

Conditional cash transfers and their impact on children

**Ensuring adequate resources throughout the life
cycle from a children's perspective**

WORKING PAPER



Eurochild
Putting children at
the heart of Europe

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About Eurochild



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Eurochild advocates for children's rights and well-being to be at the heart of policymaking. We are a network of organisations working with and for children throughout Europe, striving for a society that respects the rights of children. We influence policies, build internal capacities, facilitate mutual learning and exchange practice and research. The United Nations Convention on the Rights of the Child is the foundation of all our work.

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Eurochild working papers are exploratory texts that allow for discussions on emerging policy areas and their implications on children's rights.

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Key Messages

1. Eligibility to family benefits should not be based on the need of the labour market or education system but rather on the needs of the child. Children's rights and best interest should be kept in focus. Incentivising parents to return to work, investing in skills development and training should be an encouragement but never a punitive approach as it could drive families and children further to the margins of society. All financial incentives must avoid any form of stigmatisation, segregation or discrimination. The way in which financial incentives are both delivered and accessed needs careful consideration in advance.
2. Cash transfers are a component of a policy package but neither the full package, nor an alternative to other interventions, nor a panacea. There needs to be a holistic policy approach to policies and programmes that confront poverty and social exclusion including the reduction of income poverty along with ensuring access to health care, childcare, education, housing, etc. The CCT policy must be linked to other social inclusion policies, with additional funds or other resources provided to local authorities, child welfare services, schools, or professionals working with families and children affected by the change in policy. When supply-side issues are neglected (poor quality instruction, lack of accessibility, overcrowding and lack of resources), CCTs may do more harm than good.
3. In itself CCTs cannot fulfil the initial aims and can help decreasing poverty, increase motivation, quality of life only if this is part of a complex, well-designed and carefully monitored, evaluated programme. Provisions for monitoring implementation and evaluating outcomes on child well-being in the long-term need to be put in practice.
4. Incentivising children/families to engage and improve their outcomes is a positive aim. Whether there is a need for a financial element to incentivise people has to be based on sound evidence. Families should be helped and empowered to make changes themselves, with additional and appropriately tailored support, information and/or knowledge, with the overarching aim of improving their overall well-being outcomes.
5. Conditional programmes are poorly equipped to impacts from economic crises and provide emergency support. In times of crisis we need stronger and universal protection systems that will lift people out of poverty and safeguard children's rights to education, health and protection. CCTs should be complementary to a broader holistic social protection scheme ensuring child well-being irrespective of the parents' behaviour.

1. Introduction to CCTs and their appeal

Conditional cash transfers (CCTs) in general aim to exert an immediate effect on poverty by raising income, while at the same time contributing to a longer-term reduction of poverty by improving beneficiaries' future potential to earn a living, in so doing contributing to a drop in demand for such benefits.

Within the range of CCTs implemented to date, behaviour related to education, health and nutrition constitute frequent foci, with education and health the most common combination. Their underlying principle is that human capital can be enhanced as a development vehicle by providing money to families to persuade them to invest in themselves through greater participation in education and health services. When designed and implemented properly, CCTs' various components can be complementary: an effective CCT programme combining nutrition, health and education, for example, could help to stabilise beneficiary health through improved nutrition and regular medical examinations, school attendance through better health and ultimately make itself obsolete by improving earnings on the one hand and awareness about nutrition and preventive healthcare practices on the other¹.

In addressing the issue of conditional cash transfers and their impact on children, in this response Eurochild aims to:

- (1) Identify some recommendations with respect to ensuring adequate resources from a child-rights perspective;
- (2) Identify some key issues for reflection and debate.

2. Recommendations with respect to ensuring adequate resources from a child-rights perspective and examples of measures in place in other EU countries

Eurochild bases its work on the United Nations Convention on the Rights of the Child (UNCRC), the universally accepted set of standards which set out the protection, provision and participation rights of all children. According to the UNCRC, that all EU Member States have ratified, every child has the right to fully develop their social, emotional, cognitive and physical potential, and to an adequate standard of living, no matter what their family circumstances are. The States (or national governments) are the main duty bearers of the UNCRC. They have a responsibility to take all available measures to ensure that children's rights are respected, protected, and fulfilled. When countries ratify the UNCRC, they agree to review their laws relating to children. This involves assessing their social services, and legal, health and educational systems, as well as the levels of funding for these services. Based on this review, governments are obliged to take all necessary steps to meet the minimum standards set by the

¹ Hall A. (2006), 'From Fome Zero to Bolsa Familia: Social Policies and Poverty Alleviation under Lula', *Journal of Latin American Studies*, 38(4).

