

Universal Child Benefit and Child Poverty: The Role of Fertility Adjustments

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The “Family 500 plus” program fundamentally transformed the public support system for families with children in Poland. In just one year, Poland moved from the bottom to the forefront of EU countries in terms of financial support for families. The “500 plus” benefit is by far the most generous unconditional benefit relative to the average wage among high-income countries. One of the goals indicated by the government of Beata Szydło was to increase fertility. This article analyzes the impact of the introduction of the 500 plus benefit on fertility and how these changes in fertility have affected poverty reduction among families with children.

The price effect is one of the main mechanisms through which the benefit could increase birth rates. This refers to the reduction in the cost of having a child – the monthly amount of 125 dollars helps to finance part of the expenses related to raising a child. This mechanism is expected to have the strongest impact among lower-income families, where the benefit covers a larger portion of child-rearing costs compared to higher-income families.

The program had a statistically significant effect on fertility: nine months after the program was announced, the number of births increased by 6 per cent. Despite the considerable positive effects, the cost of each additional birth to the state budget was very high: 389,000 dollars, which is significantly more than in the case of one-time transfers in Spain or Russia. Importantly, the structure of births has undergone a permanent change. Before the introduction of the 500+ program, birth rates were similar across both halves of the income distribution. After the benefit was introduced, the share of births in the lower half of the income distribution increased from 51% to 58%. This suggests that the program had the strongest fertility effects for lower-income families. This change in the structure of births may have reduced the extent of poverty reduction brought about by the program.

I use a microsimulation approach to examine the role of changes in birth structure on poverty reduction. In the simulation, I use changes in the birth structure after introducing the benefit as a counterfactual scenario for the period before the program was implemented. Additionally, I examine the role of labor supply adjustments and their interaction with fertility changes. For this purpose, I rely on existing estimates of the impact of the 500+ program on labour supply, which shows that for every 100 dollars of the monthly benefit, households reduced their earnings from work by 25 dollars.

In the simulated scenarios, I introduce a benefit of 500 zł per child per month (the program functioned in this form from 2019 to 2023). The microsimulation results show that in a scenario without fertility and labor supply adjustments, the additional income from the 500+ benefit could reduce the child poverty rate by 11 percentage points, meaning that three-quarters of children living in poverty would be lifted out of it. Changes in birth structure and labor supply have little impact on poverty reduction, mainly due to the exceptional generosity of the benefit relative to the poverty threshold. Even if families reduced their earnings by the entire benefit amount, all families with four or more children would

automatically be lifted out of poverty thanks to the program. Labor supply and fertility adjustments play a much larger role in the middle part of the income distribution.

Despite the limited impact of changes in birth structure on poverty reduction caused by the “Family 500 plus” program, the article documents an important social policy tradeoff: although universal child benefits have the potential to increase fertility, these “additional” children are primarily born into low-income families. These adjustments extend beyond a purely monetary dimension: the percentage of births in families with low levels of education and unhealthy habits such as smoking cigarettes increases. If fertility could be increased through benefits, the adjustments in birth structure would lead to rising inequality and lower social mobility. In this context, the fact that even such a generous program as “Family 500 plus” did not lead to a drastic increase in births can be seen as a positive aspect of the program.

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