus universal provision have been widely rehearsed (see e.g. Atkinson 1995). Targeting resources on those most in need seems certain to allow a greater reduction in poverty for a given investment. However, targeting brings with it a considerable administrative burden. The mechanism for the means-test needs to be well-designed and well implemented, and carries with it the risk of excluding some of those in most need, because of the stigma of applying for a means-tested benefit, because of lack of information or because of poor administration. In the words of Weisbrod (1970), means-tested benefits may be guaranteed to be better than universal systems at providing ‘vertical efficiency’ (ensuring that only the poor receive assistance), but may be less effective at delivering ‘horizontal efficiency’ (ensuring that all the poor receive assistance). There are also disincentive effects that have to be taken into account: means-tested benefits are withdrawn as private income rises, creating the danger of a poverty trap in which households have no incentive to increase their income through earnings, for example.

Universal benefits, on the other hand, are straightforward and relatively cheap to administer, and have a much higher likelihood of covering all the poor. Universal benefits can

be politically more popular, because richer and more vocal groups benefit too. They are also more likely to be updated in line with incomes, as those in positions of power are also in receipt of the benefits and are more keenly aware of their value. A universal allowance system is inclusive and can help feelings of national solidarity; there is less danger of middle-income groups resenting the benefits enjoyed by those perceived as idle. But universal benefits are clearly expensive for the reduction in poverty they deliver, assuming they are not taxed back from higher-income households. In particular, to make a serious impact on the depth of poverty would require universal benefits of considerable size. Given the resource constraints (and the difficulties in tax collection) facing some of the countries in this study, this point cannot be easily dismissed.

4.1 FORMAL ALLOWANCES AND ADMINISTRATIVE DATA

It is widely perceived that, prior to transition, most countries in the communist bloc provided universal monthly child allowances. In reality, however, guaranteed employment was the general method of ensuring an acceptable standard of living for the majority of households, with child allowances made only to particular categories perceived to be in need. The USSR operated a means-tested system for which only a minority qualified, with non-means-tested allowances paid only to single parent families and to two parent families for the fourth and subsequent child; the level of these allowances remained unchanged between 1948 and 1979 (Atkinson and Micklewright 1992). Child allowances were more important in Central and South Eastern Europe, where, despite income- and employment-related restrictions, the majority of families received them (UNICEF 1997). For example, in Bulgaria, child benefits made up between 3 per cent and 20 per cent of household per capita income in 1987, depending on family size (Gantcheva and Kolev 2001).

In the early years of transition, many countries in the region introduced universal cash benefits to families with children for the first time, in an attempt to cushion families against the negative welfare effects of market reforms, such as the removal of price subsidies and the closure of enterprises (UNICEF 1997). But during the 1990s, as needs grew and resources fell, means-testing became more prevalent. Table 2 summarizes rights to monthly cash allowances across the region. Means-testing is now the norm, although a handful of countries retain a universal element. Romania stands out sharply, with a universal system which was introduced for the first time in 1993 and has been retained since. (Romania also has a complementary system of means-tested allowances for low income families and single parents.) In Belarus and Azerbaijan, universal allowances are made until a child is three, after which the system becomes means-tested. Similarly, in Moldova, children up to 18 months receive a universal benefit, after which means-testing is introduced. In Tajikistan, children receive an allowance up to 18 months but only if their family is insured, and a school-based means-tested allowance is also available for children aged 7-15. Several countries provide a universal birth grant.

Table 2: Family allowances 2003

	Eligibility (age and other restrictions)	Means-test or universal?	Level of allowance per month 2003	Extras? (e.g. birth grant)
Bulgaria	Under 18 if in full-time education. All covered except those self-employed *and* without social insurance.	Means-test (unless long-term disabled). Was universal until 2002.	18 leva	Universal birth grant: 200 leva per child
Romania	Under 16 (under 18 if disabled or full-time education)	Universal since 1993	130,000 lei (double if disabled) plus 50,000 extra if 2 children; 100,000 if 3 children; 125,000 if 4+ children	Universal birth grant 387,317 for first four children
Albania	No specific child allowance. General economic assistance.	Means-test (unless disabled or blind family member). Income test plus must have limited means to raise income.	Decided by local authority.	Birth grant to insured parents: one-half of minimum wage
Croatia		Means-test	665-1330 kumas, plus extra 15% eligible single parents and 25% orphans and disabled	Lump sum maternity grant 850 kumas, employment linked
FYR Macedonia	Under 19s (15-18 only if in full-time education). Only first three children eligible. Social insurance based: employment-linked restrictions.	Means-test: income below 16% average (or 32% for single parents) Plus universal supplement for disabled.	4.6% average wage until 15; 7.3% 15-18.	New-born package of products for first-born only

Table 2 (cont.): Family allowances 2003

Serbia and Montenegro	Employment-linked restrictions.	Means-test.	900 dinar (plus 30% if single parent or child disabled)	Means-tested birth grant.
Belarus	0-16 (or to 18 if disabled)	Universal to age 3; means-test 3-16 (unless disabled).	65% minimum subsistence until age 3; 30% thereafter if eligible.	Universal birth grant of 200% minimum subsistence level.
Moldova		Universal to 18 months; then means-test	0-18 months 100 lei if insured; 75 if not. After 18 months 25 lei (3.6% average wage)	Universal birth grant 420 lei first child if insured (300 if not). Subsequent children 280 lei (200).
Russia	Under 16s	Means-test (below locally determined subsistence level)	600 rubles until 18 months (35% subsistence minimum); then 140 rubles	Means-tested birth grant (depending on birth order)
Ukraine		Means-test (2002 below subsistence minimum of 80 hryvnas)	Benefits defined annually as a share of subsistence minimum (previously share minimum wage). Extra for single parents and disabled children.	Universal prenatal benefit plus birth grant of twice subsistence minimum
Armenia	Benefits for low income families target families with adolescent children.	Means-test. 68% of families received 2003.	2000 drams per adolescent.	

Table 2 (cont.): Family allowances 2003

Azerbaijan		Means-test (except children of military, war invalids and martyrs, and those who helped during Chernobyl accident)	9,000 manat per child (more for special cases listed)	Means-tested birth grant of 70,000 manat.
Georgia	Family benefits cancelled 1995, except for benefits for single mothers and second children.			
Kazakhstan	Since 2002, no specific child benefit: targeted social assistance to all families below the poverty line.	Means-test: families below the poverty line (40% of the living wage) receive assistance to bring them up to the line. 8% families qualified 2002; children the largest group. (Plus allowances for disabled and families with four or more children.)		Universal birth grant introduced January 2003 (15 Monthly Unit Rates = 13,080 tenge).
Kyrgyzstan	Specific child benefit only for certain categories (large families, single mothers, twins and triplets). Targeted support for low income families.	Low-income families can receive the Unified Monthly Benefit, aimed at bringing them to the Guaranteed Minimum Level of Consumption (social standard set to ensure poor families survival). Currently well below subsistence minimum.		
Tajikistan	0-18 months on social insurance basis; then 7-15 eligible for targeted assistance	Universal until 18 months (if insured). Means-test 6-15. Parents' councils at schools decide eligibility. In 2002 20% received.	6 sonomi per quarter per child.	Universal birth allowance on social insurance basis. 3 minimum wages for first child; 2 for second; 1 for third onwards.
Turkmenistan	No specific child benefit since 1998. Low income families (some 15% of population) receive some benefits, such as cheaper pre-school.			

Table 2 (cont.): Family allowances 2003

Uzbekistan	Since 1997, child benefit in the hands of citizens' self-government bodies (the Mahalla). Available to families with children under 16 and per capita income below a given minimum threshold. The Mahalla decide which of these families require assistance (taking into account whether they have opportunities to increase their income), and they pay out benefits.	50% minimum wage for one child; 100% for two children; 140% for three children; 175% for four plus children.	

Sources: Social Security Systems Across the World; UNICEF Country Analytical Reports 2003; Note to MONEE Project (11 Dec 2001) for Kyrgyzstan; UNICEF, 1997 for Georgia; UNDP 2004 for Kazakhstan; Micklewright et al., 2001 and Coudouel and Marnie, 1999 for Uzbekistan; World Bank, 2002 for Bulgaria and World Bank, 2003a for Albania**.**

Elsewhere all family allowances are means-tested – where they still exist. In a number of countries specific family allowances have been dropped and replaced with general support to low-income households. In Albania, a general means-tested cash benefit is available for families with low earned income and little possibility of improving their situation. In Georgia most family benefits were cancelled in 1995, except for an allowance to children of single mothers and to all second children under 16. In Kazakhstan, child allowances were abolished in 2002, though a universal birth grant was introduced in January 2003 and there are plans to reintroduce child allowances in the future (UNDP Kazakhstan 2004). Targeted support is available for low-income families. Similarly, Kyrgyzstan offers only very limited allowances for specific categories, including large families, single mothers, twins and triplets, alongside general social assistance for low-income families (note to the MONEE project, 11 December 2001). Turkmenistan abolished child allowances in 1998 and offers no other financial support to low-income families, although they may qualify for some in-kind benefits, such as cheaper pre-school places.

In at least two cases there are no formal rules for the allocation of support; instead, local bodies of citizens are in charge. In the case of Uzbekistan the decision over who qualifies for child allowances is in the hands of citizens' local community bodies (the pre-Soviet Mahalla) (see Coudouel and Marnie 1999; Micklewright et al., 2001). Families with per capita income below a given amount (1-1.5 times the minimum wage) can apply for assistance, and the Mahalla decides allocation depending on the family's other material circumstances and whether it believes the family has the ability to increase its income in other ways (through finding work or better exploiting an agricultural plot). The Mahalla also determines the allocation of more general assistance for low-income families. In Tajikistan, similarly, eligibility for the fixed per-child income supplement for school-children is determined locally, this time by parents' councils at the school.

Figure 8 shows what has happened to numbers receiving family allowances in practice, using administrative data collected from national statistical offices by UNICEF. As might be expected, a stark contrast emerges between Romania, where all children receive an allowance, and most other countries. In several countries, including Bulgaria, Azerbaijan and

Kazakhstan, we see coverage falling through the 1990s from near universal levels to between 15 per cent and 40 per cent. Often the date of introduction of means-testing can be clearly discerned in the figure: in Belarus in 1992, in Azerbaijan in 1993, in Armenia in 1996, in Bulgaria in 2002; the cancellation of most family benefits in Georgia in 1995 is also visible. For Serbia and Montenegro, the point of introduction of means-testing is not evident, though the Montenegro Poverty Reduction Strategy Paper notes that the move from universal allowances saw a fall in the number of recipients from 152,000 to 13,000 children (Montenegro 2004, p.41).

On the other hand, in Ukraine the share of children benefiting from an allowance has been steadily increasing, and in Russia and Azerbaijan the most recent trend is a slight improvement. Elsewhere, such as in the countries of the former Yugoslavia and in Moldova the share of children benefiting has remained steady below the 20 per cent level. (It is not clear why the data imply very different starting points for the various former Soviet republics. Alastair McAuley wrote of the Soviet system in 1991, 'Since the procedures for establishing entitlement seem to me to be fairly bureaucratic, I would be surprised if all those who qualify for a particular allowance in fact receive it' (cited in Atkinson and Micklewright 1992, p 218). It appears that bureaucratic procedures operated with varying effectiveness across the country.)

Figure 8: Share of children 0-16 receiving family allowances

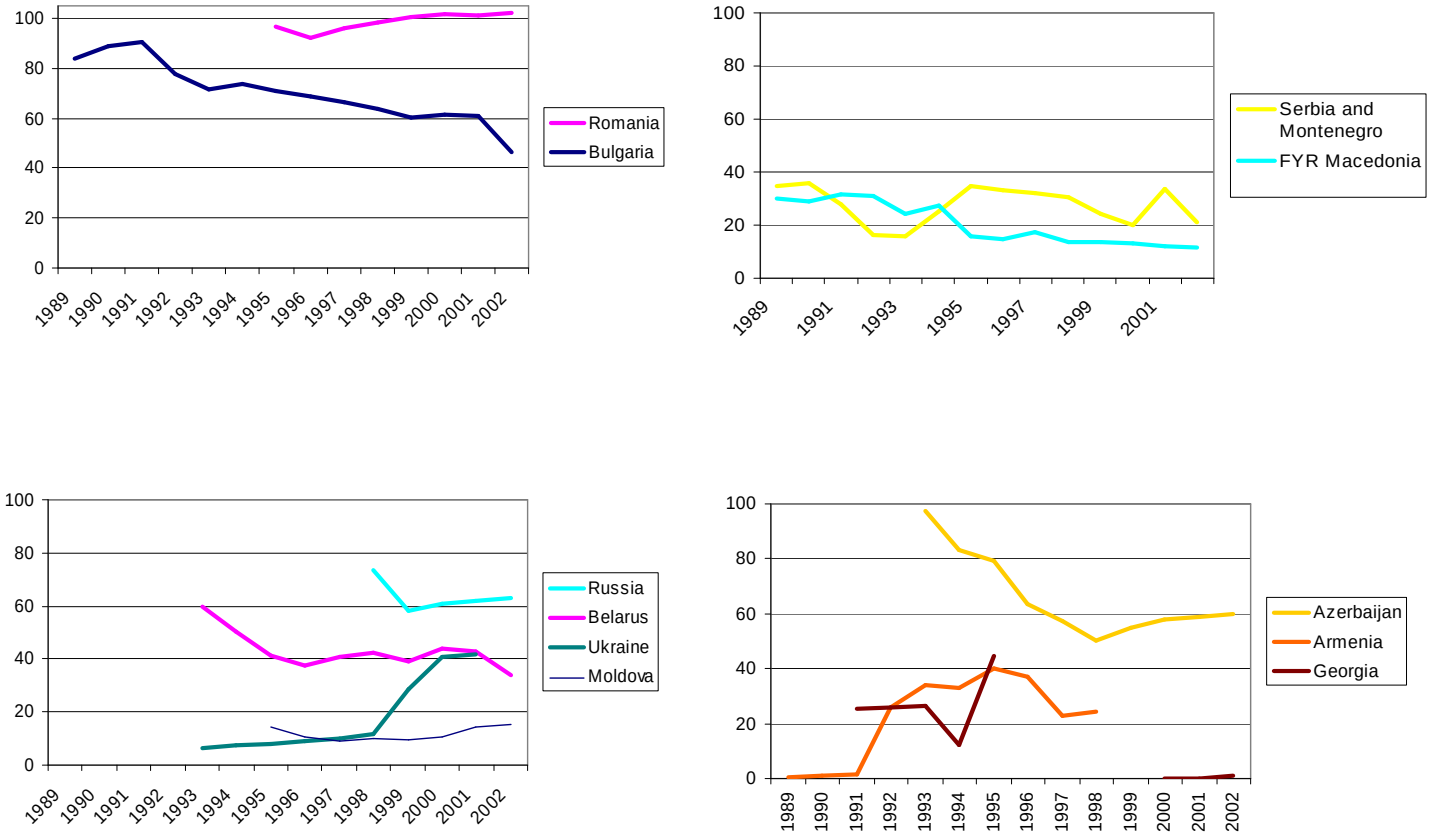
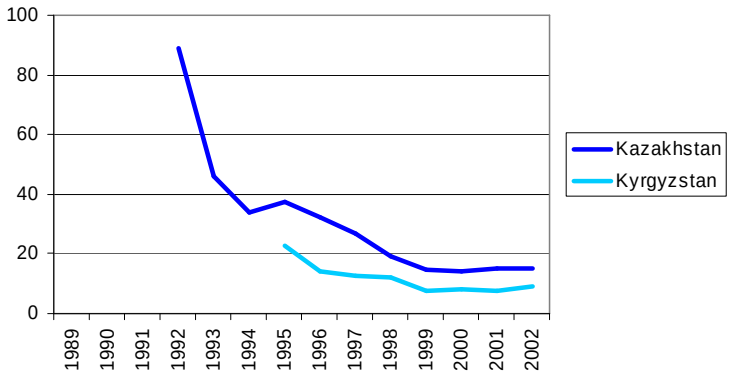


Figure 8 (cont): Share of children 0-16 receiving family allowances



Source: TransMONEE database 2004.

