

THE PROGRAM "FAMILY 500 PLUS" – IMPLICATIONS FOR HOUSEHOLD FINANCE IN POLAND

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Abstract: Household finance is heavily dependent on the phase of a family's development. As the family grows, the household's financial needs change. Young Poles choose not to create families, mostly because of their financial situations. In order to increase the number of births, the "Family 500+" program was introduced in Poland, where parents can receive a benefit of 500,00 PLN (about 120 euros) per month for a second and every further child. It is indicated that the effects of the 500+ program are both positive and negative. Some effects of the program are already visible, although many forecasts have not yet been confirmed in the statistics due to the short duration of the program. The purpose of the article is to identify the impact of the government's family policy program: "Family 500+," introduced in April 2016. This article describes the assumptions and instruments of family policy in Poland, a description of the assumptions of the "Family 500+" program and the implications for household finances in Poland in terms of consumption, income, debt, the labor market or poverty.

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Introduction

Most authors equate the concept of household finance with personal finance (Campbell 2006; Korenik and Korenik 2004; Bywalec 2009; Jajuga 2007; Waliszewski 2010; Bogacka-Kisiel (ed.) 2012). For the purposes of this article, the author adopts the definition of personal finance sensu largo by Świecka (2014): „Personal finance sensu largo is a sub-discipline of finance related to funds management by household members. In other words, personal finance on the one hand are related to collecting funds, on the other hand, to spending, saving, and investing them by members of households. In this case, the concept of personal finance sensu largo can be synonymous with the concept of household finances”. Household finance is heavily dependent on the phase of a family's development. As the family grows, the household's financial needs change. In Poland, the phenomenon of an aging society is observed, due to e.g. low birth rate. Young Poles choose not to create families, mostly because of their financial situations. In order to increase the number of births, the "Family 500+" program was introduced in Poland, where parents can receive a benefit of 500,00 PLN (120 euros) per month for a second and every further child. According to many reports, the program "Family 500+" affects both the finances of households as well as the whole economy. It is indicated that the effects of the 500+ program are to be both positive and negative. Some effects of the program are already visible, although many forecasts have not yet been confirmed in the statistics due to the short duration of the program. The purpose of the article is to identify the impact of the government's family policy program: "Family 500+," introduced in April 2016. This article describes the assumptions and instruments of family policy in Poland, a description of the assumptions of the "Family 500+" program, and the implications for household finances in Poland in terms of consumption, income, debt, the labour market or poverty.

Family politics in Poland

Family policy is very important in the workings of the state as part of its social policy. The concept of “family policy” was used for the first time in the 1940s, during debates on social policy which took place at that time in Europe. The first activities addressed towards families were taken in France and Sweden at the turn of the nineteenth and twentieth century's (Myrdal 1941). “Family policy” is defined as all means, actions, and legal norms which are carried out by the state and whose aim is to create acceptable living conditions for all aspects of family existence - its beginnings, appropriate functioning and its fulfilment of all socially important roles (Kamerma 1994). In the literature, two types of family policy are distinguished: indirect policy (implicit) and direct policy addressed to families (explicit). There are activities taken within implicit policy which are not aimed directly at households but have consequences on family functioning - such as in the case of preventing unemployment, or tax policy. Explicit family policy comprises clearly defined actions, programs and benefits addressed to families as such or family members (Balcerzak-Paradowska 2004).

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Family policy in Poland has been evaluated and changed many times over the years. From 1989 to 2015 three most important periods may be distinguished: transformational (1989-1997), transitive (1997-2005), mature (2005-2015). The first of these periods (transformational) was characterized by a limited family policy with the state's efforts addressed mostly to the unemployed. The first, transformational, phase lacked mostly explicit programs and strategies addressed to families, with a decline in the number of places in nurseries and kindergartens. In the following period, starting in 1997, family policy took a different form – addressed directly to family functioning. It was characterized by activities such as: extending maternity leave, the introduction of a child tax credit and a single payment at child birth (the so called “becikowe”), and a gradual increase in the number of places in nurseries and kindergartens. In the last period, the mature period, family policy takes the form of improvement of the previously introduced solutions and aims at reimbursing families for the expenditure they have to make in keeping a household and balancing professional life and looking after children (Sobociński 2016).

