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POLAND’S “FAMILY 500+” PROGRAM AS AN OPPORTUNITY TO SOLVE THE PROBLEMS OF FAMILY AND DEMOGRAPHIC POLICY

The goal of this article was to identify and characterize the socio-economic effects of the introduction of the “Family 500+” program in Poland. The research part focused on checking the implementation of the assumptions, which were placed on the introduction of the “Family 500+” program. The main focus of the study was fertility, the improvement of which is a key goal of the program.

The research methods used in the article were: data analysis method - data on the number of births of children in Poland, the fertility rate as well as the method of synthesis, inference and interpretation were analyzed. On the basis of the data analysis, conclusions were drawn and their nature explained. This was done in order to reflect on the effectiveness of public spending on the “Family 500+” program.

To achieve the intended objective, research and analysis were carried out using selected indicators and statistical data. Their results allowed to verify the effectiveness of public funds spent on the indicated program.

Keywords: “Family 500+” programme, finance, effectiveness, fertility

JEL codes: J11, J13, J18

Introduction

For three decades, the fertility rate in Poland has remained below the level of simple generation replacement, and the long-term demographic forecasts do not indicate an imminent improvement in this area¹. Over the past several years, significant changes in the Polish family policy system have taken place. Successive governments have tried to help families with children as much as possible. This resulted in a systematic expansion of support instruments and an increase in the importance of family policy against the background of other public policies. Despite these changes, the opinion still prevailed in Polish society that the state support for raising children is insufficient. There were demands for a comprehensive change in family policy, the effects of which would be more

¹ I. Kaźmierczak – Kałużna, Gdzie te dzieci? O pronatalistycznej (nie) efektywności programu „Rodzina 500 Plus”, Rocznik Lubuski Tom 46, cz. 2, 2020, s. 2, doi: <https://doi.org/10.34768/rl.2020.v46.2.09>

noticeable to families. European countries, in which state support for raising children, especially in the financial dimension, was much greater than in Poland, were pointed out as examples.

In Germany, for example, there are child allowances (Kindergeld) which cover all children up to the age of 18 and up to the age of 25 if the child is undertaking further education or vocational training. The amount of the benefit depends on the number of children in the family. Thus, for the first and second child the amount is currently 219 euros, for the third 225 euros and for each additional child, 250 euros per month². In the UK child benefit is paid only to parents who work and pay insurance premiums (in some cases there is a departure from this rule). It is available until the child is 16 years old or until 20 years of age when the child continues education. It is £20.70 per week for the eldest child and £13.70 for all other children³. Family allowances exist also in Norway. The benefit (Barnetrygd) is paid for each child under 18 years of age and amounts to NOK 1354 (about EUR 130) per month for children under 6 years of age and NOK 1054 (about EUR 100) for others⁴.

The lack of a coherent and long-term family policy was also indicated by the report of the Supreme Chamber of Control in 2014⁵. In its opinion, the state concentrated on ad hoc solutions, without ensuring adequate coordination and defining concrete goals. The NIK also pointed out to those in power the under-definition of the scope of family policy, which resulted in the lack of grounds for a detailed determination of the effects achieved in comparison with the outlays of funds incurred. The report additionally presents an in-depth analysis of the demographic situation in Poland.

The fertility rate in Poland has been declining for over 20 years, the number of births has continued to fall, while on the other hand life expectancy has increased and migration to more affluent countries has continued. In the long run, these phenomena are expected to determine a decline in the population of the country. If current trends continue, Poland's population will shrink to about 32 million people in 2060⁶. The structure of the population will also change dramatically – the proportion of elderly and post-working age people will increase significantly, while the share of children and youth will decrease. The restructuring of the population will have a negative impact on Poland's economic development and public finances.

Program “Family 500+” – does it work?

The "recipe" for solving the indicated problems of demographic and family policy was to be the program "Family 500+". It entered into force on 1 April 2016 on the basis of the Act of 11 February 2016 on state aid in the upbringing of children (Journal of Laws 2016, item 195, as amended). This Act introduced a new concept to the Polish family

² Kindergeld w Niemczech: podwyżki oraz aktualne informacje na rok 2021, <https://dojczland.info/kindergeld-niemcy> [dostęp: 18.04.2021].

³ Zasiłki w Anglii, <https://www.england.pl/informacje/zasilki-w-anglii> [dostęp: 18.04.2021].

