

EXECUTIVE SUMMARY

Innocenti Social Monitor 2006

Understanding Child Poverty in South-Eastern Europe and the Commonwealth of Independent States

This study examines child poverty in the 20 countries of the South-Eastern Europe and the Commonwealth of Independent States (SEE/CIS) regionⁱ. The adverse effects on child well-being of the transition from a centrally planned to a market economy have been well documented in earlier studies by the UNICEF Innocenti Research Centre. This report is concerned primarily with the post 1998 period, which has been described as a turning point for the region, in that most of the violent conflicts which characterized the initial transition period have been subdued, and in a number of cases resolved; all countries have shown signs of economic recovery and the overall numbers of families living in poverty have declined. The report presents evidence which shows that, despite these positive signs, large numbers of children in the region are still experiencing poverty and deprivation; and that children have not been benefiting as much as other groups of the population from economic recovery. There are also stark disparities in well-being and opportunities for children in the region: between countries and between the subregions of SEE/CIS, and within countries themselves, as well as between households of different sizes and structures. Child poverty is becoming more and more concentrated in certain groups and geographical areas, suggesting that insufficient steps have been taken by governments in the region to adopt appropriate policy measures, or targeting sufficient resources, to tackle poverty and inequalities among children.

Bringing child poverty on to the policy agenda

There are several reasons for undertaking a study on child poverty. The first is the desire to highlight the importance of addressing child well-being in the region based on fundamental principles of human rights. Three principles of human rights are central to the study: universality; accountability; and the monitoring of progress in the realization of human rights. Respect for the principle of *universality* calls on governments to ensure access by all children to a range of basic social services without discrimination of any kind. The stark disparities in child well-being within countries of the region imply that insufficient consideration is being given to this principle. The principle of *accountability* reiterates States' responsibility for the realization of children's rights and calls on governments to be transparent in their actions – or lack of action – to tackle child poverty. This requires open and transparent institutions and mechanisms for formulating policies and managing and delivering social services, and also monitoring systems to track the impact on children of policies and the functioning of public services. Evidence suggests that current mechanisms are inadequate, and that monitoring systems to inform and evaluate policy efforts are still weak. *Monitoring progress in the realization of human rights* implies the effective implementation of policies, the allocation of available resources to their maximum extent and the ongoing assessment of progress to adjust policy responses and resource mobilization to reduce disparities. It is important that governments

EXECUTIVE SUMMARY

translate their commitments into effective action supported by appropriate resources at all levels.

Secondly, children need to become more visible in the poverty debate in the region. Studies and debate about poverty issues have become more frequent in the post 1998 period, because of the international focus on poverty reduction provided by the Millennium Declaration and Millennium Development Goals framework, as well as the formulation of Poverty Reduction Strategies by 11 countries in the region. Two countries in the region (Bulgaria and Romania) have drawn up national action plans to combat poverty and social exclusion as part of their European Union accession process. Only by understanding the extent and nature of child poverty can governments and development partners prioritize appropriate measures to tackle it, and devise instruments for monitoring progress in improving child well-being.

Thirdly, there is the need to challenge the common assumption that poverty affects adults and children in the same way. The report gives three main arguments on the distinct impact that poverty has on children, and the resulting need for different policy responses. (1) It is stressed that poverty affects children not only in the immediate present, but also in the longer term, having a cumulative impact on their evolving capacities. Investment is needed in children now in order to reduce the probability of them remaining poor as adults, and to avoid perpetuating the transfer of poverty from generation to generation. (2) Children differ from adults in that they can usually do little themselves to improve their situation: they rely on actions and decisions by their families, society and the state. This ‘agency’ aspect means that it is hard for children to have a direct influence on key decisions affecting their well-being. (3) Children are particularly dependent on public policy to provide the conditions they need to develop and grow out of poverty, particularly for the provision of and access to basic health and education services.

Lastly the report stresses the considerable measurement challenges which still exist if child poverty is to be fully understood in the region. Failure to meet these challenges contributes to a failure to respect the principles of human rights mentioned above. However, even with existing data sources, there is much more which could be done to understand the characteristics and causes of child poverty, given the political will to do so. The analyses contained in the report provide concrete examples of what can be done using existing data.

Child income poverty: the gap between poor and non-poor children is growing

Poverty has been defined and measured in many different ways. In this study child poverty is understood both as income poverty, when a child lives in a household with consumption expenditure below a minimum levelⁱⁱ, and also as different kinds of deprivation measured in non-monetary terms, such as not attending school, poor nutrition status, no access to immunization, or living in overcrowded housing. The findings for child income poverty can be summarized as follows:

- 1. One in four children in the region is living in absolute poverty, and throughout the region children have a higher probability of being poor than adults.* The share of the child population living in households below the poverty threshold of PPP \$2.15 per dayⁱⁱⁱ is greater than the proportion of the total population living below this threshold. The use of national poverty lines (which are usually set at higher levels than PPP \$2.15 per day, but are less suited for cross-country comparisons) obviously produces higher estimates of levels of child poverty, and more importantly confirms that children always have higher rates of income poverty than adults.