Notes: Share is calculated as the number receiving family allowance over the total population 0-16. In some cases only children under 16 are eligible for an allowance; hence the calculated share can be over 100 per cent. For Kyrgyzstan, figure shows number of low-income families receiving monthly assistance.

Of countries for whom no trend data are available, we do have some evidence on receipt from other sources. The Tajikistan Country Analytical Report claims that roughly 20 per cent of school-age children received support in 2002 through the school-based system operating in Tajikistan, though this may be simply because the 20 per cent poorest children in each school are intended to receive the benefit (World Bank 2005, p.32). Using microdata for Uzbekistan, Coudouel and Marnie 1999 report that within the first six months of the Mahalla-operated child benefit scheme, 33 per cent of families with children had received the benefit (just under 50% had applied). A more recent survey on the Mahalla points to a lower figure – just 15 per cent – although it is not clear whether this is a share of all households or just those with children (World Bank, 2003c).

Where numbers of claimants are falling it is important to remember that this is unlikely to reflect only the formal operation of a targeted system (as indeed has been indicated by McAuley's comment on the Soviet case). Evidence from western countries suggests that incomplete take-up is common where benefits are means-tested, as a result of perceived stigma and imperfect information regarding eligibility. In addition, where administrative capacity is weak – and/or resources are tight – even eligible families who apply for allowances may not receive them in practice. This can apply even to universal allowance systems. Survey data from the mid-1990s show half or more families in Russia did not receive what was meant at that time to be a universal benefit, with the system of local financing of the benefit seen as the problem (Klugman et al., 2002). As a means of coping with limited resources, means-testing was introduced in many Russian regions de facto during the late 1990s, before being formalised in 1998. But in January 2003, Russia still faced huge arrears in family allowances, with 25 billion rubles owed (85% from regional budgets and 15% from the central budget) Russia Country Analytical Report (2003), and other countries had also built up debts, including Serbia and the Ukraine (respective Country Analytical Reports 2003). The data in Figure 8 hence reflect the net result of two factors: the share of

children formally entitled to benefit and the effectiveness of the system in reaching those eligible.

4.2 BENEFIT LEVELS

Figure 8 has illustrated the share of children receiving allowances. The extent to which these allowances will make a difference to levels of poverty will depend on who receives them and on how much they receive. A country with a low share of children covered may yet be very effective at reducing poverty if benefits are generous and reach the families most in need. Here we look at evidence on the levels of family allowances. The question of which families receive them and the difference they make can only be answered with the use of microdata, and is addressed in the following two sub-sections.

Table 3 shows trends in the value of child allowances as a share of the average wage. In practice, almost all countries have seen the value of child allowances erode through the period, though at varying rates. Exceptions include Ukraine and Belarus: both governments made substantial real increases in the allowance between 2001 and 2002. In Serbia and Montenegro the level has fluctuated over the period. Of course, in most of these countries, average wages themselves fell sharply during the first half of the 1990s, with only South Eastern Europe, Belarus and Georgia having regained their 1989 value by 2002, according to information collected by UNICEF. (The wage result for Georgia seems likely to be inaccurate, given the very deep recession and slow recovery that country has experienced.) Hence the table understates the deterioration in the real value of family allowances. For Moldova, for example, Cornia, 2004, Table 8 records a much steeper reduction in child allowances as a share of household income, from 1.7 per cent in 1995 to 0.3 per cent in 2002.

Table 3: Family allowance as a share of average wage (monthly per child allowance assuming a two-parent, two-child family)

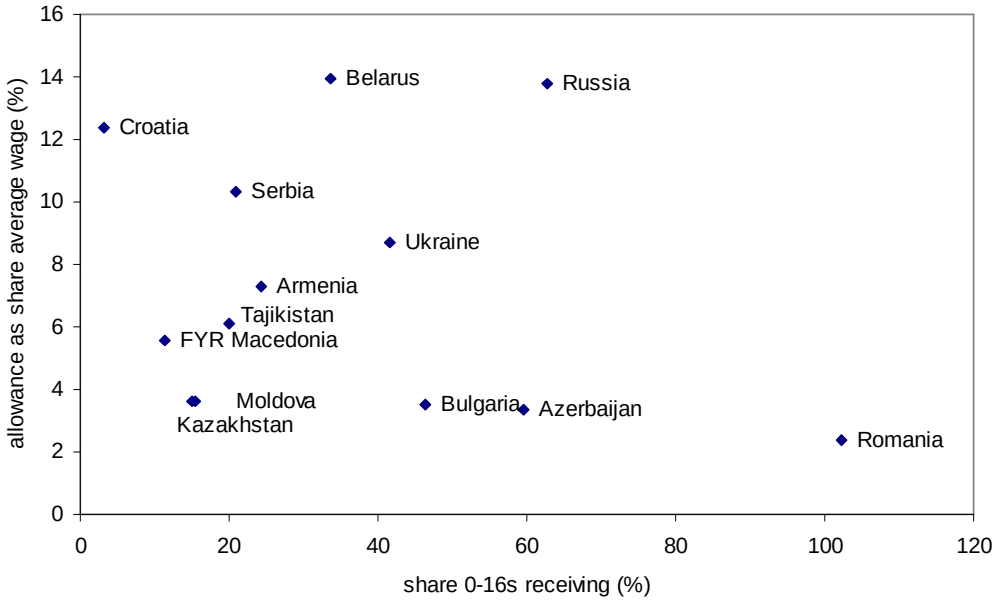
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Romania										2.4
Bulgaria	7.3	6.4	5.7	5.0	5.0	4.7	4.3	3.8	3.5	
Croatia										12.4
FYR Macedonia	6.3	6.7	6.9	6.8	6.1	6.4	6.2	5.9	5.4	5.6
Serbia & Montenegro		15.9	9.9	74	11.5	11.6	14.2	12.3		10.3
Belarus	9.3	6.5	6.1	7.6	8.8	9.9	10.5	9.6	9.5	13.9
Moldova			5.5	5.0	6.7	6.5	5.3	4.0	4.6	3.6
Ukraine						10.9	3.7	3.4	4.8	8.7
Russia										13.8
Armenia	16.4	22.3	12.7	9.1	14.9					7.3
Azerbaijan	5.4	3.7	2.5	7.6	6.4	5.6	4.9	5.1	4.2	3.3
Kazakhstan			8.6	10.5	9.9	8.8	5.6	4.5	4.0	3.6
Tajikistan										6.1
Uzbekistan								30.0		

Source: Calculated from average wage and family allowance levels as given in TransMONEE Database, except for Romania, Croatia, Russia, Tajikistan and Uzbekistan where MONEE contains no data on family allowances. The source for the remarkable figure for Uzbekistan is different. It comes from the World Bank (2003c, p.123), which cites both administrative and Family Budget Survey data for the year 2000. For the remaining countries formal allowance levels (as detailed in the Country Analytical Reports) were used.

As Table 3 shows, in 2002 there are considerable differences across countries in the size of family allowances, with a range from just 2.4 per cent of the average wage in Romania and 3.3 per cent in Azerbaijan (a figure supported by analysis in the Azerbaijan Poverty Reduction Strategy Paper; see Republic of Azerbaijan, 2003, p.34) to over 10 per cent in Croatia, Serbia and Montenegro and Russia and 30 per cent in Uzbekistan (the source for this number is different, but it is reported by the World Bank, (2003c), citing both administrative and Family Budget Survey data). Considering countries grouped by sub-region, the highest values are in South-Eastern Europe (though not in FYR Macedonia) and in the Western CIS (with the clear exception of Moldova). Much lower levels are seen in the Caucasus and Central Asia (with the exception of Uzbekistan). Perhaps surprisingly, it is in Central Eastern Europe – Bulgaria and Romania – that allowances appear to have the lowest value with respect to the average wage

The very low level of benefits in Romania in particular suggests a trade-off between the ability to provide universal benefits and the generosity of those benefits. This is explored further in Figure 9 which plots the share receiving benefits against the benefit level. Aside from Romania, there is little evidence of such a trade-off (though Uzbekistan, if included in the figure, would also support the hypothesis). For the other countries, we see considerable range in the breadth of the system for a given benefit level, and vice versa. Russia stands out as offering a relatively generous benefit to a relatively high share of children. However, as noted, the Russian system suffers from an extremely high level of arrears, and the figure is likely to reflect only the formal picture. Using the Russian Longitudinal Monitoring Survey, Kanji (2004) finds child benefit in 2000 making up just 3 per cent of the income of households with children, suggesting a reality rather different than the 14 per cent of the average wage indicated in Table 4.

Figure 9: Comparing the breadth and depth of family allowance systems: scatterplot of allowances as a share of the average wage against the share of children receiving them



Source: MONEE Database 2004; Tajikistan Country Analytical Report for Tajikistan. Note: Data for 2001 or 2002. Uzbekistan data not included because of its different source and nature and to avoid distorting the figure: World Bank (2003c) gives the share of households receiving a child allowance at 15 per cent and the allowance as a share of the average wage at 30 per cent.

4.3 GOVERNMENT SPENDING ON FAMILY ALLOWANCES

Figure 10 shows how the level of government spending on family allowances has changed in real terms in six countries since 1991 (or the nearest available year). An index of spending on family allowances is plotted against both an index of real GDP and an index of spending on pensions, to gain a sense of the relative priority afforded to spending on young children as opposed to other age groups. In Russia, Bulgaria and Kazakhstan, we observe dramatic falls in spending on family allowances to between just 10 per cent and 20 per cent of the starting level, and there is no evidence of any increase in spending once GDP begins to recover in the second half of the 1990s. This is in sharp contrast to pension expenditure, which has been better protected and has kept up with GDP over the period as a whole. To take the example of Bulgaria, pension spending falls in the first half of the 1990s, but by much less than spending on family allowances, and then recovers quickly once GDP starts to grow.

The picture in the three countries shown on the right hand side of the figure is rather more positive from the perspective of young children (though in each case we are restricted to a more recent starting point: we do not know what happened to family allowance spending in the early 1990s). In Belarus, spending on family allowances clearly suffered much more than spending on pensions as the economy contracted after 1993, but has subsequently recovered with GDP. In both Romania and the Kyrgyz Republic, spending on family allowances has been allowed to fluctuate far more than spending on pensions, but both areas have more or less kept up with GDP growth overall.

Figure 10: GDP and real expenditure on family allowances and pensions in six countries (1991=100 for each series where data allow)

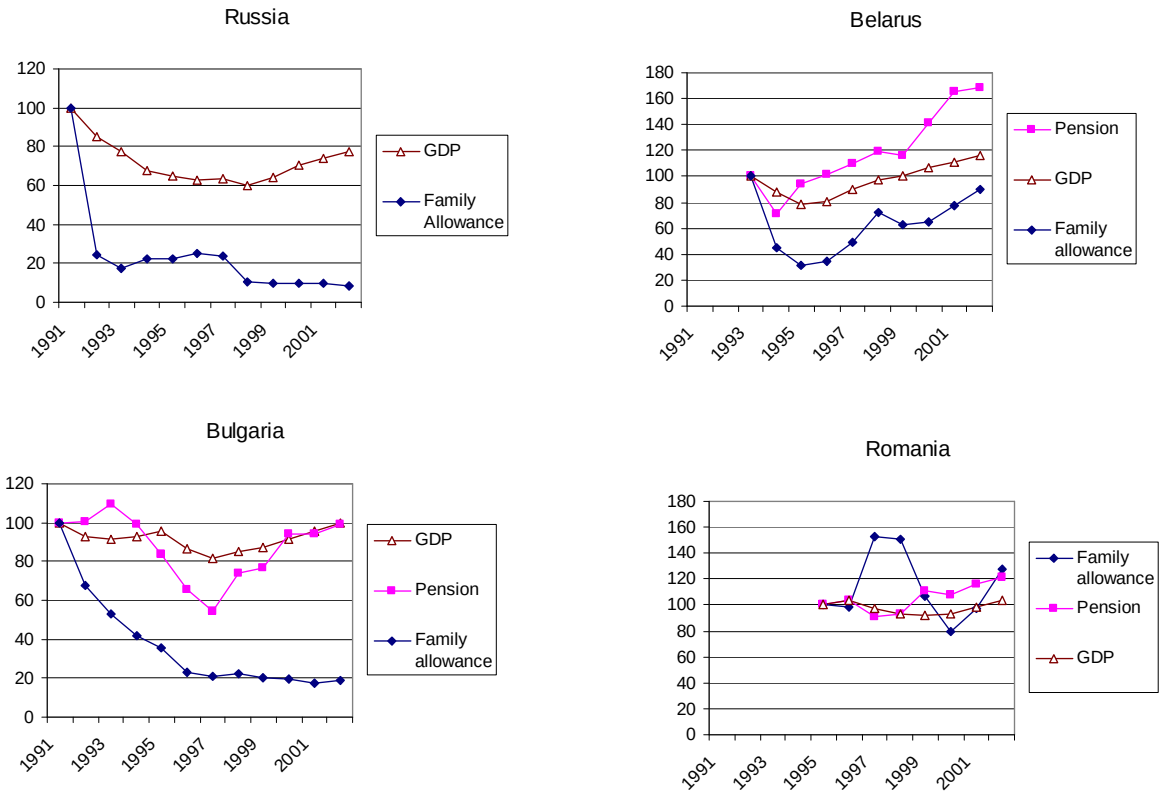
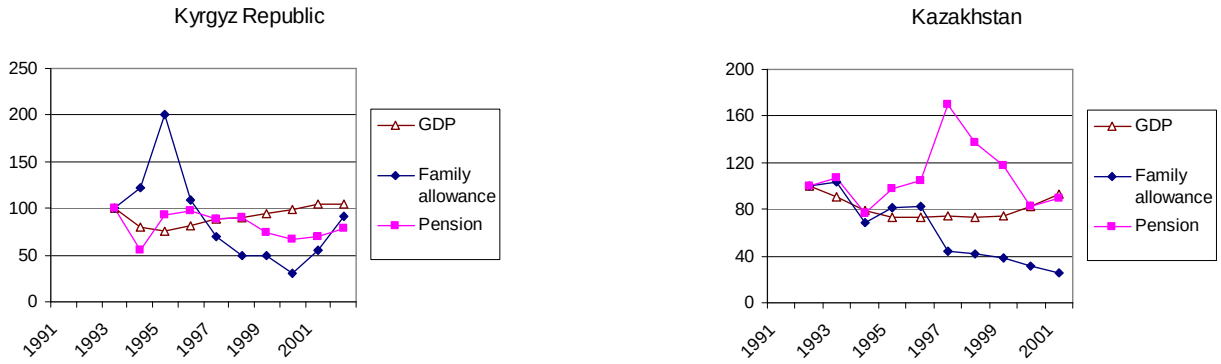


Figure 10 (cont.) GDP and real expenditure on family allowances and pensions in six countries (1991=100 for each series where data allow

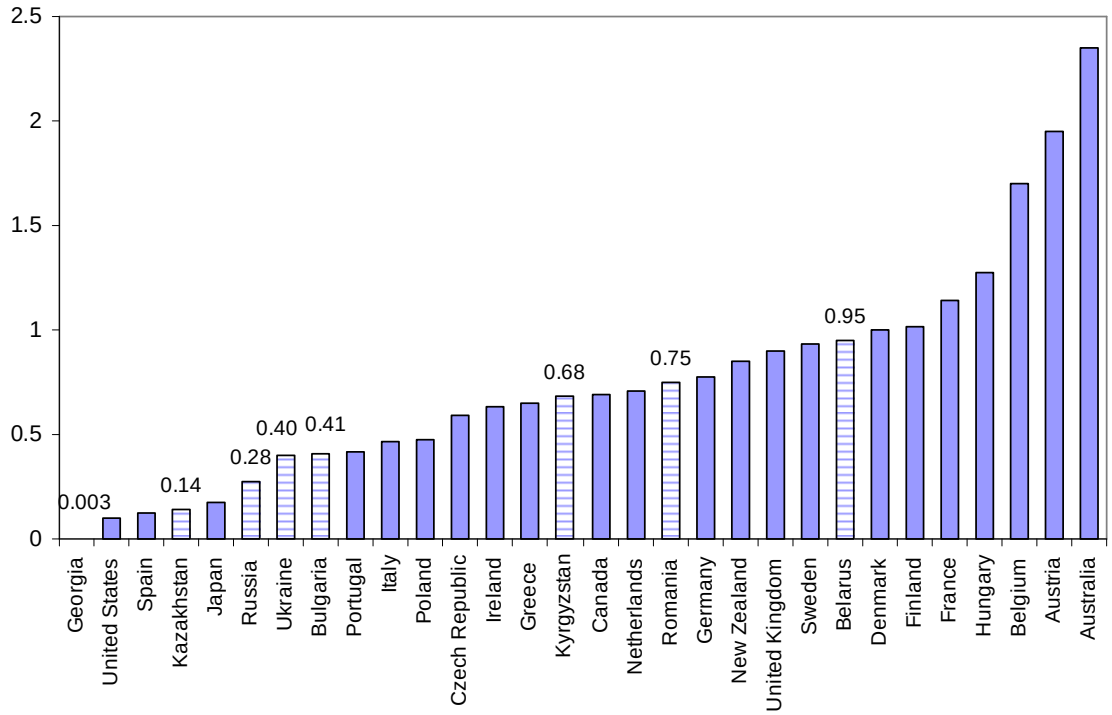


Source: Author calculations from TransMONEE database.