⁴ Barnetrygd, <https://www.nav.no/no/nav-og-samfunn/kontakt-nav/oversikt-over-satser/barnetrygd> [dostęp: 18.04.2021].

⁵ Najwyższa Izba Kontroli, Informacja o wynikach kontroli: Koordynacja polityki rodzinnej w Polsce. Nr P/14/046, Warszawa, 2014.

⁶ Najwyższa Izba Kontroli, Informacja o wynikach kontroli: Koordynacja polityki rodzinnej w Polsce. Nr P/14/046, Warszawa, 2014, s. 22

policy system – the child-rearing benefit. In addition, it defines the rules for granting the benefit and the conditions that must be met to become eligible to receive it. Parents, legal guardians or actual guardians of a child are entitled to receive the benefit in the amount of PLN 500 per month.

In the first stage of its operation the program covered the second and subsequent children in the family until they reached 18 years of age. Exceptions were families where the income per capita did not exceed PLN 800 net per month, or PLN 1200 net per month in the case of families with disabled children. Both events guaranteed a benefit for the first child. This form of the program functioned until the end of June 2019. In July of 2019, an amendment to the law came into force, which resulted in the absence of income thresholds, and the benefit is due to each child until the age of 18.

The "Family 500+" program significantly strengthened state activities in the area of support for families with children. It has become a leading element of family policy, functioning independently of previous instruments. This means that the benefit paid under the program is not counted as income when granting other family benefits, such as, for example, housing allowances.

The main justifications for the introduction of the program were demographic issues, namely, the decreasing number of births in Poland and the declining fertility rate. The legislation mentions as the goal of the "Family 500+" program financial aid for families bringing up children, counteracting the "demographic decline" and partial coverage of expenses related to raising children⁷. The program was supposed to reverse this trend and make Polish women more willing to decide to become mothers. Another important objective was to reduce child poverty and improve the standard of living of families with children. The intention of the program, according to Article 4 of the aforementioned law, is "partial coverage of expenses related to raising a child, including child care and satisfying the child's living needs"⁸.

The number of children eligible for the benefit has varied over the duration of the program, and this has affected its cost to the state budget. These data are presented in Table 1. In the first year of its functioning, the average number of children covered by the benefit amounted to 3.81 million, which constituted 55% of all children under 18, and its cost oscillated around PLN 17.4 billion. However, in the next, first full year of operation, the cost reached PLN 23.5 billion. After the change made in 2019, the number of beneficiaries increased to about 6.8 million, and the expenditure on the program increased to PLN 30.5 billion. In the next full years, the amount oscillates around PLN 40-42 billion. During the 4 years of the program's operation, it has cost the Polish budget about 94 billion zlotys.

The "Family 500+" program raises many emotions in Poland. By some it is complimented – evaluated as a real help in raising children, as well as a financial boost for families, helping them to afford greater expenses, travel with children, courses and additional lessons, etc. Interestingly, it was a model for the Lithuanian political party representing Poles living in the country (Electoral Action of Poles in Lithuania - Union of Christian Families), which initiated the introduction of a similar program⁹.

⁷ A. Gromada, Czemu służy program Rodzina Plus? Analiza celów polityki publicznej i polityki partyjnej, *Ruch Prawniczy, Ekonomiczny i Socjologiczny*, 3/2018 s. s. 242

⁸ Ustawa z dnia 11 lutego 2016 r. o pomocy państwa w wychowywaniu dzieci (Dz.U. 2016 poz. 195 z późn. zm.)

⁹ <https://www.bankier.pl/wiadomosc/Litwa-wprowadza-program-na-wzor-Rodziny-500-plus-4054365.html>

Table 1. The number of beneficiaries of the "Family 500+" program and its cost in subsequent years of operation

Years	Average number of children (MM)	Average number of families (MM)	Costs of the program* (BN PLN)
2016	3,8	2,5	17,4
2017	3,8	2,5	23,4
2018	3,6	2,4	22,2
2019	01-06	3,6	11,1
	07-12	6,8	19,4

Program cost includes the amount of benefits paid. Service costs are not included.

Source: Authors' own study based on data from the Ministry of Family and Social Policy and the Central Statistical Office.