EXECUTIVE SUMMARY

2. In the period 1998–2003, the number of children (aged 0–15) living in households with a per capita consumption level lower than PPP \$2.15 a day decreased from 32 million to 18 million. While this is largely due to an overall improvement in living standards in the period of economic recovery, part of the overall decline in absolute numbers of children living in income poverty is due to the sharp reduction in the child population which followed the contraction of fertility rates in the transition period: while the overall population in the region increased by circa 1 million in the 1998–2003 period, the child population decreased by circa 11 million. The fact that the relative risk of poverty for children compared to other age groups has increased suggests that the benefits of economic growth have not been spread evenly, and that governments have been slow to use the economic growth to invest adequately in children.
3. There are large disparities in children's probability of living in income poverty according to which part of the region they live in. The comparison of poverty results across the countries of the region reveals strong disparities in child income poverty between countries. Three main subgroups of countries emerge, with low, middle and high levels of child income poverty, only in part corresponding to geographical subgroups identified in the region. The subregions of Central Asia and the Caucasus, together with Moldova, have more than half of their child populations living in income poverty, a level up to 10 times higher than in some SEE countries.
4. Child income poverty rates are higher where the share of children in the total population is higher. The subregions and countries with higher levels of child income poverty are those with lower levels of GDP per capita, but also with higher shares of children in their population, and higher dependency ratios (with the exception of Moldova). In fact, the ranking of countries

according to both adult and child poverty rates tends to follow the ranking of countries according to the share of children in their population. For example, children in Bulgaria represent around 20 per cent of the population, and there is a child poverty rate of 8 per cent. In Tajikistan, children represent slightly less than half of the population, and the child poverty rate is 76 per cent.

5. Children in large households throughout the region have a higher risk of being in poverty. In those countries where children do not represent a large share of the overall population, for example Bulgaria and Russia, it is found that children are concentrated at the bottom of the income distribution (rather than being spread evenly over all income deciles). Whatever poverty line is chosen, children will be found to be at high poverty risk. And although these countries have lower child poverty rates, the risk of poverty for children rises according to the number of children in the household. For example, in Russia the poverty rate for households with two adults and one child is 9 per cent, compared to 34 per cent for households with two adults and three or more children. The prevalence of child poverty in the region is strongly correlated with the demographic structure of the population, and the prevalence of certain household arrangements, namely non-nuclear families, and families with three or more children. These households are not getting enough support to cope with the extra expenditure associated with promoting children's well-being. In Moldova, children living in single parent families when migration is the reason for the absence of a parent have a lower risk of poverty than those in complete families, implying that remittances are helping to bring down poverty rates for this group.
6. Within-country trends have tended to mirror those identified for the region as a whole: those areas with large child populations, which began the transition period with higher child income

EXECUTIVE SUMMARY

poverty rates, have tended to gain less than other areas. In most countries in the region, child income poverty rates are higher in rural than in urban areas. This partly reflects the greater concentration of large households with three or more children in rural areas. In all countries for which survey data have been made available, there is evidence of relevant subnational disparities, and these disparities have been growing. In countries with smaller child populations, for example Bulgaria and Russia, younger children (under six years old) have a higher risk of income poverty than other age groups.

Non-income indicators confirm the growth in disparities

Poverty quantified using a monetary unit – income or expenditure – is the most widely used indicator for measuring poverty in this region and elsewhere (for example Millennium Development Goal 1, Target 1, aims to halve the proportion of people living in income poverty by 2015). If poverty for the overall population is most frequently measured in monetary terms, it is important that the (different) results for child income poverty are highlighted, as above. But income is a means of improving children's standards of living and cannot be treated as a perfect proxy for other dimensions, especially in a region where the quality and scale of social services for children have been declining. The analysis of child income poverty is therefore complemented by looking at outcomes for children in housing, in education and in health and nutrition. The findings for *non-income indicators of child deprivation* can be summarized as follows:

1. Trends in non-income indicators are more mixed than the trends in child income poverty. While there has been a drop in the absolute number of children living in income poverty, trends in non-income indicators are certainly not always

positive. In other words, the drop in absolute numbers of children living in extreme income poverty since 1998 cannot be interpreted as meaning that child welfare overall has improved. Unfortunately the nature, comprehensiveness and consistency of the data available for non-income dimensions do not allow strong statements to be made on trends for the whole region. But the mixed nature of trends for the countries and for the region as a whole is clear: improvement in health indicators has been slow, and there are sometimes signs of stagnation; education enrolment rates show improvement at the compulsory levels, but, particularly in Central Asia, there has been little improvement in enrolment rates for preschool and upper secondary levels.