State family policy is implemented through instruments in the form of legal means (these comprise all legal norms, which regulate the relationships of a family with the state and other institutions), financial benefits (all kinds of benefits and allowances), in-kind benefits (comprising material aid given to families) as well as benefits in the form of services (services provided by different kinds of institutions with the aim of supporting families in their basic functions – for example: nurseries, kindergartens, after-school clubs). Table no. 1 shows selected instruments of the Polish family policy.

Table 1. The Polish family policy instruments		
	Instrument type	Instrument name
	Financial benefits	<ul style="list-style-type: none"> – Family allowance and supplements to it – Care allowance (related to providing care for a disabled child) – Single payment at child birth (the so called “becikowe”) – “Pro-family” child tax credit – Maternity allowance – Parental leave allowance – “Family 500+” program
	Non-financial benefits (in – kind benefits, benefits in the form of services)	<ul style="list-style-type: none"> – Nationwide Large Family Card – Paternity leave, maternity leave – Personal care for a child under the age of 3 – nurseries, private nurseries, childminders – Kindergartens

Source: Authors

Program “Family 500+”

Particular attention should be drawn to the “Family 500+” program, which has been operating in Poland since 1 April, 2016. According to its assumptions, the program is aimed at supporting families in a broad, long-term perspective. The program aims to provide assistance in raising children and money paid under it is supposed to reimburse at least partially the cost of satisfying living needs and raising a child. Furthermore, apart from improving the material conditions of Polish families, it is also aimed at improving the birth rate in Poland (currently, the fertility rate in Poland is approximately 1.3 children per woman). This benefit is available to every Polish family - parents (carers) of children until they reach the age of majority (18 years). A benefit under the “Family 500+” program is PLN 500 (120 euros) paid to families every month. A family with two minor children receives this benefit for the second and subsequent child irrespective of the family's income in a given month and year. In the case of families whose income per capita in a given household is below PLN 800 net, this benefit is also granted for the first (or an only) child. In the case of families with a disabled child, the income criterion is PLN 1200 net per capita. This benefit is also granted to foster parents and children's homes.

A benefit under the “Family 500+” program is paid by local authorities, welfare centers or social benefits centers. To be granted the “Family 500+” program benefit, a family has to file an appropriate application with one of the above mentioned institutions. Upon being granted the benefit, one should

apply for it in every given year. In the case of applying for a benefit for the second and every subsequent child, a family (an applicant) is not required to file a statement on income. The exception is applying for financial means for the first (or an only) child. The payment of benefit commences in the month in which the parents applied for it. Noticeably, the award of the benefit of PLN 500 and above is not included in the family's income for the purpose of establishing its rights to other benefits (for example from the maintenance fund, family benefits or various housing allowances). Furthermore, a benefit under "Family 500+" program is not taxed, so parents of the children who have been awarded this benefit receive PLN 500 per child and do not have to pay any tax or contributions on this amount – this rule applies also to parents who conduct economic activity. The benefit cannot be claimed by a family which receives financial means of a similar character abroad (<http://www.program500plus.pl/>).

Implications of Program "Family 500+" for household finance in Poland

The "Family 500+" program has already covered more than 3.82 million children up to the age of 18 by the end of February 2017. More than 2.57 million families have received almost 21 billion zlotys. Throughout Poland, the "Family 500+" program covers 55% of all children under 18 years old. In the country, this percentage is 63 percent. In municipalities it is 49%, and in urban – rural areas 58%. The highest number of supported children are in Mazovia (almost 554,000), Silesia (over 383,800) and Greater Poland (over 379,600) (MPiPS 2017). According to GUS data, the "Family 500+" program has a positive effect on the number of births. In November and December 2016 and January 2017 there has been as much as 13-15 percent increase in childbirth in relation to the same period of previous years. The most frequently mentioned phenomena influenced by the "family 500+" program, along with the number of births, are an increase in consumption and savings while simultaneously reducing household debt, as well as lowering professional activity (especially among women) and reducing poverty among families and children.

Consumption, savings, and debt of households

The ING Financial Barometer (2017) shows that due to the program, parents could purchase clothes (31%), shoes (29%) and family holidays (22%). An important element is education: 22% of the respondents spent resources on books and aids, and 20% on extra activities for children. As many as 17% of the participants financed holiday and school trips for children through the program.

The study shows that 21% of people receiving resources from the 500+ program have started saving for the first time, and another 36% are putting off more than before. In total, only 32% of program beneficiaries admit that they spend all 500+ funds on a regular basis.