Note: 1991 not available for all years, so nearest possible year taken as starting point for index.

It is true of course that the demographic transition discussed earlier in the paper may justify some shift in the balance of spending from young children to the growing cohort of pensioners. However, the extent of the falls in real expenditure on family allowances observed in Russia, Bulgaria and Kazakhstan go beyond what might be expected on these grounds. The declining value of the family allowance as a share of the average wage in both Bulgaria and Kazakhstan and the fall in the number of children covered in Kazakhstan are also key parts of the explanation. The low level of spending in Russia, meanwhile, supports the hypothesis of extensive arrears in the Russian system. It appears very likely that political factors are coming into play: the pensioner lobby is larger, more vocal and more important in electoral terms than the young children's lobby, and better able to defend its position. There may simply be insufficient pressure on governments to find comparable resources for children. This is not to suggest that pension spending should be cut to make room for child benefits: pensioners remain at high risk of poverty across the region. But the fact that spending on family allowances lags well behind GDP growth while pensions are keeping up suggests that this is not a straightforward question of resource-constraint: many of these countries, if not all, could afford to spend more on family allowances than they are. As international context, Figure 11 shows spending on family allowances as a share of GDP in OECD countries in 2001 alongside nine CIS and SEE countries with comparable data. Belarus, Uzbekistan, Romania and Kyrgyzstan all rank well, falling around or above the average expenditure share. However, Russia, Ukraine, Bulgaria and Kazakstan compare badly, while spending in Georgia is virtually non-existent.

Figure 11: Spending on family allowances as a share of GDP across OECD, SEE and CIS countries 2001



Source: OECD figures calculated from OECD Social Expenditure Database (SOCX) 2004. CEE and CIS (striped bars) from TransMONEE database except Uzbekistan from World Bank (2003c).

Notes: (1) For best comparison with TransMONEE, OECD data include all spending classified as 'family allowances' and exclude other cash benefits to families. This makes a significant difference (more than 0.1 per cent of GDP) to the figures for the UK (where e.g. Income Support payments and Working Families Tax Credit are not included) and to Ireland and the Czech Republic. (2) Data for the Czech Republic are identical in the OECD and TransMONEE databases, but family allowances are considerably higher for Hungary in the OECD data (1.3 per cent of GDP, as reported here) than in TransMONEE (0.9%).

In sum, the analysis so far leaves reason for serious concern about the adequacy of family allowances across most of the region. We observe very low or falling numbers of recipients in all but Romania, Azerbaijan, Russia and Ukraine; falling value of allowances in relation to the average wage in all but Ukraine, Belarus, and possibly Uzbekistan, and very low values (below 5 per cent of the average wage) in Romania, Azerbaijan, Moldova and Kazakhstan. We also observe very low levels of spending as a share of GDP in Russia, Ukraine, Bulgaria, Kazakhstan and Georgia, with only Belarus, Romania, Uzbekistan and Kyrgyzstan comparing well in international terms. On the basis of the data presented above we might classify countries into one of the following groups (interestingly, the classifications cut right across both sub-region and level of GDP):

- A high or rising share of children receiving allowances, but these are very low in value (Romania, Azerbaijan)

- A low or falling share of children receiving allowances, but of reasonable value (Belarus, Serbia and Montenegro, Croatia, Kyrgyzstan, Uzbekistan)

- A low or falling share of children receiving allowances fairly low in value (Moldova, Tajikistan, Armenia, Bulgaria, FYR Macedonia, Kazakhstan (currently birth grant only))

- A high or growing share of children in principle receiving benefits of reasonable value – but evidence points to a different reality because of arrears (Russia, Ukraine)

- No specific child allowance (Albania, Georgia, Turkmenistan)

Of these five categories, only the second may be deemed acceptable, and this only if allowances are well-targeted on those in need. In the following two sub-sections we examine the impact of family allowances in more detail for the four countries with microdata, asking who exactly is in receipt and what difference the allowances make to family incomes. (Regrettably, this is not possible for any of the countries in the second grouping.)

Before moving on, however, it is important to note that who within a family receives a child allowance has great relevance for how effective the system is likely to be. Research in Western countries suggests that the effects of increased income are more likely to reach the children if the income is received by the mother rather than the father (see e.g. Goode et al. 1998 for the UK). For Russia, Grogan, 2004 finds that child benefit is three times as likely to be spent on food as earned household income, and argues that this is because women control child benefit income. A study carried out for UNICEF in ten transition countries found that the norm was for the mother to receive family allowance, usually attached to her wages (reported in UNICEF 1999), but the shift from universal to targeted benefits may have affected this arrangement, as may the fact that many women no longer have a wage packet. Furthermore, in countries operating very localised schemes, e.g. that controlled by the Mahalla in Uzbekistan, it is not clear whether assistance is distributed to men or women. It is not possible to explore this issue further in the context of the current study.

4.4 DISTRIBUTION OF FAMILY ALLOWANCES: EVIDENCE FROM MICRODATA

How much do we know about who receives benefits? Scattered evidence points to concerns that those in receipt are not always those most in need; conversely, those apparently in most need are not always in receipt. For example, survey evidence from Russia in the mid-1990s suggests that most family allowances were going to non-poor families (Denisova et al., 2000, cited in Klugman et al., 2002). The system was formally one of universal provision, but limited resources led to de-facto (and apparently ineffective) means-testing: Denisova et al., argue that the ability of local administrations to identify the poor correctly was “rather limited” (p11). After means-testing was formally introduced, the poorest households were more likely to receive assistance, but with considerable leakage to richer groups: about 11 per cent of child allowances were going to the top quintile in 2003 compared to 30 per cent to the bottom quintile; overall, about half of the child allowance budget went to the richest three quintiles (World Bank 2004, Table 8.8). Similarly, in Azerbaijan in 2001, the World Bank reports that 37 per cent of households in the bottom quintile received a family allowance

compared to 21 per cent in the top quintile (World Bank 2003b, Table 6.1). In neither case do the figures take account of the fact that there are likely to be more children in the bottom than top quintiles, implying some degree of successful targeting but still quite a high level of leakage to higher income groups. Coudouel and Marnie, 1999, examining one region in Uzbekistan under the system of allocation through the Mahalla, find 40 per cent of households in the bottom quintile in receipt, compared to 17 per cent in the top quintile. Using more recent data (2000/01) the World Bank finds an improvement in targeting but lower receipt overall: 26 per cent of households in the bottom quintile received a child allowance compared to 6 per cent in the top (World Bank 2003c).

This sub-section examines the allocation of benefits as reflected in household surveys for the four countries for which we have microdata. It is interesting that each of the four in principle operates a rather different form of child allowance system. In Bulgaria, a means-tested child allowance was introduced in 2002, but at the time of the household survey, 2001, the system was still effectively universal (although administrative data presented in Figure 8 above indicates that in practice only 60 per cent of children under 16 received the benefit). In Albania, there is no specific child benefit, but general 'economic assistance' is allocated on a means-tested basis. In addition to falling below an income threshold, eligible families must have only limited means of generating additional income; that is, all household members should be working if it is perceived that they are able to do so, and available land must be fully exploited (World Bank 2003a). Local authorities are responsible for determining eligibility and for making allocations, and there is some anecdotal evidence that rules are applied rather differently across geographical areas (Alderman 1998).

In Moldova, a universal allowance is available for children from birth to 18 months (higher in value for those with social insurance, but available to all), and a means-test then kicks in; in this case a more straightforward income-based test. Some 18 per cent of children under 16 are recorded in the MONEE database as receiving an allowance in Moldova in 2003. Finally, in Tajikistan, a universal allowance is also paid to children under 18 months, but in this case only if a family has social insurance. After that, no benefits are paid for children until they start school at age six, at which point allowances are paid to families on low incomes. As noted above, however, there are no formal rules governing allocation: while the benefit is a fixed quarterly payment, parents' councils at the schools determine who qualifies. According to the Tajikistan Country Analytical Report 2003, in 2002 some 20 per cent of school children received the benefit.

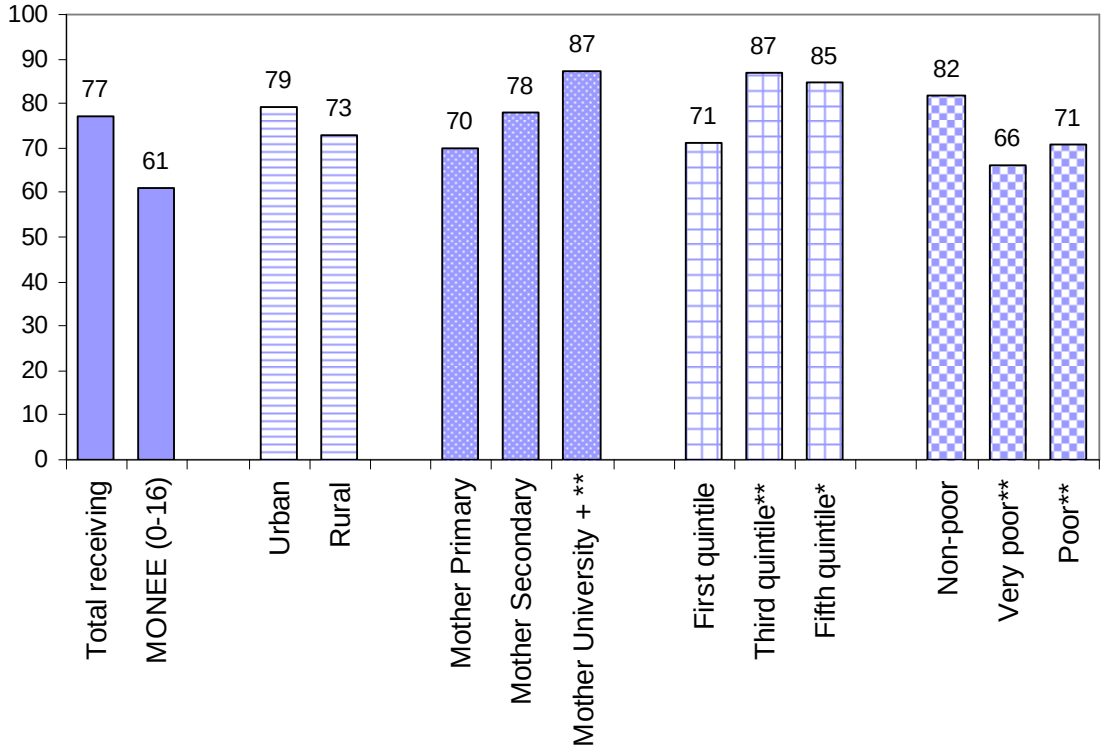
In addition, all four countries also offer a universal birth grant, although in Albania and Tajikistan it is only available to insured parents (in Moldova it is available to all but at a lower rate to the non-insured.)

This makes for potentially interesting analysis of the effectiveness of different forms of support in reaching those most in need. The first thing to note, however, is that analysis of the Tajikistan microdata points to very low levels of receipt of child allowances in practice. We find just 26 households in the survey in receipt of either the monthly allowance or the universal birth grant – less than 2 per cent of families with a child aged 0-2. In keeping with the results for maternity benefit, this may simply indicate the very low share of families covered by insurance. However, receipt of the school-based allowance is also very low, and far below the 20 per cent level indicated in the country report: only 100 families acknowledge receipt, or 2.9 per cent of families with a child aged 0-14. Perhaps because numbers are so small, no significant differences could be identified in who is receiving the benefits, either by urban-rural status, or by expenditure group. But it is a matter for serious concern that such a

low share of families receive assistance, and that there is such considerable disparity between the official story and the picture revealed by the data.

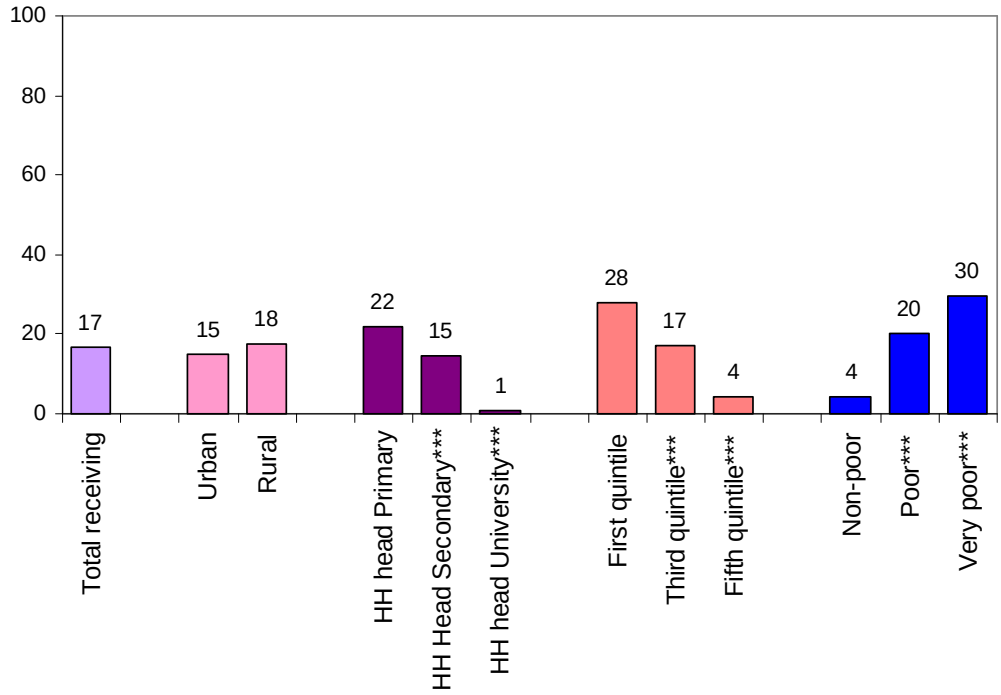
The rest of this section therefore focuses on the remaining three countries. Figures 12 and 13 show a breakdown of who receives child allowance in Bulgaria and Albania respectively; Figures 14 and 15 present the same information for Moldova, with children under two treated separately from those aged 2-6 because of the change in eligibility at 18 months.

Figure 12: Bulgaria: Share of households with a child 0-6 receiving child allowances (monthly allowance and/or birth grant)



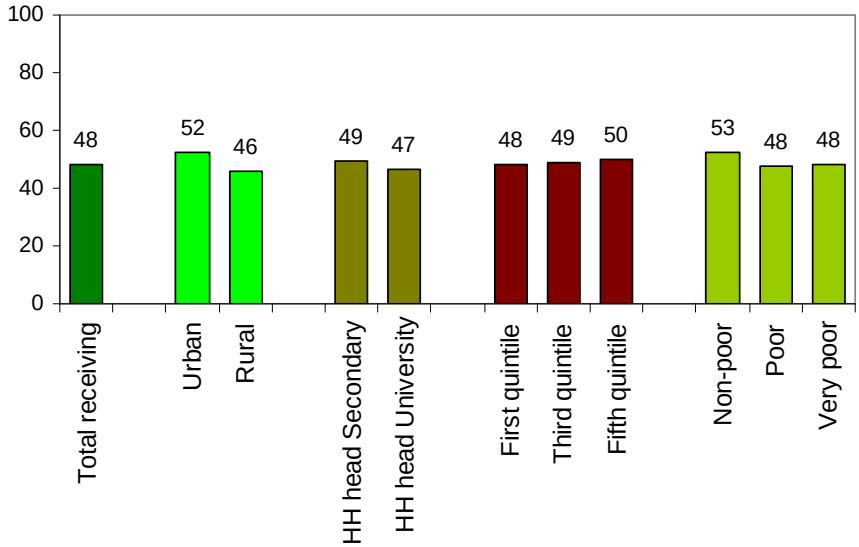
Notes: (1) N=391 households. (2) See notes to Figure 6 for definitions of 'poor' and 'very poor'. (3) Categories marked * are significantly different from the reference category (the first in each grouping) at the 10 per cent level; those marked ** are significantly different at the 5 per cent level. (4) Quintiles are expenditure quintiles for the full population.