- 2. Non-income indicators confirm the large and often increasing disparities in child well-being across the region.* The available microdata for selected countries show that for non-income indicators – as with child income poverty – deprivation is higher here the share of children in the total population is higher.
- 3. The regional differences in non-income deprivation tend to follow the same patterns as income poverty.* For example, in Russia there is a strong relationship between infant mortality rates, child shares in the population, and child income poverty rates in individual oblasts. In every country, there are districts or cities which perform notably better than others on all indicators of child well-being, and some which do notably worse. *The fact that disparities in child deprivation broadly follow the patterns of disparities in child income poverty implies that income remains a key – but not the only – indicator of child well-being.*
- 4. Children in rural areas tend to fare worse than those in urban areas on income and most other indicators.* This is particularly true of access to

EXECUTIVE SUMMARY

water and a clean heating source, but also regarding access to education, and standards of education facilities, as well as health outcomes and standards of health facilities. Children in large families, also more prevalent in rural areas, are more likely to be affected by different types of deprivation.

5. The unfinished nature of health and education reform in most countries of the region, together with continuing low levels of public expenditure and investment, mean that, despite the correlations in the patterns of income and non-income measurements of poverty among children, it is important not to rely solely on income poverty results to measure child well-being in the region. Higher levels of household income and government revenue in theory provide parents and governments with the means to invest in children's education, health and housing conditions. But child well-being depends not just on the presence of more income resources, but also on parental and government decisions on how to allocate resources. Even where parents do want to invest in children, a lack of well-functioning health or education services or utility infrastructure can mean that the investment cannot be made.

6. Throughout the transition period the share of children deprived of parental care has increased in some countries of the region. The reliance on institutional care is more diffused in Western CIS countries, in Kazakhstan, Bulgaria and – even if decreasing – in Romania. Alternatives to institutional public care are slow to materialize in the region. *The overall conclusion is that the gap between poor and non-poor children using both monetary and non-monetary indicators is widening, and poverty among children is becoming more strongly associated with certain characteristics, namely large families or non-nuclear families, and residence in rural areas or other disadvantaged regions within countries.*

The policy implications: inequalities are being consolidated rather than removed

It is clear that not all children have gained equally from the economic growth of the post 1998 period. For a large section of the child population there has been no or very little improvement, and inequalities are being consolidated rather than reduced. It is important to remember the impact of time on child poverty – poverty experienced by the children now will have effects in both the short and the long term, and reinforce the chances of children experiencing poverty as adults and transmitting poverty to their own children. Failure by governments to invest in children will prolong the intergenerational transfer of poverty, and contribute to the further consolidation of existing inequalities.

Children, being dependants, add to the needs and costs of the household: the presence of children makes households more likely to be at risk of income poverty, and households with three or more children are particularly vulnerable. Here the agency aspect of child poverty is important: children can do little on their own to improve their situation, and are dependent on families, society and the state to ensure their wellbeing and improvements in their living standards. The policy implications for countries in the region are therefore mainly concerned with (1) what governments can do to assist families who do not have sufficient material resources to protect their children from poverty; and (2) what governments can do to improve access to and the quality of those public services which are most important for children's well-being. They can be summarized as follows.

While the provision of direct income support to households with children is common throughout the region, and a majority of children live in households which receive some form of public

EXECUTIVE SUMMARY

support, the low level of expenditure means that when households do receive benefits, they tend to be too low to lift the children out of poverty. Moreover, the most common type of transfer is pensions received by households with children. Social assistance schemes aimed directly at households with children are widespread, but suffer from the fact that they have low priority in public expenditure. Even if explicitly means tested, these transfers are either too low or too poorly targeted to have a significant impact on child living standards. The countries in the region with lower child poverty rates, for example Russia and Bulgaria, are facing a demographic crisis, characterized by an ever decreasing child population and a growing share of the elderly in the total population. The current low level of material support from the governments provides the wrong signals to couples who would like to have children, or more children.

There are two areas of public expenditure which are particularly important for children's development, and which can help advance the realization of child rights and address inequalities, namely health and education expenditure. *Overall levels of public spending on health and education remain low (with one or two exceptions) and for many countries have not increased.* Five countries in the Central Asia and Caucasus regions spend less than 2 per cent of GDP on health: less than most developing countries, and far less than the 5 per cent referred to in some documents of the World Health Organization. The amount of per capita public expenditure in Tajikistan on education was among the lowest in the world in 2001, while levels in Georgia, Kyrgyzstan and Moldova were also lower than in countries with similar or lower levels of GDP per capita.

The analysis of public expenditure on health and education shows that governments are failing to address inequalities in access to public services, while informal payments mean that there is more and more pressure on households to compensate for

lack of state investment, which in turn penalizes poor households and reinforces inequalities.