According to BIG InfoMonitor data, over 12 months, from the end of February 2016 to the end of February 2017, the number of people with overdue payments for amounts up to 2 thousand PLN grew at a slower rate than all debtors. In the case of unreliable debtors listed in the BIG InfoMonitor, their share fell during the year from almost 40% to less than 35%.

Those that earned less have resigned from high-speed consumer loans (data show that the least-paid 20 percent of households spend more than they earn and are financed by such loans), so the 500+ program has reduced debt rather than significantly increased consumption.

The NBP (2016c) suggests that the 500+ beneficiaries are not willing to save for future due to their greater optimism. While in households that do not benefit from this subsidy, the assessment of the current and future situation is negative, the people with government support positively see both the present and the future. The state of mind, as claimed by the central bank, has a significant impact on the financial attitudes of Poles, for whom a significant motive for saving is a sense of threat. This is also confirmed by research done by Deutsche Bank (2016), which shows that the proportion of people saving for a rainy day has increased in relation to 2015. This is due to the increased uncertainty among people not receiving additional family benefits from the budget, which is fully consistent with the NBP's observations. The percentage of rainy-day savers among those that do not use 500+ is as much as 51 percent, while only 26 percent are beneficiaries of the program.

Labour market

More and more reports show the impact of the "Family 500+" program on the labor market's situation in Poland. For a few years, Poland has been experiencing the effects of an aging society. According to the NBP report (2006) on the labour market, due to the recently introduced institutional changes -

particularly the reduction of the retirement age and the introduction of the "Family 500+" program, there is a great risk of lowering professional activity and thus diminishing the labour supply.

The "Family 500+" program provides non-work-related income, which does not give incentives for the professional activation of women taking care over children. As a result, it may even encourage the deactivation of a person (mostly women) who have been unsuccessfully seeking employment or working in poorly paid jobs. Data for the first full quarter in which the Family 500+ funds have been paid show that the activity rate has decreased, but the number of inactive people has also declined. This is primarily due to demographic changes affecting the sources of inactivity in the form of an ever-lower number of young people who are not professionally active due to learning. On the other hand, the number of economically inactive people due to retirement is increasing systematically (NBP 2016a). There are also negative effects, i.e.: the fall of actively engaged parents, which affects mainly women. 235,000 people are said to resign from work, mainly women in families where both parents work (over 200,000) and single parents (25,000). To summarize, the program will discourage the active participation of parents in families 3+ and those with one and two children (Szarfenberg 2016).

Right at the beginning of 2016, information on transfers of 500 PLN to the second and every subsequent child in the family reduced the threshold wage of non-working family members that receive them by about 6%, i.e.: 120 PLN. It is unclear what effect this change has on the willingness to provide work. The declared threshold wage of inactive persons is relatively low - it remains at about 200 PLN below the minimum wage applicable from 1 January 2017 (NBP 2016b).

Poverty

The introduction of the Family 500+ program significantly affects the reduction of poverty among children and their parents, according to a report by the European Network for the Prevention of Poverty. Positive factors include a huge decrease in poverty. Extreme poverty is reduced by 48 percent and extreme poverty among children by 94 percent (Szarfenberg 2016). The program has also significantly improved the material conditions of families. We are seeing fewer and fewer people benefiting from social assistance and nutritional support - a 10% decrease compared to the previous year. It is about periodic, targeted, child-raising benefits. With the program, total poverty has declined by 48 percent and extreme poverty by 98 percent.

Conclusion

The theoretical framework of family policy is that the state can support families both indirectly and directly, and instruments supporting family units can take financial or non-financial forms. Introduced in Poland in April 2016, the "Family 500+" program aims to support families and pay them an allowance of 500 PLN per month for their second and each subsequent child (also for the first one if the income per family member is lower than 800 PLN). The "500+ Family" program is designed to help the poorest families on one hand, and on the other hand to increase births in Poland (this indicator is gradually increasing). Many forecasts have been made regarding the consequences of the program, but due to its short duration, not all of them have been confirmed. According to a partial study, consumption is rising, debt is reduced, households are giving up on short-term loans, and the scale of poverty is limited. On the other hand, there is a decrease in the professional activity of women, and savings are gradually increasing but rather for those people who do not benefit from the program and not those who receive benefits.

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