The benefit has been granted since January 2018 for every child up to the age of 18 (or up to 21 in the case of continuing education). However, it is criticized by others, mainly due to its poor effectiveness in pro-demographic policy and the high financial cost for the state budget. The opponents of the program believe that it has not provided a comprehensive change in family policy and that the money spent on the program could have been allocated in a more effective way for Polish families. Many also argue that the program has a bad impact on the labour market because it discourages people from taking up employment and creates entitlement thinking.

Effects of implementation of the "Family 500+" program

The main intention of the introduction of the program was pro-natalist aspects, that is, an increase in the number of children born and the fertility rate. This coefficient is the most reliable in analysing the demographic situation. It represents the number of children a woman would potentially have during her reproductive cycle (15-49 years), assuming that fertility rates remain the same as in a given year¹⁰. Other parameters, such as the number of children born, cannot be analysed and discussed without correlation with the others, as they do not reflect the current demographic situation and may lead to erroneous conclusions.

Demographic studies and analyses consider that a fertility rate of 2.1 is the one that will ensure the replacement of generations. In Poland, this level was last reached in 1988. Since then, this coefficient has been characterized by a downward trend. In the 1990s, systemic transformations and socio-economic perturbations can be identified as the cause of this state of affairs. The fertility rate declined steadily until 2003, when it was only 1.22. The following years brought Poland's accession to the European Union and an improving economic situation. GDP growth and decreasing unemployment contributed to the upward trend of the ratio. From a level of 1.22 in 2003 it rose to 1.39 in 2008-2009, followed by

¹⁰ <https://stat.gov.pl/metainformacje/slownik-pojec/pojecia-stosowane-w-statystyce-publicznej/3950.pojecie.html> [dostęp: 21.04.2021].

a significant slowdown. In the aforementioned years there was a global financial crisis, the effects of which can be identified as the cause of the decline in the coefficient. Its recession lasted until 2013, in which it was formed at the level of 1.26. During the next 3 years it increased slightly and in 2015 it reached the value of 1.29.

A year later, the "Family 500+" program came into force, and the level of fertility rate achieved significant growth dynamics. It is presented in Figure 1.

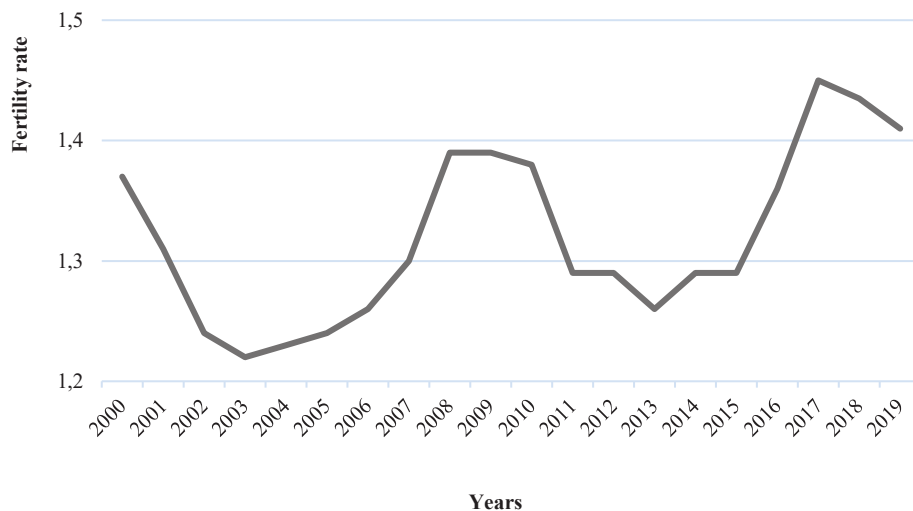


Figure 1. The development of the fertility rate in Poland between 1990 and 2019

Source: Authors' own study based on CSO, Demographic Yearbook 2020, Warsaw 2020

Between 2015 and 2017, there was a large increase in the level of the fertility rate by 0.16 points – the peak of the increase is 1.45 in 2017 (this is the highest level since 1997, when the rate was 1.5). Unfortunately, in the following years there is a slight decline to the level of 1.41 in 2019. The mentioned improvement is not due only to the "Family 500+" program. In the analysed years, the economic situation in the country improved, as evidenced by the acceleration of GDP growth, the decline in unemployment to its lowest level ever, and the increase in wages. Moreover, in recent years a number of changes have been made in family policy and several support instruments have been introduced. For example, child care leaves have been extended, a parental benefit has been introduced which is a type of maternity benefit for persons not covered by it before (not working and insured in The Agricultural Social Insurance Fund (KRUS)). The principles and amounts of tax allowances and income criteria for family benefits were also changed. Therefore, it is difficult to estimate how much of an impact the introduction of the program had on the improvement of the examined indicator.