Figure 13: Albania: Share of households with a child 0-6 receiving economic assistance



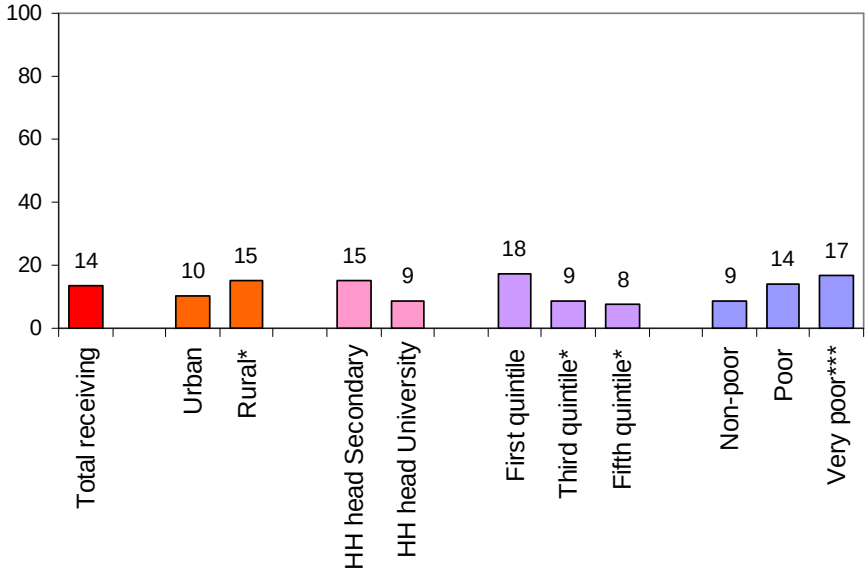
Notes: (1) N=1351. (2) See notes to Figure 6 for definitions of 'poor' and 'very poor'. In Albania, 78 per cent and 24 per cent of households with a child under 6 fall into these categories. (3) Categories marked *** are significantly different from the reference category (the first in each grouping) at the 1 per cent level. (4) Quintiles are expenditure quintiles for the full population.

Figure 14: Moldova: Share of households with a child 0 or 1 receiving child allowances (monthly allowance and/or one-off birth grant)



Notes: (1) N=810. (2) See notes to Figure 6 for definitions of 'poor' and 'very poor'. In Moldova, 90 per cent and 60 per cent of households with a child under 6 fall into these categories. (3) None of the differences between categories are statistically significant.

Figure 15: Moldova: Share of households with a child 2-6 receiving monthly means-tested child allowance



Notes: See Figure 12. Categories marked * are significantly different from the reference category (the first in each grouping) at the 10 per cent level and those marked *** are significantly different at the 1 per cent level.

In Bulgaria, the universal system appears to be ensuring that child allowances reach the majority of households with young children – indeed, the 77 per cent in receipt overall is considerably higher than the 60 per cent share recorded for 0-16 year olds in the administrative data for 2001. (The former figure includes one-off birth grants as well as monthly allowances, which may explain the difference.) On the other hand, the system appears to be benefiting better-off households slightly more than others: households with higher expenditures and those with a more educated mother are somewhat more likely to be in receipt, and these differences are statistically significant. It may be that these households are better informed about available benefits and more adept at claiming them.

In Albania we find a far lower share of households receiving benefit under the means-tested economic assistance system. Targeting does seem to be taking place, with significantly higher receipt among lower expenditure households and those with lower levels of education, marking a contrast with Bulgaria. For instance, nearly one in three households which fall below the PPP $2.15 a day poverty line receives economic assistance, compared to fewer than one in twenty of the non-poor. On the other hand, poor households in Albania are still just half as likely to receive support as the poor in Bulgaria under the universal system, as the figures (which have identical scales) make very clear. In addition, we do see some leakage of benefits to better-off groups, with 4 per cent of those in the top quintile receiving support. This picture is supported by general analysis in World Bank 2003a, p.118, which finds that three quarters of families reached by economic assistance are poor, but that the programme nevertheless misses three quarters of all poor families, including two thirds of very poor families.

The Moldovan system represents a combination of universal benefit and means-testing. Figure 14 shows receipt among households with a child under two, largely reflecting

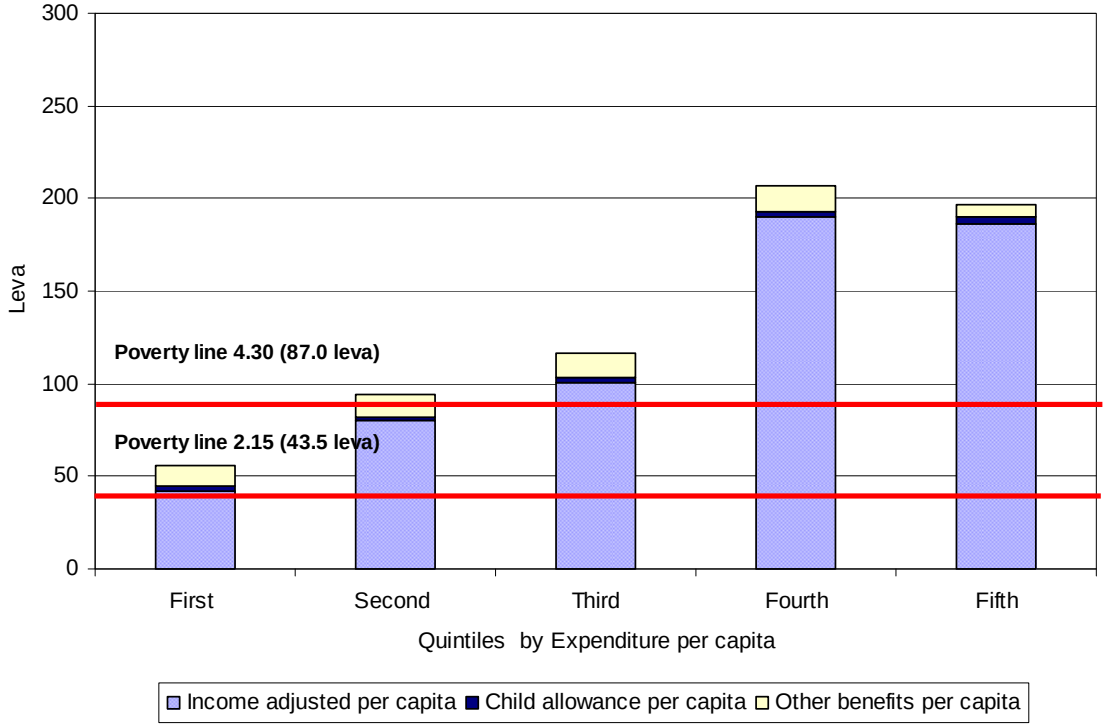
the impact of the universal benefit available for the first 18 months of life (the dataset does not allow us to identify children aged under 18 months precisely). Clearly the benefit is failing to reach all eligible households, but nearly half are receiving it, and we see no differences across income or education groups. Figure 15 shows receipt among households with a child between two and six years old, at which point the allowance is means-tested. Here we do see some significant differences in receipt across household type, with those living below the PPP $2.15 poverty line twice as likely as the non-poor to receive the benefit. Rural households are also significantly more likely to receive an allowance than urban households. Some targeting thus appears to be taking place. However, levels of coverage are extremely low, and for the most disadvantaged groups considerably lower than in the Albanian system. Just one in six households living below the PPP $2.15 poverty line, or in the bottom expenditure quintile, receives a child allowance, raising questions about how much difference the system is really making.

4.5 THE IMPACT OF FAMILY ALLOWANCES ON POVERTY

Figures 12 to 15 have illustrated which households within a country are in receipt of child allowances. We find evidence that benefits are targeted on the poor in Albania and Moldova (more successfully in the former), although in both cases far fewer poor households receive support than do under Bulgaria's universal system. But to assess the effectiveness of a transfer system we also need to know something about the size of allowances received. In this sub-section we examine the impact of allowances on household income at different points in the income distribution, and the extent to which they reduce the poverty headcount and the poverty gap.

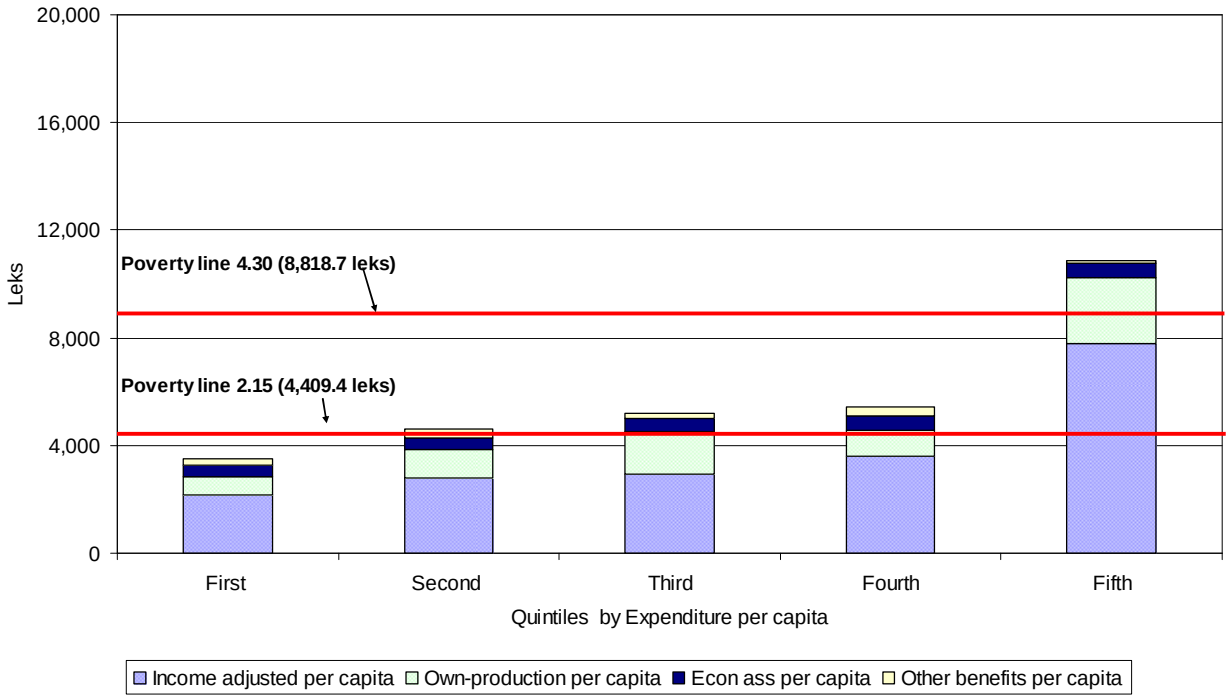
Figures 16 to 18 present evidence on how much difference benefits make in Bulgaria, Albania and Moldova to households who receive them. In order to focus on the question of the size of benefits we begin by including only households who are in receipt of an allowance. Comparable figures including all households with children, whether in receipt or not, are given in Annex 2 and discussed below: these in effect reflect the full story (both the extent of coverage and the size of benefits).

Figure 16: The impact of family allowances on household income in Bulgaria (households with a child 0-6 in receipt of child allowance)



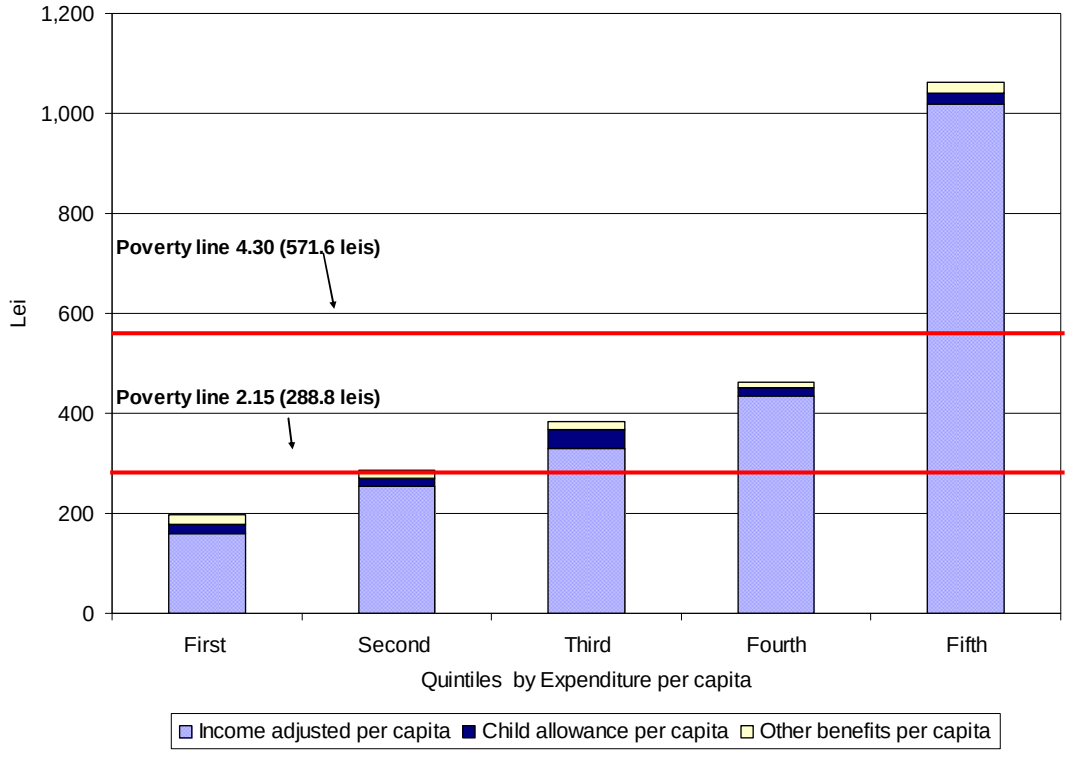
Notes: (1) The figure shows income by source across expenditure quintiles. Income and expenditure are highly correlated but not identical; in this case the income of the fifth expenditure quintile turns out to be lower than that of the fourth expenditure quintile. Expenditure quintiles are used as expenditure is generally considered the more accurate measure of living standards in middle income countries, but we need to use income data also here given the particular nature of the exercise. (2) Income data include all income from private sources, such as wage income, rent and market income from home production. 'Other benefits' includes all income from government benefits excluding child allowances (maternity benefit, pensions, unemployment benefit, sickness benefit, other social protection). (3) All income is equivalised across all household members. (4) Quintiles are determined across the whole population (not just the population of households with a child aged 0-6): to see the distribution of young children across expenditure quintiles see the summary statistics in the Annex Table.

Figure 17: The impact of 'economic assistance' on household income in Albania (households with a child 0-6 in receipt of economic assistance)



Notes: See notes to Figure 14. Own-production is the imputed market value of home production consumed by the household (these data were not available for Bulgaria).

Figure 18: The impact of child allowances on household income in Moldova (households with a child 0-6 in receipt of child allowance, whether universal or means-tested)



In each figure, the bottom segment of the bars shows private market income in each quintile (from the labour market, rent and profit, the sale of own production and other private sources). For Albania, the second bar shows the imputed value of home production consumed within the household; this information is not available for the other two countries (although it is important: the World Bank (2002, Figure 5.6) estimates that in Bulgaria nearly 22 per cent of household food consumption comes from own produced goods, although this is much more important for richer than poorer households, representing 50 per cent of food consumption in the top quintile but only 10 per cent in the bottom quintile).[6] In each case we then have a dark segment which shows us income from the allowances we are interested in – child allowances in Bulgaria and Moldova, economic assistance in Albania. The top segments show income from other government benefits, including pensions (representing the bulk of such income in each case) and also income from unemployment benefit, sick benefit and other social protection. Two horizontal lines on each figure give us the two poverty lines for each country, so that we can see whether benefits are managing to lift households over the line and out of poverty.