Convention. As stated in Article 26, children – either through their guardians or directly – have the right to help from the government if they are poor or in need.

- **Keep children’s rights and best interest in focus**

Eurochild is increasingly concerned with the growing tendency to impose conditionality on receipt of benefits linked to concrete outcomes in education or in the labour market. Eligibility to family benefits should be first based on the needs of the child and not the need of the labour market or education system. Benefits should not be used as a means of penalising parents whose children do not attend school or incentivising parental labour market participation. Such an approach is in direct opposition to the UNCRC.

Parents should not be forced back to work. Eurochild believes that employment is the best long-term safeguard against poverty, but parents should be encouraged and supported back into the labour market through provision of training and re-integration schemes that respect parents’ right to care for their children.

CCTs for education are the most popular type, including in Central and Eastern Europe. The appeal of CCTs for education lies in their simultaneous action to address current poverty while improving household educational status and (thus) future earnings potential. They offer thus the possibility of reducing the intergenerational transmission of poverty by encouraging investment in human capital. Evidence² suggests, however, that it is fundamental that the CCT policy is linked to other social inclusion policies, with additional funds or other resources provided to local authorities, child welfare services, schools, or professionals working with families and children affected by the change in policy.

The type of conditional cash transfer used in **Bulgaria** bounds the monthly child benefit - received until the child’s graduation from high school but only if he or she is not more than 20 years old (the so-called “children’s additives”) - with the attendance of pre-school and compulsory school education after the child becomes five years old.

We fear, however, that bounding child benefits with school attendance could deprive families with the lowest income of a vital support, if they do not fulfil this condition. It is also – and probably mostly – because of their poverty that families are unable to send their children to school, as their conditions impact on their capacity to buy and/or provide for the required school aids, appliances, clothes, etc. In this perspective, they are additionally discriminated by the State because they are poor and cannot provide for the child’s school attendance instead of being supported.

² Friedman E. et al. (2009), ‘Assessing conditional cash transfers as a tool for reducing the gap in education outcomes between Roma and non-Roma’, Roma Education Foundation.

Eurochild would also caution against using conditional cash transfers (CCTs) as a tool for reducing the gap in educational outcomes between Roma and non-Roma population in several Central and Eastern European countries. Absenteeism is principally caused by low income, insufficient supply of services (poor quality instruction, lack of accessibility, overcrowding and lack of resources) and discrimination.³ School enrolment and attendance incentives should be applied only when such supply-side problems have been solved and when quality and quantity of education provision is improved.

There are some positive experiences of targeted support and incentives for disadvantaged families to access early childhood services and education but their success can be attributed to two factors: (1) they offer additional cash incentives. They do not threaten to withdraw families access to income support schemes – a regressive, punitive approach that can drive families and children further into severe poverty and deprivation; and (2) the financial incentives are coupled with support for more inclusive, accessible services e.g. through professional training, as well as interventions that strengthen families and improve parenting skills.

OvidiuRo's programme 'Every child in pre-school' is an integrated child and family support programme targeting disadvantaged families in rural **Romania** looking at providing both resources and access to quality services for parents and children. It implements a food coupon system at pre-schools conditional on attendance. Poverty is the criteria and 90 % of children who qualify are Roma. It also supports staff – cash is provided to teachers for school materials and professional training delivered to pre-school teachers. Monitoring and evaluation found a positive impact for parents, children, and professionals. Half of those coming out of the programme enrolled into primary school and 65 % have very good or good school attendance. Most importantly, the programme encourages participation, strengthens social inclusion and embraces diversity.

- **Ensure adequate and universal child benefits**

Eurochild believes that a stronger emphasis on universal benefits and services would be needed. Universal child benefits are an important expression of intergenerational solidarity. Universal access is less bureaucratic and has more effective take-up, it avoids any stigma associated with some means-tested benefits and it is also less costly to administer. Benefits should be received automatically and cover children's basic needs and be adjusted to the number of children in a family. Additional support must be available to provide for families with specific needs, for example children with disabilities or long-term care needs.