The fertility rate is correlated with another important demographic indicator – the number of children born. It is important for statistical purposes, but it does not play a leading role in demographic research. This is because when analysing the number of children born, it is important to remember that it is related to the number of women of

childbearing age at a given time. Looking at the dynamics of change in the number of children born in Poland, as shown in Figure 2, one can see similar changes as in the case of the fertility rate.

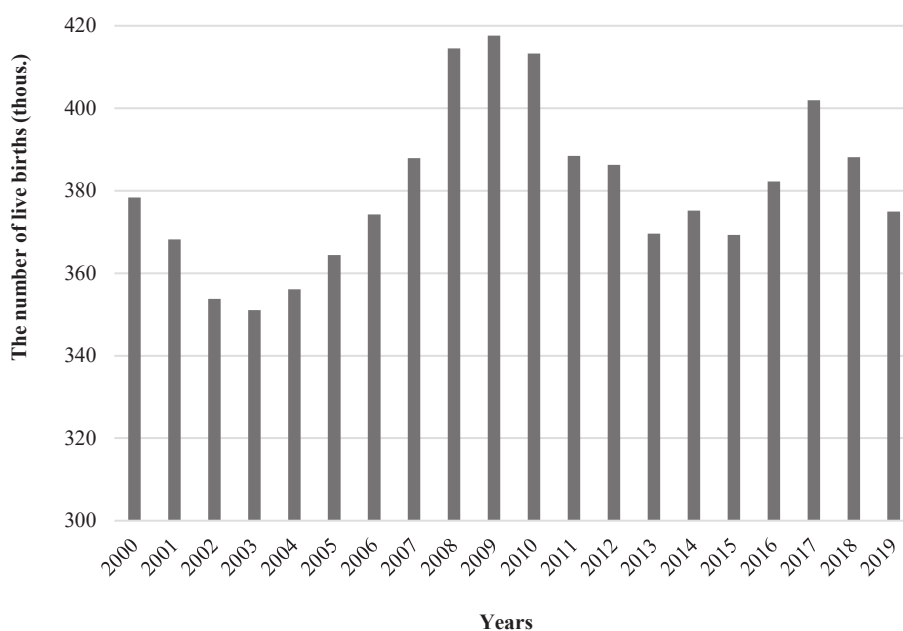


Figure 2: Evolution of live births in Poland, 2000-2019

Source: Authors' own study based on CSO, Demographic Yearbook 2020, Warsaw 2020.

Over the last dozen years or so, the number of children born in Poland has been highly changeable. During this period, the lowest value was recorded in 2003 (351 thousand), while the highest number of births fell on 2009, when 419 thousand children were born. In the following years, the number systematically decreased. The trend reversed in 2016, when the "Family 500+" program was introduced. The number of births increased for 2 consecutive years. In 2017, 403 thousand births were registered and this was the highest number of births so far after the introduction of the program. Although the fertility rate, after the introduction of the program, reached a higher level than in 2009, this did not translate into a higher number of births. Between 2018 and 2019, the number of child births declined to a comparable level prior to 2016.

It is worth comparing how much higher the actual values of the number of children born after the introduction of the program are from those previously forecast by the Central Statistical Office (without the "Family 500+" program) and by the Ministry of Family and

Social Policy in 2016 before the introduction of the program¹¹. These values are shown in Figure 3.

