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# CHILD POVERTY AND HOUSEHOLD COPING STRATEGIES IN CROATIA

## POLICY BRIEF

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## Introduction

This policy brief provides a concise summary of research carried out by an inter-disciplinary team of economists and sociologists from the Institute of Economics, Zagreb and the Faculty of Law, University of Zagreb between October 2015 and March 2017, funded by Zaklada Adris. It also provides a summary of the main policy recommendations deriving from the study and which merit, we suggest, further discussion.

Although the impacts of living on or below the poverty line can be devastating for everyone, there is widespread agreement that the impacts of poverty are particularly felt by children. Poverty can damage, sometimes irreparably, children's physical, mental and emotional development. Sustained exposure to material hardship limits children's opportunities to fulfil their potential later in life and to participate in society as equals to their peers. Poor children tend to lack access to goods and services which are crucial for their development. Children that grow up in poverty are more likely to suffer from social exclusion and to face health and other problems as adults.

In order to move towards 'evidence-based' policies, we need to know much more about the risk of poverty amongst children in Croatia. Although part of this can be investigated through statistical analysis of rates of poverty risk, and so on, there is also a need to go beyond this and seek the views of those living on low incomes. Above all, we know very little about the relationship between formal social protection systems and informal coping strategies and how these affect paths into and out of poverty, as well as how they impact on children's life chances, particularly in terms of education and the labour market.

In the context of a long-lasting crisis, the question as to how households in Croatia manage to survive without there being more public signs of visible poverty is frequently posed both in scientific and media circles. At the same time, a number of influential voices in the public policy arena, especially in times of austerity, have argued, often with very little evidence, of the danger of social benefits contributing to 'dependency' and reducing willingness to work, as well as pointing to perceived high levels of welfare fraud and to 'double dipping' in terms of claiming similar benefits at national and local levels. This study is less concerned with this and more concerned to give voice to poor people, including children. Rather than being a purely scientific study, the research is a contribution to advocacy efforts to raise awareness of child poverty and exclusion and to strengthen campaigns to challenge it. The methodology has been, to the greatest extent possible, participatory.

The research asks four broad questions:

1. What are the most important **trends** and **causes** of risk of poverty amongst households with children in Croatia?
2. What are the most important **strategies for coping with poverty**, asset use, and intra- and inter-household distributional strategies developed by different types of households?
3. How do **different public policies** impact on poverty in different types of household?
4. **What public policies need to be developed** to support positive coping strategies and reduce the risk of child poverty?

### Child Poverty in Croatia in Comparative Perspective

Using EU-SILC data, the study compared income poverty risk in Croatia with other EU member states and three EFTA countries. Croatia is amongst the poorest countries in the sample suggesting that, in absolute terms, both all households, and poor households have to survive on levels of income amongst the lowest in the European Union.

Relative income poverty trends (using 60% of median income as the at risk of poverty line) suggests that Croatia also has a relatively high risk of both poverty and child poverty. In addition, whilst until 2011, Croatia had a risk of poverty amongst children which was lower than the poverty risk for the

whole population, after this the trend was reversed. Children living in households with a larger number of children, households with a lower number of employed members and households with a lower level of parents' education face the highest risks of poverty.

In Croatia, in 2013, the long term child poverty rate, defined as poverty in the current and at least two of the previous three years, amounted to 14.1%, which is 2.2 percentage points higher than the European average. By using longitudinal data we were also able to analyse the probability of children to enter or exit poverty, remain in poverty, or remain outside poverty in a certain period. In this analysis we focused only on those children (individuals) present in each year from 2010 to 2013. The results show that there is a 72% probability for a child that was poor in 2010 to remain poor in 2013, regardless of what happened in the two previous years. We can conclude that a significant problem in Croatia is child poverty lasting a number of years. The results showed that Croatia is among the group of countries with the highest rates of children who spent four consecutive years in poverty.