³ Ibid.

- **Ensure a holistic policy approach is taken**

The primary intervention, the use of cash transfers, is not sufficient by itself to solve all the problems. Cash transfers are a component of a policy package but neither the full package, nor an alternative to other interventions, nor a panacea. There needs to be a more holistic approach to policies and programmes that confront poverty and social exclusion including the reduction of income poverty along with ensuring access to health care, childcare, education, housing, etc.

What factors led to the rapid and widespread establishment of CCT policies and programmes and what would be needed to broaden that response to make for a holistic package?

There are lessons to be learned from the different experiences across the EU and have learned more about what is happening to families and children; the challenges they are confronting in their everyday lives; the ways that they are coping; how governments are responding; what are the consequences for families and children as agents, targets and beneficiaries of family and child policies and which family and child policies may make a difference.

- **Help and empower families to make changes themselves**

It is crucial to help and empower families to make changes themselves with additional and appropriately tailored support, information and/or knowledge, with the overarching aim of improving their overall well-being outcomes. It is not the alleviation of the household budget constraint as a result of the cash transfer that is driving long-term and sustainable impacts and results.

One of the problems with linking financial benefits with behavioural conditions is that it risks pushing families further into poverty and both social and economic exclusion. There are also risks of pushing a particular value or ideology, and punishing people who do not comply.

In **Wales**, positive financial incentives can be identified in respect of enabling young people to continue with their education and training beyond post compulsory school age.

For example, the **Education Maintenance Allowance (EMA)** is an income-assessed weekly allowance of £ 30 to help students (16-18 year olds) with the cost of further education. It is paid every two weeks directly into the student's bank account. It provides young people, who wish to continue in education after school leaving age. Receipt of EMA will not affect any benefits which are currently paid to your household and household income must be below a certain level to be able to receive EMA. Young people are required to sign a learning agreement with their school or college and meet attendance rules in order for them to receive an EMA. So although payment is dependent on the young person's meeting those rules, it is a positive incentive which enables many children from low income families to remain in education (if Wales decided to end the scheme, many young people would be left with no option but to leave school at the end of the post-compulsory period).

The **Welsh Government Learning Grant (FE)** is an income-assessed grant of up to £ 1,500 that aims to encourage more people to continue with their education, where otherwise this may not be possible. This again is means-tested, and applicants must be 19 years of age and enrol on an 'eligible' further education course.

Other forms of funding are available – such as bursaries and grants – for low-income students seeking to attend Higher Education.

Some financial incentives for poorer students and other disadvantaged groups (e.g. children in care) are paid directly to schools to fund initiatives and extra support packages to help particular students with their studies.

Low-income families have entitlement to free school meals and some support with uniform costs – again, based on family income, not behaviour.

Where CCTs are having negative as well as positive consequences (and are linked with behavioural change) is in relation to employment and the labour market. Many households face sanctions and have their benefits cut or temporarily withdrawn for not complying with the requirements to actively seek employment and comply with the conditions set for receiving unemployment benefits. However, there are some protections in place for families with children and support is provided to help individuals look and apply for work.

3. Key issues for debate

- **Simply looking at the direct effects of CCT programmes results in a significant underestimation of their impacts.**

CCT programmes are increasingly becoming the policy makers' vehicle of choice to provide benefits to poor households that can potentially break the intergenerational cycle of poverty. While the stated aims of most CCT programmes is to improve the health and nutritional status and educational attainment of children in poor households, there are strong, unintentional impacts within households, that can arise as a result of the introduction of such programmes. We must understand the total programme effects, which go beyond the direct effects on the health and education of children and it would be incorrect to evaluate programmes solely on the basis of the direct impact. From the policy point of view, simply looking at the direct effects results in a significant underestimation of the effect of such CCT programmes (including high private costs as it was highlighted in the discussion paper written by Tarki⁴).

Proper cost-benefit analysis of CCT programmes needs to take into account the improved situation of the non-targeted individuals and the consequent improvements in long-term family well-being and quality of life.