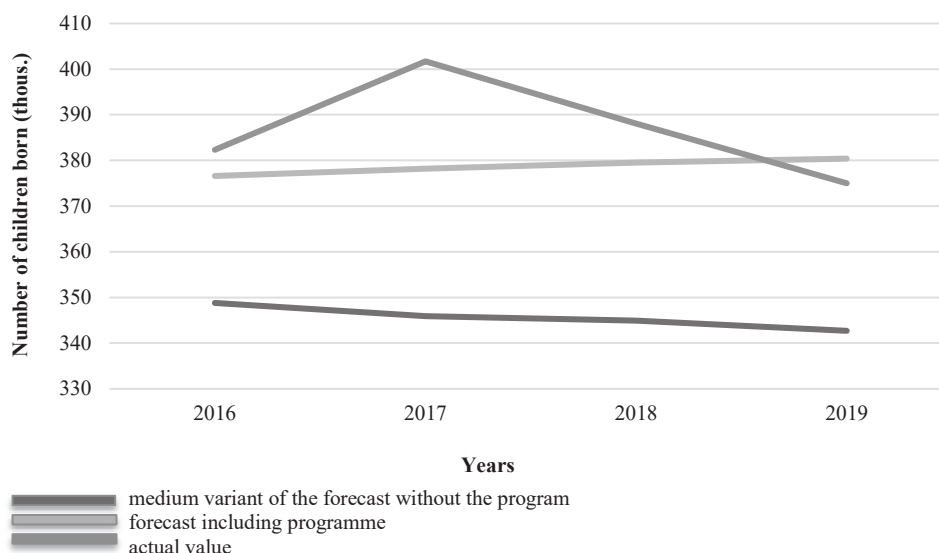


Figure 3: Comparison of the projected number of child births in Poland with actual values in 2016-2019

Source: Authors' own compilation based on data from the Ministry of Labour and Social Policy, Regulatory Impact Assessment,

<https://archiwum.mriips.gov.pl/download/gfx/mpips/pl/defaultopisy/9493/2/1/zalacznik%20nr%20nr%20do%20OSR%20KONSULTACJE.pdf> [accessed: 25.04.2021].

The number of births of children significantly exceeded the values forecast by the CSO before the introduction of the program. For 2016, 348.8 thousand births were predicted, while 33.5 thousand more children were born – 382.3 thousand. In the record year 2017, the difference was even greater and amounted to 56.1 thousand (345.9 thousand compared to 402 thousand), while a year later it slightly decreased to 43.2 thousand. Moreover, for the first 3 years of the program's operation, more children were born than the government's 2016 forecast. The situation changed in 2019, when the number of children born was more than 5 thousand less than the forecast, but was still much higher than the value predicted by the CSO. In total, the number of "excess births" calculated as the difference between the actual values and the values from the average variant is 165.1 thousand.

The analysis of data concerning the order of children born in the family after the introduction of the program provides important information and conclusions. In the first stage of its functioning, the programme covered the second and the next child in the family. This rule, as can be seen, significantly influenced the decisions made by Polish families. In 2017, the first year in which the program was fully operational, there was a

¹¹ Ministerstwo Rodziny i Polityki Społecznej: Ocena skutków regulacji. Załącznik nr 2 do OSR <https://archiwum.mriips.gov.pl/download/gfx/mpips/pl/defaultopisy/9493/2/1/zalacznik%20nr%20nr%20do%20OSR%20KONSULTACJE.pdf>

very large increase in births of second children in the family. They accounted for 40.1% of all children born compared to 38.4% the year before. The situation is similar for third children in order. The increase was 1.3 percentage points (from 11.1% in 2016 to 12.4% a year later). The opposite is true for the first children in a family. Since 2016, there has been a noticeable decline in births in this category, both in nominal and percentage terms. A peculiar situation has occurred in 2019, with a very large decline in the number of births of second children in the family and a significant increase in third and fourth children in order.

Table 2. Live births by maternal birth order 2010-2019

Years	Maternal birth order									
	First		Second		Third		Fourth		Fifth and next	
	thous.	%	thous.	%	thous..	%	thous.	%	thous.	%
2010	207,1	50,1	145,3	35,1	41,1	9,9	12	2,9	7,9	1,9
2011	191	49,2	139,4	35,9	39,5	10,2	11,4	2,9	7,1	1,8
2012	188,2	48,7	140,9	36,3	39,6	10,2	11,1	2,9	7	1,8
2013	179,7	48,6	134,4	36,4	38,5	10,4	10,5	2,8	6,6	1,8
2014	178	47,4	140,6	37,5	39,6	10,5	10,6	2,8	6,4	1,7
2015	173,7	47,0	138,7	37,6	39	10,6	10	2,7	5,6	1,5
2016	175,9	46,0	147	38,4	42,5	11,1	10,7	2,8	6	1,6
2017	172,6	42,9	161,3	40,1	49,9	12,4	11,9	3,0	6,2	1,5
2018	<i>No data available</i>									
2019	160,1	42,7	134	35,7	57,6	15,4	16,3	4,3	7	1,9