The very small scale of child allowances in each country is immediately clear from the figures, showing up in Bulgaria in particular as little more than a dark gash across the quintile bars. In Bulgaria, 'other benefits' are much more substantial (largely pensions, and also maternity benefit, which – as noted above – represents a sizeable share of income for those who receive it). These other benefits appear to be making some difference to the poverty headcount, lifting the average household in the second quintile over the higher poverty line.

In Albania and Moldova, the dark bars show up as considerably larger, and in both cases as at least as important as other forms of government support. The impact on the poverty headcount looks to be greater in Albania, though this is simply by accident of where the poverty line falls. It is worth noting that in both cases the size of the block representing child allowances (or economic assistance) is roughly equal across quintiles (though larger for the middle quintile in Moldova), indicating that among households who qualify, there is little difference across income group in the absolute amount of the grant received.

However, while allowances may make less difference to those who receive them in Bulgaria than in Albania or Moldova, we know that far more households (including far more poorer households) are in receipt in Bulgaria. Annex 2 presents a set of comparable figures to those above, but this time including all households with a child 0-6, whether or not they receive benefit. The figure for Bulgaria looks very similar to Figure 14, as the majority of households with young children do receive an allowance. But the figures for Albania and Moldova illustrate sharply just how little difference benefits are making overall, with the dark lines now scarcely visible.

This information on the overall impact of the system is presented in a different way in Table 4, which gives the change in the household poverty rate and poverty gap for the lower poverty line for each country. (While the poverty rate tells us how many households with children are on incomes below the poverty line, the poverty gap tells us about the depth of poverty – it is an indicator of the extent to which the average poor household falls below the line.)

[6] This difference seems surprising but suggests that land and labour constraints hold lower-earning families back from adding to their income. Home consumption therefore exacerbates private income inequalities rather than alleviating them (World Bank 2002).

Table 4: Impact of child allowances and other benefits on the income poverty rate and poverty gap for households with a child aged 0-6 (taking a poverty line of US$2.15 per capita per day)

		Income only	plus child allowance	plus other benefits	% fall after child allowance	% fall after other benefits
Bulgaria	Poverty Rate	32.9	30.6	21.3	7.0	30.4
	Poverty Gap	15.3	13.6	9.7	11.1	28.7
Albania	Poverty Rate	43.5	42.7	37.1	1.8	13.1
	Poverty Gap	16.7	15.5	13.1	7.2	15.5
Moldova	Poverty Rate	60.4	59.7	55.6	1.2	6.9
	Poverty Gap	23.7	23.0	20.2	3.0	12.2

Note: For Albania, the category of 'economic assistance' is analysed in place of child allowances. Poverty rate is the share of households containing a child aged 0-6 living below the US$2.15 poverty line. Most other calculations in the paper are done using household expenditures; this table, along with Figures 16-18 and Annex Figures 1-3, uses household income.

For each country, Table 4 shows that the impact on the poverty gap is greater than that on the poverty rate, indicating that even where allowances are not lifting families over the poverty line they are helping to reduce the depth of poverty by raising incomes for some of those who remain poor. As expected from the analysis so far, the Bulgarian child allowance system is having a considerably greater impact on both measures than are child allowances in the two other countries, succeeding in reducing the poverty headcount by 7 per cent and the poverty gap by 11 per cent. In Moldova, in contrast, the headcount is hardly touched by the allocation of child allowances, falling by just 1.2 per cent, from 60.4 per cent to 59.7 per cent, and the impact is little larger in Albania.

In each case also, 'other benefits' make much more difference than child allowances, suggesting that state transfers such as pensions are doing far more to protect young children from poverty than benefits aimed at them directly. In Bulgaria these benefits bring down both the poverty rate and the poverty gap by nearly one third (some of this reflects the impact of maternity benefit). This finding fits with World Bank analysis for 2001, which finds pensions making the vast majority of difference to overall poverty measures, reducing the headcount by 18 percentage points while unemployment and social assistance make a difference of just 2 percentage points (World Bank 2002, p.90).

In Albania and Moldova the impact of other benefits is smaller, but still outweighs the effect of economic assistance/child allowances by factors of between two and seven. That pensions should be relevant to households with young children may seem surprising, but the survey data indicates that some 39 per cent of households with children aged 0-6 in Albania and 29 per cent in Moldova also contain a member in receipt of a state pension, suggesting the presence of many multi-generational households (see also Menchini and Redmond, forthcoming). It should be remembered, however, that not all income is likely to be of equal

value to a child, with pension income perhaps less likely to benefit a child than income paid as child benefit to the child's mother. However, studies from both South Africa and Brazil, cited by Barrientos and DeJong (2004), suggest that children do reap material benefit from having a pensioner in the household, though there may be interesting gender differentials.[7]

4.6 IN SUM

In sum, family allowances appear to be having a very small effect on poverty in the countries for which we are able to examine microdata. Bulgaria's universal system is the most effective of the four countries looked at in detail, reaching the greatest share of the poor. But the very low share of GDP spent on these benefits (0.41%) means that resources are being spread far too thinly to make a substantial difference to families most in need. Bulgaria needs to target resources more effectively on the poorest households and/or to spend considerably more overall; ideally both. The evidence of Figures 10 and 11 suggests that Bulgaria could afford to find much more for family allowances if it chose to do so. In 2002, the benefit level was doubled and an income-based means was introduced, but the World Bank estimates that this will have contributed to only a modest reduction in poverty among households with two or more children and will have had no impact on households with one child. It appears that more needs to be done on both fronts.

In the Albanian and Moldovan systems, targeting is arguably reasonably effective. This is particularly true in Albania, where leakage to higher income groups is really very small. Better targeting in Albania than Moldova may be explained by the fact that in Albania the income-based means-test is accompanied by a requirement that the household has only limited means of raising its own income (e.g. through the presence of a non-employed worker or unexploited agricultural land); this may allow authorities to rule out households with income from the informal economy which may go undeclared in a straightforward means-test. However, in neither country are allowances large enough to make much difference to the households who receive them. There may be some small amount of room for more effective allocation of existing resources within the Moldovan system, but in Albania such options appear limited. While we do not have information on total spending in either country, the implication for both is that greater resources must be found. This is surely also the conclusion for Tajikistan, where survey data uncovered virtually no sign of the official school-based transfer system (or indeed of the social-insurance based allowance for children under 18 months).

Considering the region more widely, the dual conclusion of a need for more money and better targeting seems likely to hold for most countries. There are only four countries for whom the evidence suggests child allowances are large enough as a share of the average wage to be effective – Belarus, Uzbekistan, Croatia and Serbia and Montenegro. For the first two, and also for Kyrgystan, we have supporting data indicating that total government spending on these allowances compares well as a share of GDP to the OECD average, while for Croatia we know that spending on social transfers in general is high (World Bank 2001). This suggests that total spending in itself is not the problem, at least for this group, and that allowances are concentrated on a small enough section of the population to be effective. In the absence of survey data, what we do not know – except for the Uzbek case – is whether the

[7] Duflo (2000) found that pension receipt in South Africa improved the height-for-age of children in a household if it was received by a woman, but not by a man. In Brazil, Carvalho (2000) found that school enrolment increased and child labour fell with pension receipt for girls living in a household with a female pensioner, while boys benefited more in households with a male pensioner.

right group are receiving them. For Uzbekistan, evidence presented earlier suggests that targeting through the Mahallas is reasonably effective but could be improved further. For example, only one quarter of those in the bottom quintile receive a child allowance, which means that although benefits are large in size they only reduce the poverty rate by 2 percentage points (World Bank 2003c). In the meantime, 18 per cent in the middle quintile and 12 per cent in the fourth quintile receive the benefit. (One possibility in Uzbekistan is that at 30 per cent of the average wage allowances are too large given the number of people in need, and could be shared out among a greater proportion of poor households.)

Romania is another country which appears to be spending a reasonable amount overall, but in this case a universal system means resources are spread too thinly, as in Bulgaria. If there is limited room to increase total spending on this area (and Figure 11 ranks Romania quite high up the international chart), then targeting is required to ensure that the money available reaches those most in need.

For the other countries in the region, it seems that more needs to be spent in total, and it is also likely that the targeting of benefits could be improved, although survey data is needed to confirm this, and to learn more about which systems are most effective. For example, the World Bank (2004) compares Russia, where 30 per cent of child allowance is captured by the bottom quintile, with Kazakhstan's Social Assistance Program, over 50 per cent of which goes to the bottom quintile. These sorts of comparison may also point to solutions about how to improve targeting. One obvious point relevant to this region is the need to find a means-test which takes income from all sources into account, including both formal income from wages and transfers and informal income from second jobs, activity in the grey economy and agricultural self-employment. The Russian income test appears to be poor at achieving this (World Bank 2004), while the Albanian system of taking account of a household's ability to raise its own private income seems on the basis of the evidence above to work fairly well. Options to be considered alongside the Albanian one might include an asset test, involving criteria relating to housing conditions or key durables. More generally, proxy means tests could provide a solution. These involve the construction of a score based on observable household characteristics which are simple to report and hard to manipulate, including housing quality, household composition, education and working status of household members. Proxy means tests have been used with considerable success in South Africa, Turkey, Mexico, Costa Rica, Jamaica and Chile and may prove valuable in many countries in the CEE/SEE region. The World Bank (2004) simulates a proxy-means test for Russia using 2003 survey data and argues that it would have transformed the targeting mechanism, doubling the effectiveness of existing resources: 61 per cent of beneficiaries would have come from the poorest quintile followed by 25 per cent from the second quintile. A combination of this type of test alongside a considerable boost in funding for child allowances overall could have a serious impact on levels of child poverty in Russia and elsewhere.

One additional advantage to more complex types of test is that they avoid (or at least lessen) the potential problem of disincentives which means-tests bring with them: thus in Uzbekistan, despite allowances of 30 per cent of wages for those who qualify, work-incentives do not appear to be being compromised, probably because the activity status of household members is being taken into account by the Mahalla (World Bank 2003c). In contrast, see Redmond (1999) on the potential extension of a strict income-based means-test on incentives in Hungary: while the targeting of benefits towards the poorest households

improves considerably, this is at the cost of increasing effective marginal tax rates to very high levels for large number of households.

Finally it may be worth paying brief attention to the general pros and cons of locally administered systems, such as those in effect in Uzbekistan and – in principle – in Tajikistan. As noted, there are clear advantages to the Uzbek system, which operates to some extent along the lines of a proxy means test (guideline indicators include monthly income, family composition, labour force participation, ownership of land and durables) but with much greater ability for the Mahalla to take account of individual circumstances. But there are also clear potential disadvantages: most obviously the discretion of the Mahalla could lead to discrimination or to favouritism. Analysis of Mahalla child allowance allocation found that a significant reason for rejection was that 'the committee did not consider their application' (World Bank 2003c): furthermore, poor households were more than twice as likely to report this reason as non-poor households, arguably pointing to the possible influence of better off households with the Mahalla committees (the poor were also more likely to report the need for connections as a reason for rejection). In Tajikistan, the evidence of survey data is that the system is not operating at all, though this is likely to reflect the failure of government to ensure resources reach schools, rather than an allocation failure at the school level.

5. PRE-SCHOOL PROVISION AND ATTENDANCE

Nursery and pre-school provision is often seen as providing a 'double dividend', promoting social and cognitive gains for young children while also combating poverty by providing childcare which enables parents to work. Considerable research evidence from the UK and the US testifies to the effect high quality early years education can have on children's later cognitive and social outcomes (see e.g. Waldfogel 1998; Sylva et al., 2003; Sylva et al., 2004; Schweinhart 2004; Waldfogel 2004; Alakeson 2005). Furthermore, the impact appears to be greater for children from less advantaged households: recent evidence from the UK indicates that, while pre-school attendance does not wipe out the cognitive advantage of middle class children, the influences of social class and poverty can be considerably reduced (Sylva et al., 2004). As far as social outcomes and peer interaction are concerned, Cornia, 2004 points out that the role of pre-school gains a new level of significance where one-child families are increasingly the norm.

It is important to be clear, however, that research points to very different results for children of different age-groups. For very young children, those aged 0-2, the benefits of centre-based day-care are less clear: for example, one UK study points to higher levels of anti-social behaviour for children who spend long hours in nurseries before the age of three, and especially before the age of two (Sylva et al., 2003). The benefits are much more unambiguous for children aged three and above.

For this reason, this section focuses on children from the slightly older age-group, aged three and above. For the youngest children, a case may be made that the collapse of centre-based care and a greater prevalence both of mothers at home and of the use of more informal, home-based, care through grandmothers and others may have brought its own advantages. It is much harder to make such a case for children aged three plus. It is worth noting that when we look at the west, we find considerable variety within countries in childcare provision for younger children, with home carers or childminders playing a key role almost everywhere. Yet we also see a growing consensus that children aged three and up should attend a nursery setting, albeit part-time. Between 95 per cent and 99 per cent of 3-6

year olds in Belgium, France and Italy were enrolled in universal (voluntary and free) pre-school programmes in the mid-1990s (Kamerman 2003). Denmark, Sweden and Finland have coverage rates of 75-85 per cent in settings designed to provide working parents with childcare but also to ensure high quality early years education for young children. In Germany about 85 per cent of 3-6 year olds attend kindergarten part-time (Kamerman 2003), as do 96 per cent of 3 and 4 year olds in the UK, a result of a recent government commitment to provide a free part-time early years place to all children in this age-group (Stewart 2005).

One question that remains is whether old Soviet-style kindergartens offer the same benefits as these western settings. The quality of early year's provision is certainly very important in driving later outcomes, and it is beyond the scope of this paper to judge the quality of provision in the SEE/CIS. We do know however that the Soviet model was very much about early education, and that kindergartens were not simply dumping grounds for children of working parents. Penn 2004 (p.30) points to the 'extraordinary amount of care, intelligence and resources that went into developing the [Soviet] kindergarten system'. She continues (p.31):

> 'Western services, especially those in the English speaking world, rarely aim to be so comprehensive. They do not usually offer such long hours, provide specialist teaching and supervision of teaching. It would be extremely unusual to have specialisations – which are commonplace in former Soviet countries – such as music rooms, gymnasiums or swimming pools. Nurseries do not see it as part of their remit to oversee children's nutrition, rest or exercise… or employ specialists… for special lessons such as dancing. Furthermore, services in the West do not usually inspire such confidence from those who use them'.

Of course, now that more children have a parent at home the traditional Soviet model may no longer be the ideal. For many families, long hours are no longer necessary, for example. A review of how countries can best provide the benefits of early years education to as many children as possible under current economic conditions – for example through greater provision of part-time places – appears long overdue. There are also extremely important questions about how far it has been possible to maintain quality under recent economic conditions, even in those kindergartens which have survived the transition. However, in this paper we focus predominantly on numbers attending pre-school, given that this is all the data we have, and on the assumption that some attendance at kindergartens in whatever their current state is still better than no exposure for most children of this age-group.

5.1 BACKGROUND AND ADMINISTRATIVE DATA ON PRE-SCHOOL PROVISION IN THE SEE/CIS

While pre-school systems in Eastern Europe and the Soviet Union were far more developed than in most middle-income countries, the inheritance regarding provision was far from uniform across the region. Nursery attendance by very young children (under threes) was in fact fairly low in most countries, as provision for a parent to stay at home on extended leave until a child reached three was widespread (in several countries, including Croatia, Romania, Russia, Belarus and Ukraine, this leave has become more generous, or payments have been introduced, since 1989). In only four countries out of sixteen did more than one in five under-threes attend nursery in 1989 (Russia, Ukraine, Belarus and Kazakhstan); only in Belarus did more than half of the age group attend. Pre-school attendance by children aged three plus was much more common, but still very different in the northern and western areas than in the

more southern and eastern states, as illustrated by the blocks in Figure 19 below. Within the Soviet Union, attendance ranged from over 70 per cent in Russia and 64 per cent in Ukraine to 22 per cent in Azerbaijan and 16 per cent in Tajikistan, though these levels are still likely to be higher than those in countries with comparable income levels. Romania and Bulgaria are similar to the Western CIS in displaying high levels of pre-school attendance (similar also to levels in the new EU Member States such as the Czech Republic and Hungary, where attendance was 90 per cent in 2002), in contrast to much lower coverage in Albania and the countries of the former Yugoslavia.