- **CCTs need to be part of a complex, well-designed and carefully monitored, evaluated strategy.**

All financial incentives must avoid any form of stigmatisation, segregation or discrimination. The way in which financial incentives are both delivered and accessed needs careful consideration in advance. In itself CCTs cannot fulfil the initial aims and can help decreasing poverty, increase motivation, quality of life only if this is part of a complex, well-designed and carefully monitored, evaluated programme. Preparation, strategic planning and proper implementation is essential. Moreover, provisions for monitoring implementation and evaluating outcomes on child well-being in the long-term need to be put in practice.

There is indeed a need to improve results-based monitoring and evaluation systems as a foundation for effective programme management, and a need for cross-programme evaluations to explore the development and effectiveness of alternative programmes and policies. Ideally, programme evaluations would compare alternative interventions for achieving a similar objective to determine the most effective and efficient approach⁵.

A large gap has to do with the lack of systematic data on child well-being including data on the policy responses and where possible, their effects, not just on the problems/risks.

- **CCTs are poorly equipped to impacts from economic crises.**

In times of crisis we need stronger and universal protection systems that will lift people out of poverty and safeguard children's rights to education, health and protection. Conditional

⁴ Tarki Social Research Institute, Discussion paper peer review on Conditional Cash Transfers, Hungary 2015.

⁵ Rawlings L. and Rubio G. (2005), 'Evaluating the Impact of Conditional Cash Transfer Programs', World Bank Research Observer, 20(1).

programmes are relatively poorly equipped to provide emergency support; unconditional transfers may be more effective as rapid crisis response. This is because they require less complex administration, and because their coverage may be expanded at lower costs and much more rapidly to counteract sudden deteriorations in well-being. Importantly, while CCTs can provide a ready-made channel for increased transfers to those households which are already in the programme, they do not act as autonomic stabilisers (as do, for example, unemployment benefit claims) hence they require active management in times of crisis⁶.

- **Whether there is a need for a financial element to incentivise people has to be based on sound evidence.**

CCTs work well in cases where the intention and the motive for providing a cash transfer is to afford children and families from low-income households with opportunities to engage in an activity/service etc. that will result in positive outcomes for them, their families and wider society, and that they would not be able to have accessed without the additional financial support.

Incentivising children/families to engage and improve their outcomes is a positive aim. Whether there is a need for a financial element to incentivise people has to be based on sound evidence. Many of us will be incentivised without any financial gain, and may just require additional and appropriately tailored support, information and/or knowledge to help us to achieve something or to access a service.

- **Supply-side interventions over CCTs should be prioritised for compulsory education.**

It is crucial to ensure that if CCTs for education are introduced by governments, they are designed and implemented in such a way to promote increased access to quality education which leads to improved educational outcomes for children.

When supply-side issues are neglected, CCTs may do more harm than good by bringing about deterioration in service quality as a result of increased demand for services in the absence of accompanying measures designed to ensure that the supply of services is adequate to meet the increased demand. Without greater attention to the provision of quality services, CCT programme conditionalities run the risk of mandating the poor's use of low-quality services, tying them to ineffective service providers and undermining the potential impact of CCT programmes on long-term welfare impacts⁷.

- **Conditional cash transfers could be effective only if the entire accompanying context is improved.**

There is a need to ensure a systemic and integrated approach and to have competent, well trained and supported staff. It is also important to have mechanisms and protocols regulating competences and roles of those assessing the family situation and the needs of children and parents, managing the case, monitoring the measures in place and its impacts on the lives of children, etc.

Conditional cash transfers can be effective only if the entire accompanying context is improved. More specifically, there is the need to ensure that families have an adequate

⁶ Fajth G. and Vinay C. (2010), 'Conditional Cash Transfers: Myths and Findings', MDG Insights, Issue 1.

⁷ Fiszbein A. and Schady N. (2009), 'Conditional Cash Transfers: Reducing Present and Future Poverty', World Bank, Washington DC.

support to cope with the difficulties that may occur under the conditions to receive the transfers. This includes bounding support with individual work taking into account the specific case of the targeted and promoting an integrated approach where the main institutions and stakeholders coordinate effectively. This approach entails that parents and the family should be regarded as active partners looking for a solution rather than sanctioning them for their “irresponsible” behaviour.