Source: Authors' own compilation based on CSO data, Live births by order of birth to mother 1960-2019, [in:] <http://stat.gov.pl/> [accessed 25.04.2021]

Based on the data in Table 2, the following conclusions can be drawn. First, the program did not affect women's decisions to conceive their first child. This may have been influenced by its initial design, which did not include families with one child. It can be assumed that the analysis of these data contributed to the expansion of the program, which assumes the payment of the benefit to all children up to the age of 18. Second, the introduction of the program contributed to the birth of more children in the family – especially, third and fourth children. The number of the latter has been falling steadily since 2000, and not even the small high in 2007-2009 changed that. The trend reversed only in 2016. Also noteworthy is the change in the number of births to second-born children. This category has seen the largest increase in recent years. Confirmation of the second conclusion is provided by the results of a survey conducted on November 24-27, 2017, commissioned by the portal Wirtualna Polska¹². One of the questions was: in your opinion, does the "Family 500+" program encourage Poles to have more children? To this question as many as 61% of respondents answered in the affirmative (24% "definitely

¹² E. Koszowska: Efekt 500 plus? Najnowszy sondaż <https://opinie.wp.pl/efekt-500-plus-najnowszy-sondaz-6193664517712001a> [dostęp: 26.04.2021].

yes", 37% "rather yes"). However, 22% of respondents answered in the negative. The rest of the respondents said that it was "difficult to answer".

Conclusions

Summarizing this section, it is impossible not to notice an improvement in the demographic situation in Poland after the introduction of the program. This is evidenced by the large increase in the fertility rate, reaching in 2017 the highest level in 20 years, and the improvement in the dynamics of the number of children born. Nevertheless, it should be emphasized that many factors contribute to parents' decision to have a child and it is impossible to assess which of them is the most leading one. Besides, the demographic improvement was short-lived and unsatisfactory.

The "Family 500+" program did not significantly change the negative demographic trends. Its introduction brought positive effects only in the short term, until 2017. During this time, the fertility rate improved significantly and thus the number of children born increased. These values were much higher than forecasted by the Central Statistical Office in 2014, and also higher than ex ante simulations carried out by the government. The promising change did not last long. In the following years, it worsened, and the improvement was weaker and weaker each year. The government responded to this situation by extending the program from July 1, 2019. It is still necessary to wait a while for the effects of this change, the more so that six months after its introduction, the COVID-19 epidemic broke out in the world.

The "Family 500+" program has its advantages and disadvantages. Therefore, it is important to consider how to improve its functioning and thus increase its effectiveness in influencing Polish society. It is especially important that any changes contribute to encouraging families to have more children, as the demographic situation and forecasts of its changes do not give rise to optimism. The Polish political class should take decisive actions and solutions. If this does not happen, Poland is threatened with the specter of perturbations in the labor market, the pension system or public finances in the future.

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Program „Rodzina 500+” szansą na rozwiązanie problemów polityki rodzinnej i demograficznej

Streszczenie

Głównym celem artykułu było zbadanie efektów wprowadzenia programu „Rodzina 500+” w kontekście społeczno-ekonomicznym. Autorzy preferowali podejście interdyscyplinarne w badaniu konsekwencji programu. W tym celu szczególną uwagę poświęcono na weryfikację i analizę założeń, jakie stawiał sobie pomysłodawca programu. Głównym zakresem badań była dzietność, której poprawa jest kluczowym celem programu. Zestawienie tych założeń z danymi statystycznymi dało odpowiedź na pytanie, czy program jest skuteczny i spełnia swoją rolę. Do zbadania efektów programu wykorzystano dane z lat 2015-2019.

Ważnym aspektem była także weryfikacja efektywności w aspekcie ekonomicznym i społecznym. Istotnym zamiarem było także przybliżenie historii programu „Rodzina 500+”, jego założeń, finansowania i zakładanej zmiany w podejściu do polityki prodemograficznej w Polsce.

Słowa kluczowe: „Program 500+”, finanse, efektywność, dzietność

JEL Codes: J11, J13, J18

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