With the onset of transition, both nurseries and pre-schools faced a number of new pressures. Across the region, these services had been based around and funded by state industrial and agricultural enterprises. As enterprises faced financial difficulties and ultimately closure, the supply of pre-school facilities came under threat. In some cases, pre-schools were simply shut and the buildings converted for commercial use as offices or warehouses. In other cases, responsibility was handed to local authorities which themselves faced serious financial pressure, leading to further closures, to the deterioration of conditions inside pre-schools, to shorter opening years (as in the Ukraine) and to the imposition of much higher charges. Unfortunately, probably because funding was traditionally decentralised through enterprises, we have no consistent data on public spending on pre-school institutions now or in the past, but scattered evidence suggests serious reason for concern. In Tajikistan in 2002 it appears that local authorities were fully responsible for funding childcare, with no assistance from the central budget. Just 5.6 per cent of the funds earmarked for the sector were reportedly disbursed (Tajikistan Country Analytical Report 2003). In Kazakhstan, the share of the general education budget spent on kindergarten has been falling steadily, from 7 per cent in 1997 to under 3 per cent in 2003 (Penn 2004, Table1). (However, since 1999 part-time school places have been available for 5 and 6 year olds in Kazakhstan, with about 80 per cent of the age-group now covered, taking some pressure off the pre-school budget.)

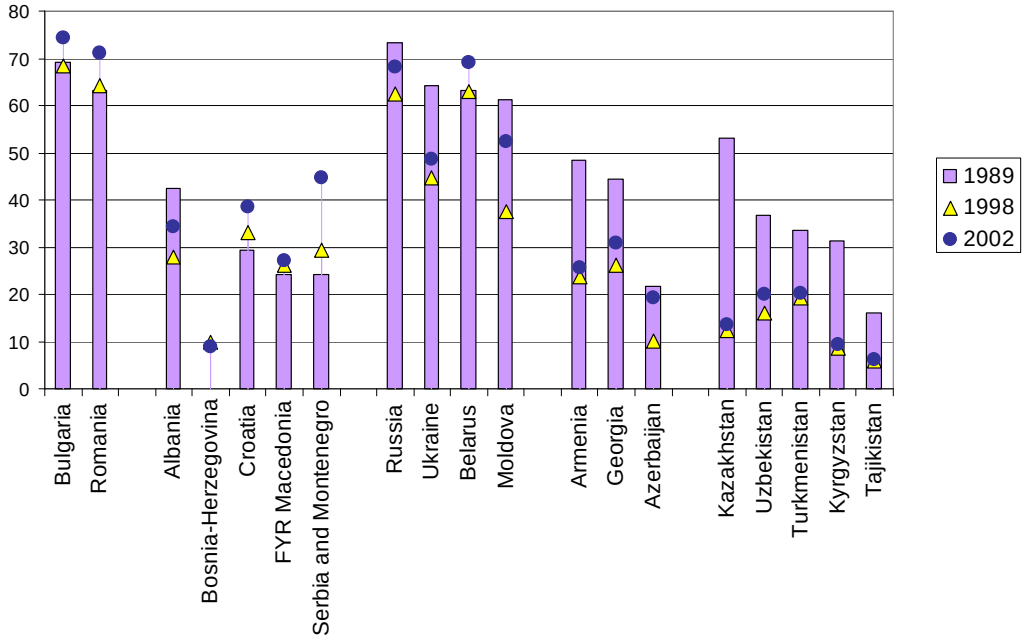
In some countries private kindergartens have emerged into the gap left by the closure of state-run pre-schools and nurseries, but fees are far higher and only accessible to high-income families. In Moldova private kindergarten fees are more than 20 times greater than average fees in the state sector, and just 1 per cent of Moldovan children attend. Naturally, the poorer the country the less well developed is the private sector: in Azerbaijan in 2002 there were three private institutions catering for a total of 100 children, out of a total cohort of 875,000 0-6 year olds (Azerbaijan Country Analytical Report).

At the same time, demand for pre-school has also fallen. In part, this has resulted from falling birth rates. As illustrated earlier in Figure 3, the number of children in the age-group fell sharply over the decade, with recorded falls in the number of 0-6 year olds of between 20 per cent and 50 per cent in all parts of the region except Central Asia. Demand for places will also have been affected in many countries by the rising share of women left without the option of work as a result of enterprise closure and downsizing. Where employment opportunities are more limited, fewer families need a pre-school place for childcare purposes. However, this explanation interacts with a third factor, higher charges, which have clearly themselves had an impact on demand. Many families might make use of pre-school for 3-6 year olds, even where they did not need it for childcare reasons, if it was affordable. Evidence suggests that families are themselves aware of the importance of pre-school for child development, even if they have not read the research literature cited above. Penn 2004 argues that the Soviet system fostered high expectations and high levels of confidence among parents about the role of kindergartens in a child's upbringing. As one mother in Kazakhstan put it: 'I

am a housewife and don't have to send my children to the kindergarten. But I don't have enough knowledge in development and upbringing. They know how to do it in the kindergarten' (quoted in Penn 2004, p31). Similarly, a survey carried out by the State Statistical Committee of Azerbaijan in 2001 found that over half of parents using pre-school were doing so to help the children prepare for school. The second most common response given was to enable the child to mix socially, with the need for childcare given only as the third reason (Azerbaijan Country Analytical Report 2003).

The net result of the various pressures on enrolment rates has been different in different countries. Figure 19 shows that enrolment in pre-school did not fall in Romania or Bulgaria between 1989 and 1998 (shown on the figure by the bars and triangles respectively), nor in much of the former Yugoslavia or in Belarus. In several of these countries, enrolment had risen above 1989 levels by 2002, shown by the dark circles. (Despite the relatively positive situation in Romania, the country report still notes concern about low levels of enrolment, due both to the cost of contributions and to labour market conditions.)

Figure 19: Pre-school attendance among 3-6 year olds 1989, 1998 and 2002



Source: MONEE Project Database

Note: Numbers attending pre-school as a share of 3-6 year age-group.

But in much of the region enrolment fell sharply in the 1990s, collapsing in the Caucasus and Central Asia and falling also in Albania, in Moldova and Ukraine, and to a lesser extent in Russia. In Tajikistan, for example, pre-school attendance – already low – fell by more than half to 6 per cent. In Kazakhstan the drop in pre-school attendance from over 50 per cent attendance to just 12 per cent is particularly shocking, taking it from the country with the best pre-school provision in Central Asia or the Caucasus to among the worst. The country report for Kazakhstan indicates even lower attendance levels in rural areas – just 3 per cent in 2002, attributed to the absence of facilities (Kazakhstan Country Analytical Report 2003). The disintegration of the pre-school system in Kazakhstan was the subject of an Asian

Development Bank Review, reported in Penn 2004. The review argues that as a result of the collapse in funding cited above, only part of the salary costs are now met, while there has been little or no maintenance of most buildings, and food costs are no longer covered. Fees have been introduced at a level which places pre-school beyond the reach of all except two-earner couples and those earning considerably more than the average wage. The average wage of a teacher or a doctor, for example is between 6,000 and 12,000 tenge a month, while the average monthly income of a parent using a kindergarten is 24,000 tenge (Penn 2004, p.30).

For some of the countries experiencing decline between 1989 and 1998, the circles on Figure 19 indicate the beginning of a recovery in enrolment in recent years: this is true most notably for Moldova and Azerbaijan as well as for Albania and Russia. Ukraine, Georgia and Uzekistan also show slight improvements since 2002, but for Armenia and much of Central Asia enrolment appears for the moment to have stagnated at the new low levels.

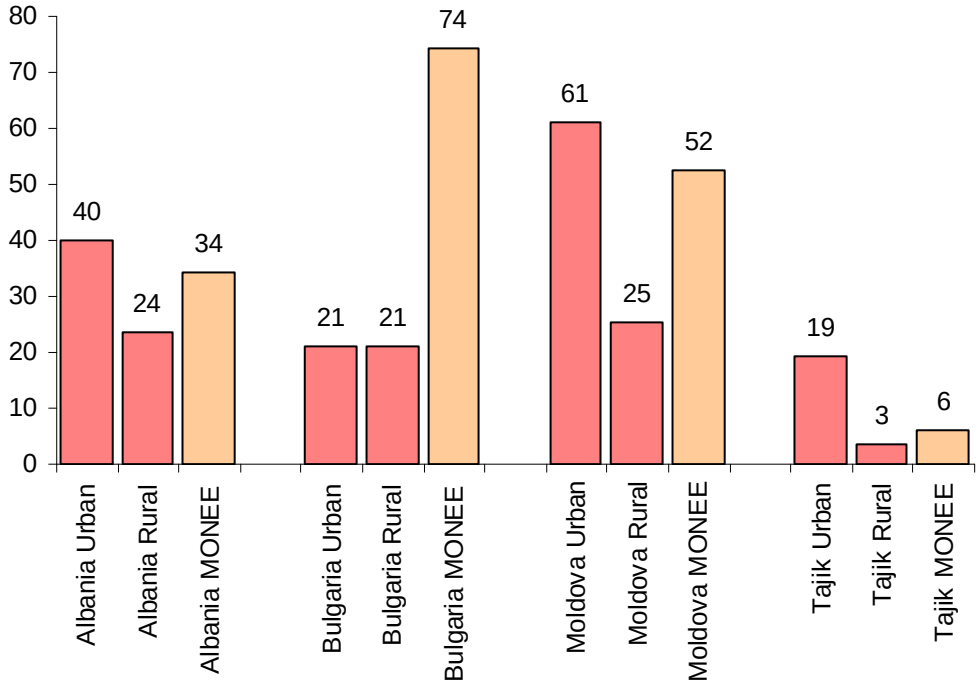
If pre-school is important for child development in the 3-6 age group, falling enrolment clearly raises concerns. These concerns are made more acute if decline has disproportionately affected children from poorer households, compounding the disadvantages these children face when they enter school, and if non-enrolment is driven by lack of availability of pre-school or by prohibitive cost: the removal of the ability to access kindergarten from parents who grew up believing in its importance is likely to have been a cause of stress to low-income families. These are issues we try to explore further in the following sub-section, where we use microdata to examine the distribution of pre-school enrolment between urban and rural areas and across the socio-economic characteristics of families.

5.2 PRE-SCHOOL ATTENDANCE: EVIDENCE FROM MICRODATA

Microdata analysis of pre-school attendance concentrated on the 3-5 age group, rather than on 3-6 year olds, to ensure a focus on pre-school (in some countries formal school starts at age six). Figure 20 shows pre-school attendance from household survey data for each of the four countries, with a breakdown by urban-rural residence. UNICEF administrative data for attendance among 3-6 year olds in the relevant year are presented alongside for comparison. Two things are immediately striking. First, in Albania, Moldova and Tajikistan, attendance rates in urban areas are far higher than in rural areas – nearly twice the rate in Albania, more than twice in Moldova and five times as high in Tajikistan. The very low level of rural attendance is of particular concern in Tajikistan where over three quarters of children in the age-group live in rural areas (see Annex Table).

Second, survey data for Bulgaria indicates a much lower rate of attendance than that suggested by UNICEF data. This is likely to indicate that we are only looking at a subset of those actually in pre-school. The data examined are from the education part of the survey questionnaire: we classify children as attending pre-school if they are between three and five years old and are said to be ‘in school’. While there is also a childcare part of the questionnaire this does not distinguish between types of care, and we decided to stick with those clearly in an education-based form of care rather than risk mixing up pre-school attenders with those in informal home-based settings. For the other three countries, survey data is broadly consistent with the UNICEF data, though a little lower than expected in Albania and Moldova.

Figure 20: Pre-school attendance among 3-5 year olds by urban/rural residence, 2001-3



Source: authors' calculations from household survey data for each country. Note: N=894 for Albania; N=205 for Bulgaria; N=422 for Moldova; N=2062 for Tajikistan.

Where children of this age-group are not attending pre-school, parents in each survey are asked to give a reason why not. Reasons are given in Table 5 for Azerbaijan, Moldova and Tajikistan, for urban and rural areas separately. (For Bulgaria, we find that all non-attendees state that the child is 'too young', lending weight to the hypothesis that the Bulgarian data are only picking up those children attending very formal pre-school settings.)

Wording of the possible answers varies across countries but responses are broadly comparable. In rural areas, the main constraint is clearly availability: between one half and two thirds of respondents say no pre-school is available, it is too far away, or it is closed. Strikingly, just 1 per cent of rural respondents in Albania and 2 per cent in Tajikistan cite cost as a factor; this may indicate simply that there are no schools available and therefore costs are unknown. In Moldova financial constraints appear to be more important, with 24 per cent giving this as the main reason in rural areas. This is interesting as Cornia, 2004 argues strongly that it is falling demand that is driving the collapse in enrolment rather than supply, especially in rural areas (he cited evidence on occupancy rates). The data in Table 5 suggest that the cost factor is more important in Moldova than elsewhere, but that in rural areas supply constraints are also crucial.

Table 5: Reason given for non-attendance at pre-school (3-5 year olds)

		Urban (%)	Rural (%)
Albania	None available/too far	13	67
	Too expensive	14	1
	Not good quality	1	3
	Prefer to keep at home/no need	63	21
	Other	10	8
Moldova	School/kindergarten is closed	4	54
	Difficult material circumstances	32	24
	Low quality	26	5
	Other	38	17
Tajikistan	None available/too far	20	68
	Too expensive	20	2
	Not quality care	5	0
	Prefer to keep at home/no need	45	24
	Other	11	6

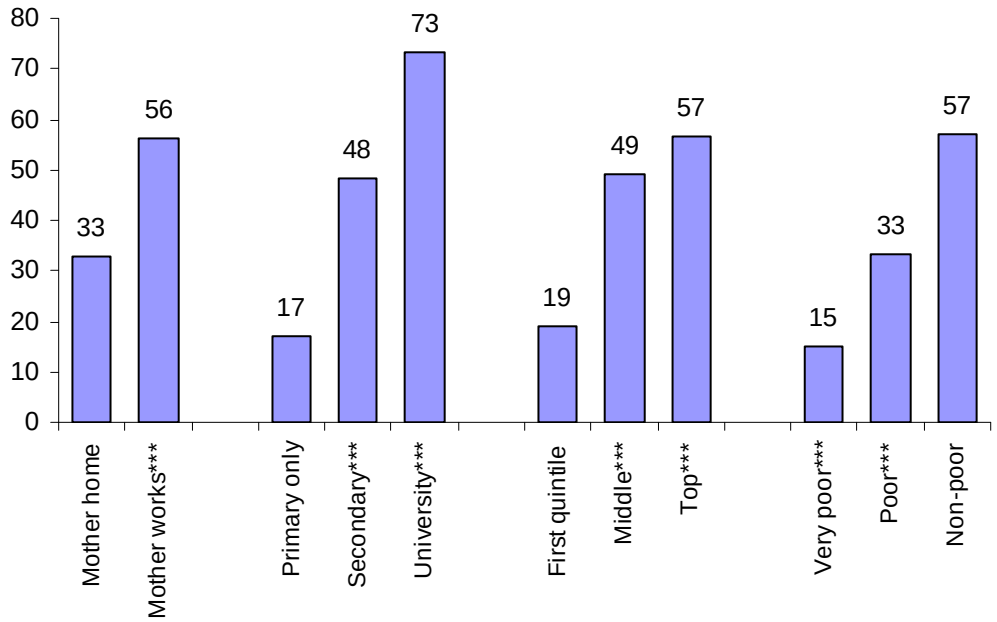
Source: household survey data for each country. Note: responses sum to 100 for each country (with some variation caused by rounding).

In urban areas, in contrast, lack of availability is much less of an issue – although it is still the main reason for non-attendance for one in five urban families in Tajikistan. Financial constraints are much more important than in rural areas, with between 14 per cent (in Albania) and 32 per cent (in Moldova) citing expense as the main reason. However, other factors, including quality and preference, are the main explanation for non-attendance for the majority of urban households in all three countries. It is possible, of course, that some of those responding that they simply prefer to keep their children at home may also be financially constrained but unwilling to say so.