Overall, countries in the region are not spending enough resources on children; and they are not narrowing disparities or overcoming inequalities, in that the resources being spent are not adequately targeted on the poorer children or on regions with inadequate resource bases. In the post 1998 phase, blaming transition for the lack of investment in children is no longer an acceptable argument: the figures on economic growth since 1998 should imply that more resources are available. Clear policy prioritization is needed now so that children are allocated at least part of the increased resources, and so that more effort is invested in understanding the nature and causes of child poverty. National strategies are required in all countries to mobilize broad support to complete the economic, social and institutional transition process in ways which advance children's rights so they can be realized by all without discrimination of any kind, and through clear reductions in child poverty and inequalities.

Inequalities are also being driven by the type and quality of economic growth in the region. In some countries growth is based on the capital-intensive energy sectors, and has a reduced impact on improving employment opportunities. For this, more broad-based and labour intensive growth is necessary. In a few countries, growth is also being boosted by remittances from family members working abroad, and this likewise does not contribute to long-term sustainable and equitable growth, and can also mean that children are deprived of a family upbringing.

In some countries of the region, the prioritization of policy efforts and budget resources is taking place within the framework of the Millennium Development Goals discussion process, in others the process of Poverty Reduction Strategies plays a similar role, and for two countries of the region, European accession documents provide statements

EXECUTIVE SUMMARY

of plans to address issues relating to poverty and social exclusion. The visibility of children in these documents and discussions varies, but overall there is room to raise awareness among stakeholders of the potential effect of increasing public expenditure for children. These policy documents should include more explicit statements of the effects of broader macroeconomic and fiscal policies, current and proposed, on children's enjoyment of their rights and the narrowing of disparities, for example, policies aimed at reducing regional differentials in living standards and promoting rural economies. Governance issues affecting the accountability, quality and performance of those public services most vital for child well-being should also be addressed. A policy shift away from placing children in institutions, as well as a firm statement of intent to devote policy efforts and resources to providing social support mechanisms to help families in crisis, is also required.

At present, the task of raising the visibility of children in these processes is also hampered by the failure of States to tackle data and information gaps in order to enable analysts to have access to consistent and reliable data on the situation of children across the region. This study has shown that child income poverty is the aspect of child poverty which can be studied most consistently. But this is largely because data are available through household surveys collected for other purposes. Even in this case, it is not common for this data source – household surveys – to be used for analyses of child income poverty of the kind carried out for this report. In many countries access by analysts to the microdata remains a challenge, again limiting the use which can be made of survey data for the analysis of child poverty.

Endnotes

ⁱ From the 9 countries which previously constituted the former Soviet Union and Eastern Europe, 28 countries emerged. This study covers 20 of these countries. It does not cover the 8 countries of Central Europe and the Balkans which joined the European Union in

With regard to other indicators of child deprivation, there is still some resistance in certain countries in the region to improving the collection of data on infant mortality, to systematically collecting data on child nutrition levels, school attendance and learning achievements, and to making the collection of data on access to safe water more meaningful by also assessing the quality of the water delivered, and the regularity with which it is delivered. These data questions need to be addressed both to understand better the extent and nature of child poverty, and also to track the effect of policy measures aimed at addressing different dimensions of child deprivation. Some of them are administrative, and require relatively small investments in data collection and quality assurance mechanisms. Others require more financial resources and new forms of data collection, for example regular surveys including anthropometric measurements of children to get consistent data on trends in nutritional status.

Actions aimed at reducing child poverty and disadvantage and disparities between children are fundamental for advancing child rights in the region, and are also investments towards meeting future development challenges. The future of the region depends to a large extent on investing in a healthy and educated generation, with manageable dependency burdens. This requires a better use of public resources and, for some countries, more generous support from the international community as well.

EXECUTIVE SUMMARY

2004. In the final stages of the study (Spring 2006), Montenegro became an independent State. However the statistical analyses and tables in this report all refer to the pre-2006 period, with Serbia and Montenegro still constituting one State.

ⁱⁱ It should be noted that income poverty is used here to refer to deprivation of material resources, but it is in fact per capita household consumption expenditure expressed in money terms – rather than per capita income – which is the indicator used to rank households as being above or below the various poverty lines discussed below. This follows the example set by previous studies of material poverty in the region (see, for example, World Bank 2005a), which have found that data on income tend to be underreported, and that consumption expenditure tends to be a more reliable indicator of the material resources available to households.

ⁱⁱⁱ The poverty line of PPP \$2.15 per day is used by the World Bank for analysing poverty in the region. This threshold is also close to some of the lowest national poverty lines adopted by countries in SEE/CIS, and corresponds in the region to about the average minimum expenditure required to cover the cost of a very meagre food basket, plus a minimum allowance for heating, lighting and essential nonfood products (World Bank 2005a).