Given the large disparities in attendance between urban and rural areas, analysis of pre-school use by socio-economic characteristics was conducted separately for the two types of area. Figures 21-23 show attendance by mother's work status, maternal education, household expenditure quintile and poverty status for each of the three countries for urban areas. (For Bulgaria results are not significant and are not shown.)

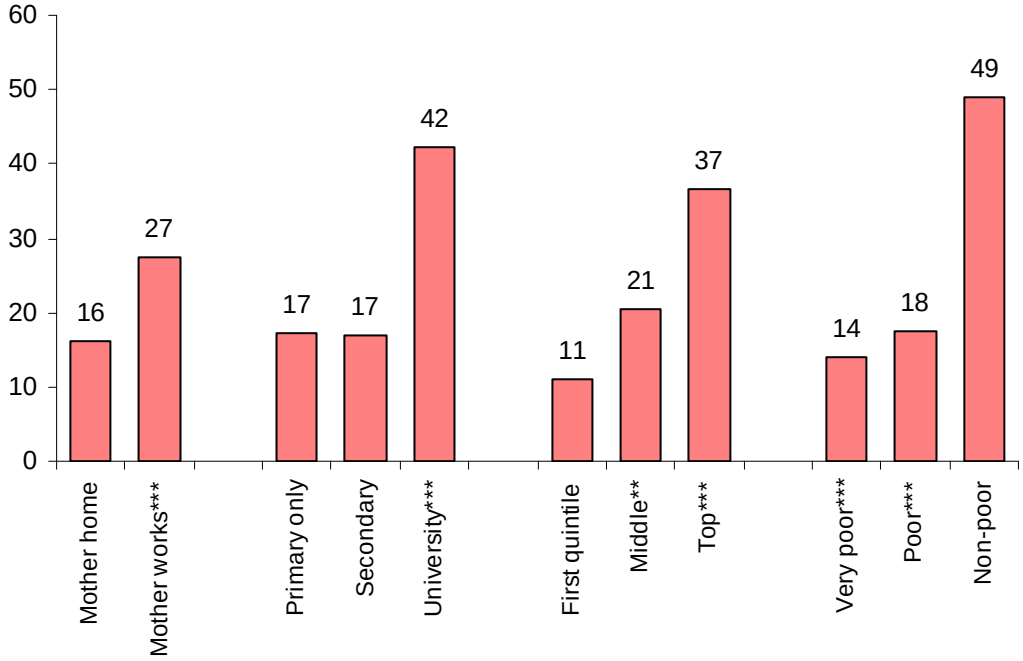
In each of the three, we see a tendency towards higher attendance among children with more educated mothers (though results are not significant in Moldova), and among children from households with higher per capita expenditure. In Albania, Moldova and Tajikistan, the urban poor are significantly less likely to attend pre-school than the urban non-poor.

Figure 21: Pre-school attendance in urban areas in Albania



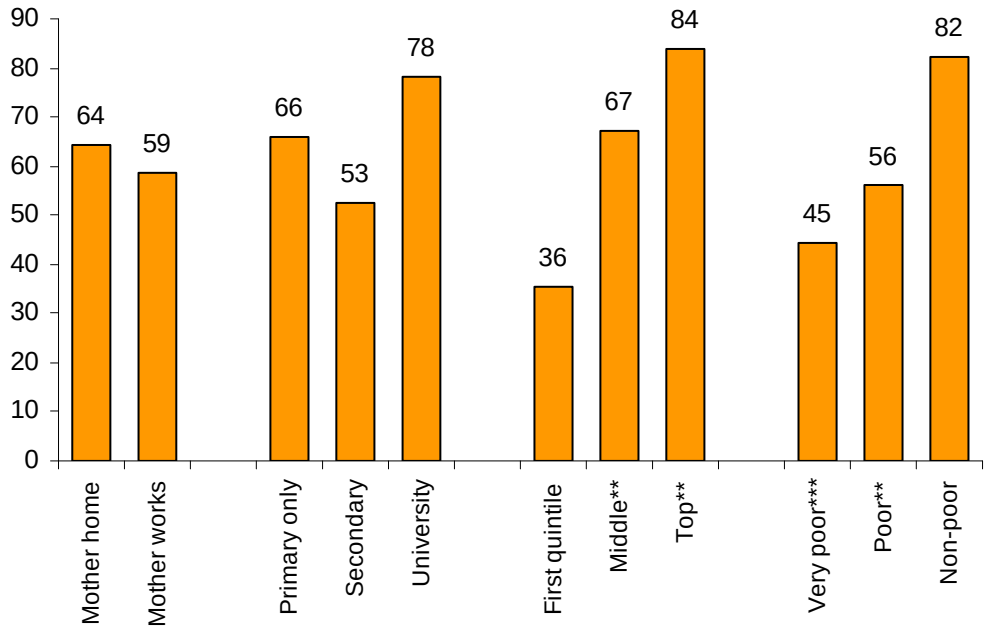
Notes: (1) N=393. (2) Categories marked *** are significantly different than reference category at 1 per cent level; ** at 5 per cent level; * at 10 per cent level. (3) Reference categories are first in each group except for poverty, where 'non-poor' is the reference category.

Figure 22: Pre-school attendance in urban areas in Tajikistan



Note: N=561. See notes to Figure 21.

Figure 23: Pre-school attendance in urban areas in Moldova

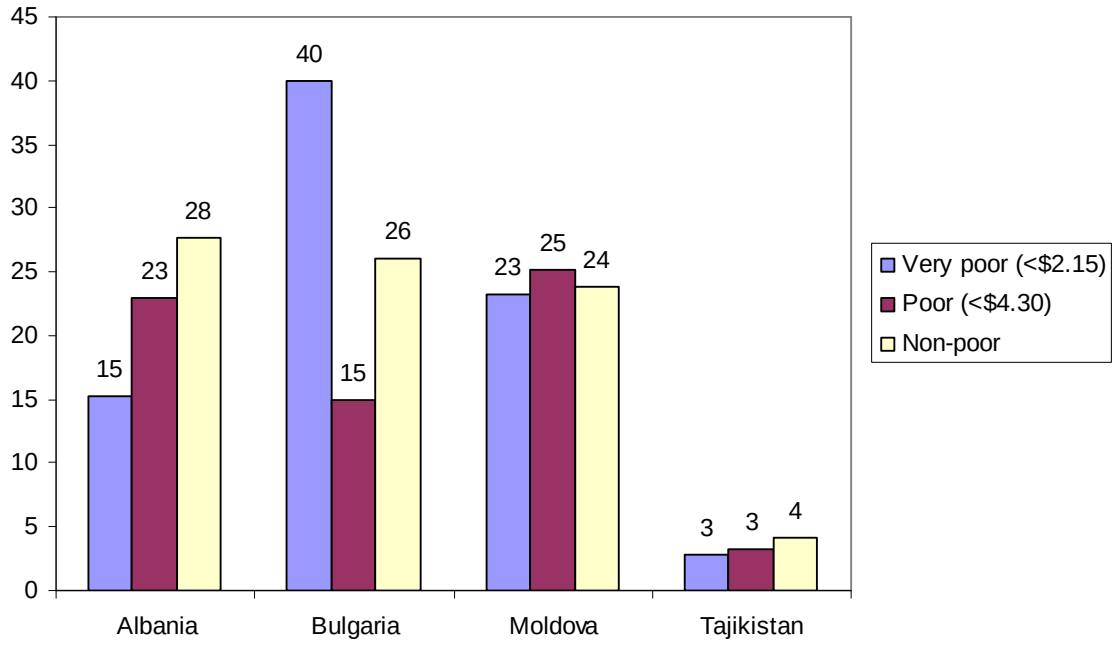


Note: N=132. See notes to Figure 21.

In three of the countries, the children of mothers who work are much more likely to attend than children with mothers at home, which is as expected given the role pre-school can play as childcare. Further analysis suggests that this does not simply reflect higher incomes in these households. However, we still see a substantial number of children of non-working mothers in each country attending pre-school, indicating that the early year's education and socialisation roles of centre-based care are also seen as important. In Moldova it is striking that we find no significant difference in attendance between the children of working and non-working mothers.

Within rural areas, the differences across socioeconomic groups are much less pronounced, which is as expected given that the major constraint facing rural households is the absence of local facilities. Figure 24 shows attendance in rural areas by poverty status. In Albania and Tajikistan, it appears that the very poorest do face additional constraints to attendance, but we do not see this effect showing up for Moldova, where there are no significant differences between poor and non-poor – surprising, given that a much higher share of rural families reported cost as a factor in Moldova than in other countries (see Table 5 above).

Figure 24: Share of children from poor and non-poor households attending pre-school: rural areas only



Note: Attendance among the 'very poor' is significantly lower than among the rest in Albania and Tajikistan; none of the other differences are significant. The 'poor' encompasses the 'very poor'.

In Albania, rural children are also significantly more likely to attend if their mothers are educated to a higher level, reflecting the difference found in urban areas, but education is not an explanatory factor elsewhere. Mother's work status shows up as significant only in Tajikistan, where 4.6 per cent of rural children with a working mother attend pre-school, compared to just 1.5 per cent of those with a mother at home. Elsewhere there is little difference between the children of working and non-working mothers, which again is likely to reflect the primary importance of whether or not facilities are available.

To sum up, the administrative data presented in Figure 19 gave evidence of a collapse in pre-school attendance across much of the region in the 1990s, followed by some recovery since 1998 in some of the countries but not in all. The survey data tell us only about one point in time, but indicate that, more or less across the board, children in rural areas and those from poorer and less educated urban households are significantly less likely to attend pre-school than their counterparts from better-off urban families. This raises worrying prospects for later inequality in educational achievement, given that children from richer and more educated homes already start school at an advantage, even without the benefits of pre-school. We have no data on levels of public spending on pre-school in the region, but it seems clear that more needs to be spent on this crucial area, with particular attention paid to how to improve provision in rural areas and among poorer households in the cities. It is worth remembering once again that young children have a weak political voice, particularly during a time in which their numbers are shrinking. There is also some evidence that until very recently early year's provision has not been a priority for the larger donors, and this may have sent messages to governments about the importance of early year's services.

6. THE COMBINED IMPACT OF CHILD SUPPORT POLICIES

The preceding three sections have each focused on a different aspect of policy for very young children. We have explored the distribution of each type of support across households with different socio-economic characteristics. This approach, however, raises questions about the combined impact of support. For instance, are there some households benefiting from the three types of policy while others receive no government support at all?

A brief consideration of the way in which the three types of support are allocated indicates the limited likelihood that there are overall 'winners' and 'losers': in all four countries, pre-school provision tends to be higher among the better off, while in Albania and Moldova family allowances are targeted to the poorer households. In Bulgaria, the universal system of allowances slightly favours the richer households, but maternity benefit receipt is slightly higher among the poorer. More detailed analysis of the combined distribution of benefits failed to find further support for a winner-loser hypothesis. For instance, there is no evidence that, controlling for socio-economic status, attending pre-school makes a family more likely to receive a child allowance.

However, a consideration of the combined allocation of benefits does underline the high share of households with a young child currently receiving no support from government at all. These data are presented for three countries in Table 6 (for Tajikistan anyone not attending pre-school falls into this category). In Albania, 66 per cent of households with a child 0-6 receive none of the three types of support. In Moldova the share is lower at 46 per cent, largely as a result of the fact that roughly half the population receive the 'universal' baby allowance. In Bulgaria, due to the high shares receiving both maternity benefit and child allowances, just 17 per cent receive no help at all. However, in Bulgaria, the share not receiving any assistance is higher in rural than in urban areas, and among poorer than non-poor households. In Albania, more rural than urban households receive nothing, but poor households are more likely than non-poor to receive one of the types of support, which reflects the effective targeting of economic assistance. In Moldova, while differences are small, both urban households and the better off are slightly more likely to receive no support. Even so, of households falling below the lower poverty line of US$2.15 a day, 62 per cent in Albania and 45 per cent in Moldova appear to benefit from no government support targeted specifically at children. Even in Bulgaria, 22 per cent of very poor households fall into this category. These statistics perhaps bring home the extent to which governments are failing in their duty to the youngest and poorest members of society.

Table 6: Share of households with a child aged 0-6 not in receipt of maternity benefit or child allowance/economic assistance, and with no child attending pre-school (%)

	All	Urban	Rural	Very poor	Poor	Non-poor
Albania	66.1	63.0	68.0	61.9	64.6	71.4
Bulgaria	16.9	14.1	22.7	21.9	20.1	15.2
Moldova	46.1	47.9	42.6	44.6	46.3	43.9

Note: 'Very poor' live below the US$2.15 poverty line; the 'poor' below the US$4.30 poverty line, and the 'non-poor' above the US$4.30 poverty line.

7. CONCLUSIONS

This paper has examined the provision and uptake of maternity benefit, child allowances, and pre-school across the countries of South Eastern Europe and the CIS, but with a focus on four countries in particular. It sought to explore whether and how far countries are reinvesting in young children now that economic growth appears to make this possible.

The picture uncovered gives cause for considerable concern. In all three areas of policy, provision is generally inadequate and is failing to reach those most in need. Household survey data suggested that in three of four countries examined, maternity benefit is simply not being paid, or is reaching only a tiny minority of new mothers. Only the Bulgarian system stood out as functioning well, with nearly half of mothers of children aged 0-2 receiving some support, and this support looking fairly substantial in relation to overall income. What appears to mark Bulgaria out is that maternity benefit is available on a social assistance as well as a social insurance basis, meaning even mothers without links to the labour market can qualify. The only other systems which may be working well on the evidence of administrative data are those in Croatia and Belarus: these are the only countries where spending on maternity benefit has risen significantly since the mid 1990s, though Ukraine and Russia also show evidence of an upward trajectory in the most recent years.

The situation as regards child allowances is just as serious. Macrodata pointed to falling coverage and/or value of child allowances across most countries in the region. In Albania and Moldova means-tested allowances do seem to be broadly targeting the poorest, with the Albanian system most effective, but in both countries only a minority of those in lower income groups benefit – far fewer, indeed, than in the Bulgarian universal system, which reaches 70 per cent of eligible households in the bottom quintile. However, in none of the three countries are benefits large enough to make more than negligible impact to the vast majority of families. The poverty headcount and the poverty gap are reduced by a little by child allowances in Bulgaria, and hardly at all in Albania and Moldova. In all three cases, pensions appear far more important to the poverty status even of households with very young children, although their explicit goal is not to reduce poverty. Meanwhile, in Tajikistan, despite formal rules, it seems that in effect no transfers are being made at all.

Macrodata on pre-school enrolment pointed to falls across much of the region, and to collapse in some of the poorer countries in Central Asia and the Caucasus. In a number of countries enrolment has begun to rise again in the last four to five years, but in much of Central Asia and the Caucasus this is not the case and we see stagnation at very low attendance levels. In all four countries for which microdata were examined, enrolment was far lower in rural than in urban areas, while within urban areas children from poorer households and those with less educated parents were significantly less likely to attend. In rural areas the main constraint appears to be the absence of facilities, while in urban areas the most common reasons given for non-attendance were cost factors and choice. Both urban-rural and socioeconomic differences point to a situation in which those most likely to be attending pre-school are those with the most home input as well; that is, pre-school is exacerbating differences at the point of starting school, rather than helping to level the playing field. Both the lack of facilities in rural areas and the differentials within urban areas urgently need to be addressed.

There is considerable evidence of good intentions across the region with regard to protecting services for young children: we have seen for instance that formal rights to paid

maternity leave have become if anything more generous during the transition, while in many countries family benefits were made universal before financial constraints led to the introduction of means-testing and in some cases the abolition of child allowances altogether. Good intentions appear to have been overwhelmed by a combination of lack of resources and weak administrative capacity, resulting for example in poor targeting mechanisms and in failure to foresee and deal with the broader implications of a shift from formal to informal employment in systems in which many rights and services had been employment-linked. At the same time, the fact that young children are a shrinking cohort wielding limited political leverage is very likely to have had an impact on the relative priority given to services for the 0-6 age-group. Donors may also carry responsibility for failing to make the case for investment in the very young.

On the basis of both the microdata analysis and the broader evidence on what is happening in other countries across the region, this paper makes the following recommendations for improving child support policies in the CIS and South Eastern Europe:

Maternity Pay

- Countries should consider following Bulgaria's example in providing paid maternity leave on a social assistance as well as a social insurance basis. While this is unusual practice for OECD countries, the high level of informal employment and non-registered unemployment in this part of the world may make it an appropriate way forward for the SEE/CIS, certainly in the short and medium-term. It may be the only way to ensure that all children are able to spend the crucial first few months of life with their mothers, with proven benefits for health and development.

Family allowances

- Most countries in the region need to dedicate a much higher share of GDP to family allowances. A comparison of spending across OECD countries suggested that only two or three of the countries in the region are spending close to the OECD average, while in several countries the level of expenditure is pitiful. The needs of families with young children must be given higher budgetary priority.

- At the same time, it appears that the majority of countries would benefit from considerable improvements in the targeting of family allowances. Universal benefits in Bulgaria are spread much too thinly to be effective, and this appears true also of the only other country with a universal child allowance system, Romania. There is also evidence that several countries which do have means-tests for benefits are targeting less successfully than would be optimal: as examples, the microdata analysed in this paper points to this conclusion for Moldova, while other sources support the same finding for Russia.

- The paper proposes that countries consider the use of a proxy means-test. These tests are used successfully in several other middle-income countries and may help the countries of the SEE/CIS to overcome one of the key difficulties they face, which is how to ensure that a means-test takes account of all sources of household income, including income from the grey economy and from small agricultural plots.

Pre-school provision

- Countries should set a goal of ensuring, within a given time-frame, that all children aged 3-5 have access to a certain number of hours of pre-school education per week.

- With this goal in mind, they should embark on an active programme of expansion of pre-school institutions, concentrating first on rural areas.

- They should review the fees set by pre-schools and increase state funding to ensure that all children in the age-group have the right to free provision for a set number of hours.

- Countries should undertake a review of how the current style of full-day provision can be adjusted or supplemented to allow part-day provision for those at home with a mother, grandmother or informal home-carer.

Clearly all these recommendations carry with them considerable resource implications: none of them come free. Can the countries in this region afford to spend much more on the very young? First, it should be emphasised once again that in most of the countries covered, spending as a share of GDP remains well below the spending share in the majority of OECD countries. Second, comparisons of spending on family allowances and on pensions presented above indicate that there is room within budgets for governments to make choices. This is not to suggest that money should be taken away from pensioners, who remain at high risk of poverty. But it is a reminder that policy may overlook those without a strong electoral lobby, however great their need.

On the other hand, it is undoubtedly true that many of the countries in the region face difficulties in expanding public spending, even in the context of economic growth. For one thing, administrative capacity needs to be built up: the Albania Poverty Reduction Strategy Paper points to problems with weak tax collection and poor expenditure monitoring (IMF and IDA 2003), difficulties which will be common to many of the countries covered in this paper. For another, a significant share of the new growth is in the grey economy; substantial reforms are needed to bring this part of the economy into the taxation net. A third crucial issue is that of debt: several countries in the region face a heavy debt burden. Those most strongly affected are the CIS countries which benefited in the Soviet era from large transfers from Moscow and which subsequently fell into debt to meet the deficit accompanying the break-up of the USSR. Klugman et al., 2002 point out that in Moldova in 1999 public debt service obligations amounted to over one-third of central government revenue, and in Georgia to over one-quarter (while in the latter just 5 per cent was spent on education and nothing on child allowances). Armenia, Turkmenistan, Bosnia-Herzegovina, Bulgaria and Kyrgyzstan are among other countries facing serious debt problems.

However, countries – perhaps with donors' help – must find ways round these difficulties to identify resources to invest in these three key policy areas. While means-testing and part-time pre-school provision may be ways to increase the efficiency and justice of current levels of spending, there is no getting round the fact that countries spending more are those achieving better levels of provision. For instance, the countries spending amounts on family allowances which are comparable with OECD levels of expenditure are also those where allowances appear large enough as a share of the average wage to make a difference to

those receiving them. At the other end of the spectrum, it is clear that it is simply not possible to combat child poverty and provide pre-schoolers from disadvantaged households with a fair start in education if nothing is being spent on these areas, as in Georgia and Tajikistan.

Finally, we need to ask not only whether countries in this region can afford to spend more on their youngest citizens, but also whether they can afford not to. It should not be forgotten that an investment in children is an investment in the future. If much more is not done soon, countries in this region will lose the advantage lent them by their communist inheritance, and revert in the medium and long term to much lower levels of human development.

Annex 1

HOUSEHOLD SURVEYS USED FOR MICRODATA ANALYSIS

The microdata analysis was conducted using the following household surveys: Albania Living Standards Monitoring Survey 2002, Bulgaria Living Standards Monitoring Survey 2001, Moldova Household Budget Survey 2003, Tajikistan Living Standards Survey 2003.

Relevant sample sizes are provided in the table of summary statistics below.

Annex Table: Summary Statistics – Children aged 0-6 in four household surveys

	Albania	**Bulgaria**	**Moldova**	**Tajikistan**
Poverty line $US2.15	4409 leks (monthly/head)	43.5 leva (monthly/head)	286 lei (monthly/head)	47 somoni (monthly/head)
Poverty line $US4.30	8818 leks (monthly/head)	87 leva (monthly/head)	572 lei (monthly/head)	94 somoni (monthly/head)
Poverty rate $US2.30	28.1	19.8	63.8	74.6
Urban	21.2	11.8	43.4	70.5
Rural	31.9	32.4	74.2	76.1
Poverty rate $US4.30	79.4	46.0	91.0	96.3
Urban	70.9	34.8	80.8	94.7
Rural	84.0	63.7	96.2	96.9
% children urban	35	70	30	26
% children rural	65	30	70	75
Maternal education: % primary only (max 8 yrs)	64	22	25	16
Maternal education: % with secondary/vocational	31	63	63	80
Maternal education: % with higher education	5	15	12	4
Mother works (%)	56	37	90	51
Share of children in each expenditure quintile:				
First quintile	19.8	24.8	42.7	25.6
Second quintile	24.5	22.3	24.2	23.6
Third quintile	19.8	21.8	15.0	22.5
Fourth quintile	20.9	18.5	8.7	16.2
Fifth quintile	15.0	12.6	9.4	12.1
Sample size (households with a child 0-6)	1351	345	810	2415
Sample size (households with a child 0-2)	698	296	365	1437
Sample size (households with a child 3-5)	895	205	422	2062

For all surveys except Bulgaria (where no weights were available), sampling weights were used to ensure that the dataset reflected national household composition.

In addition, regional deflators were used to adjust income and expenditure data in Tajikistan, Bulgaria and Albania. In Moldova, no regional deflators were available. However, as the Moldovan survey data were collected throughout 2003, monthly consumer price indices were used to deflate monetary data to January 2003 prices.

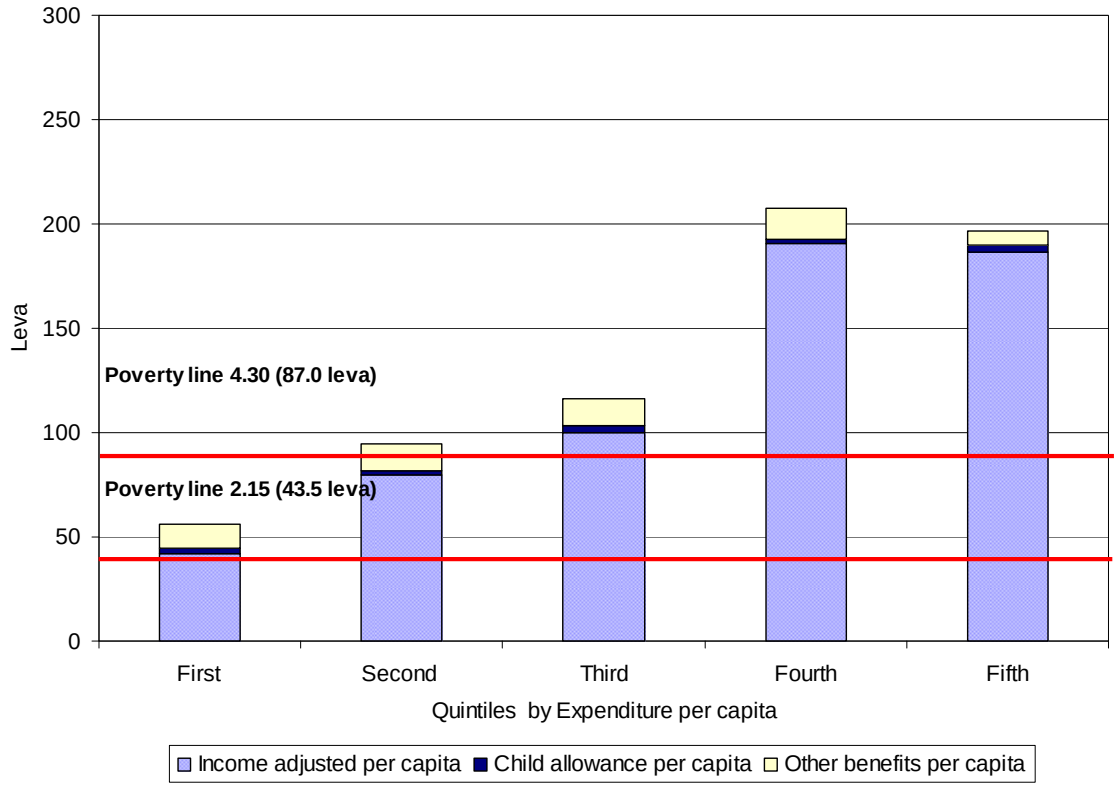
The poverty lines of $US2.15 and $4.30 per capita per day were calculated using OECD Purchasing Power Parities. The value of these poverty lines in national currency is given in the table below.

In most cases, expenditure (rather than income) data were used to calculate poverty status and quintiles. However, the analysis in Section 3 on the impact of child allowances on household poverty status was conducted using income data, as the aim was to separate out income from private sources from income from child allowances and other state benefits.

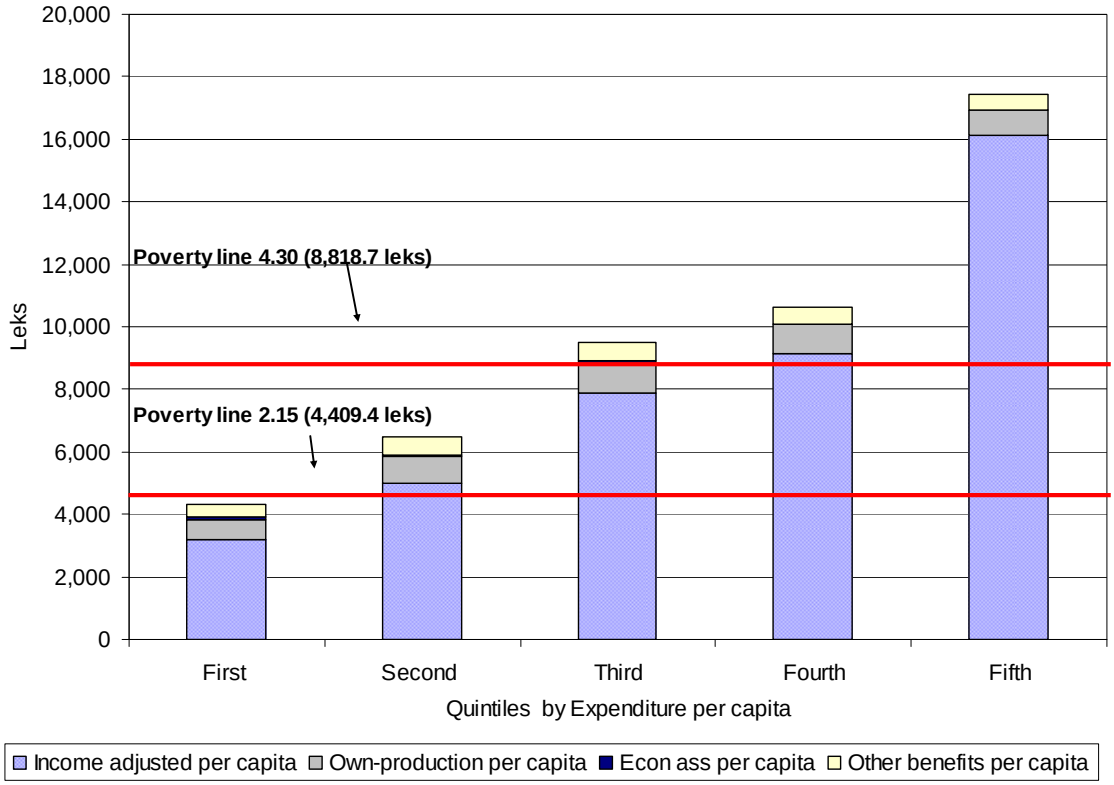
Annex 2

The impact of child allowances on household income (all households with a child 0-6, whether or not in receipt of child allowance)

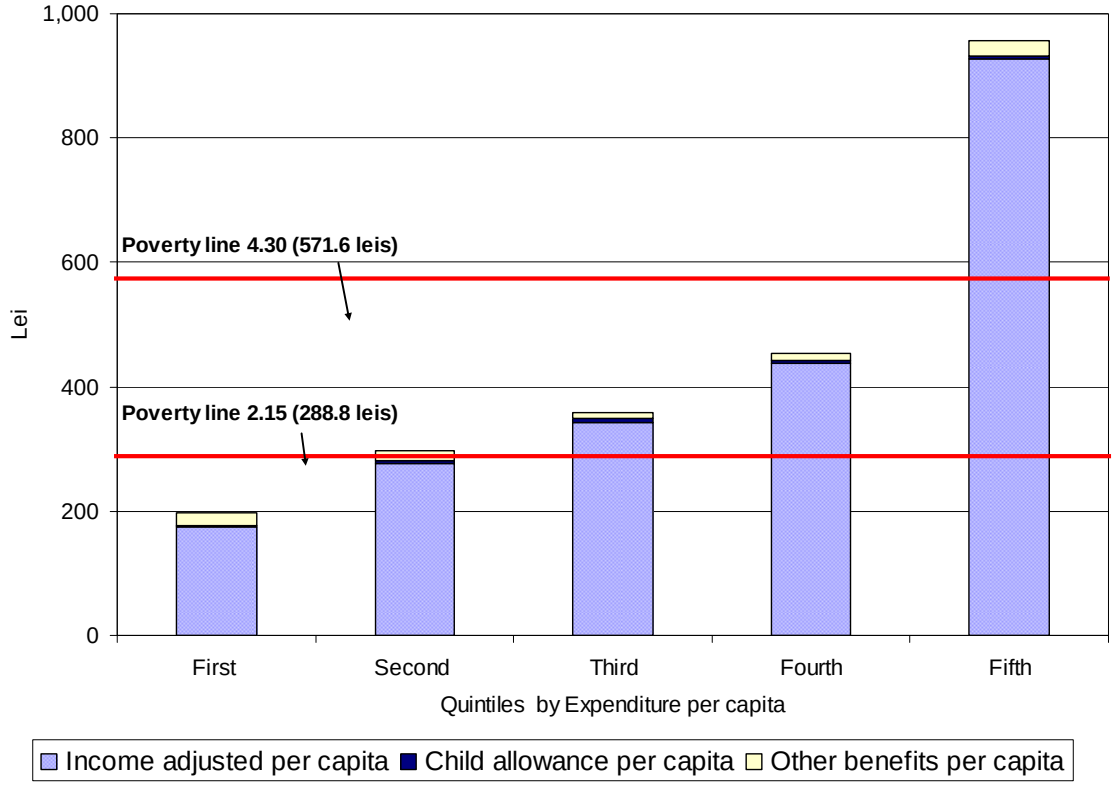
Annex Figure A1: The impact of child allowances on household income in Bulgaria (all households with a child 0-6, whether or not in receipt of child allowance)



Annex Figure A2: The impact of economic assistance on household income in Albania (all households with a child 0-6, whether or not in receipt of child allowance)



Annex Figure A3: The impact of child allowances (universal and means-tested) on household income in Moldova (all households with a child 0-6, whether or not in receipt of an allowance)



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