**Figure 1: Population and child at risk of poverty rates, Croatia, 2010-2014.**

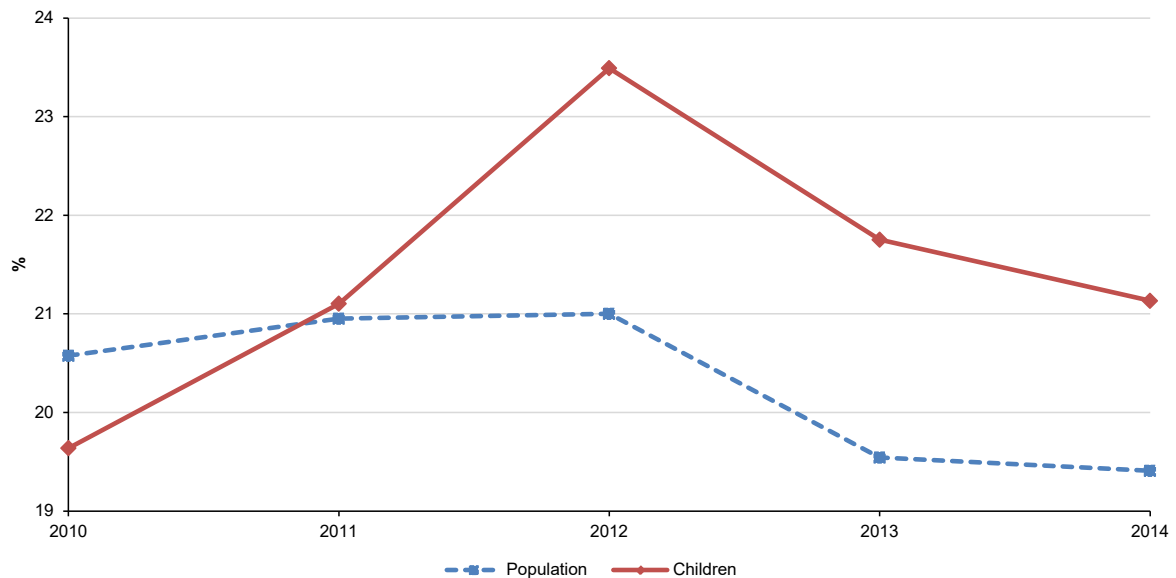
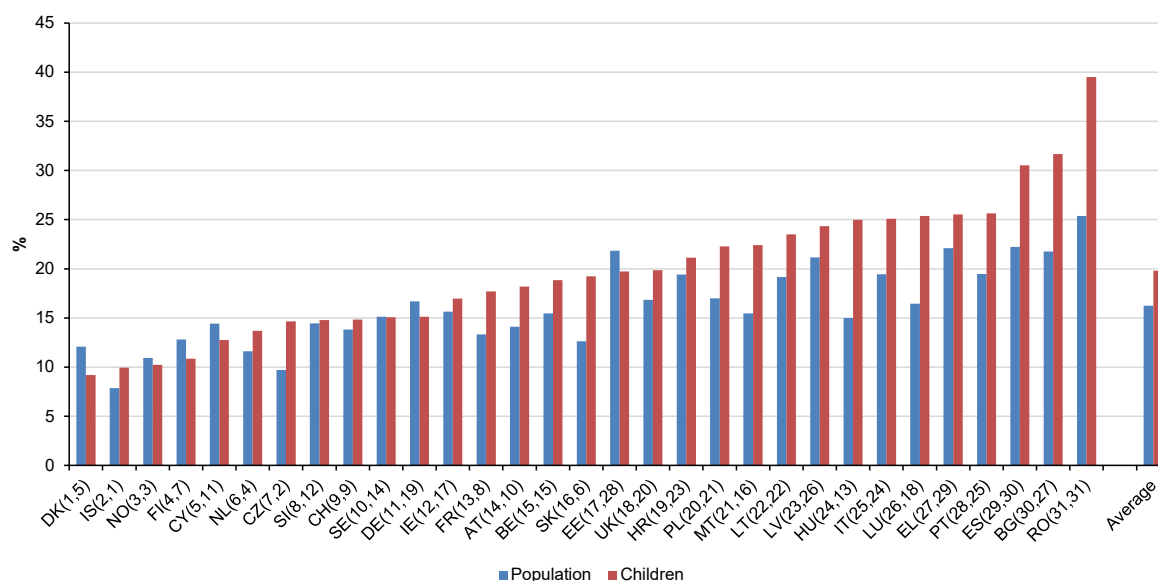


Figure 2: Population and Child At Risk of Poverty Rates, 2014



Note: In country labels, numbers in parentheses represent the ranks of a given county by the risk of poverty for children and for the entire population, respectively.

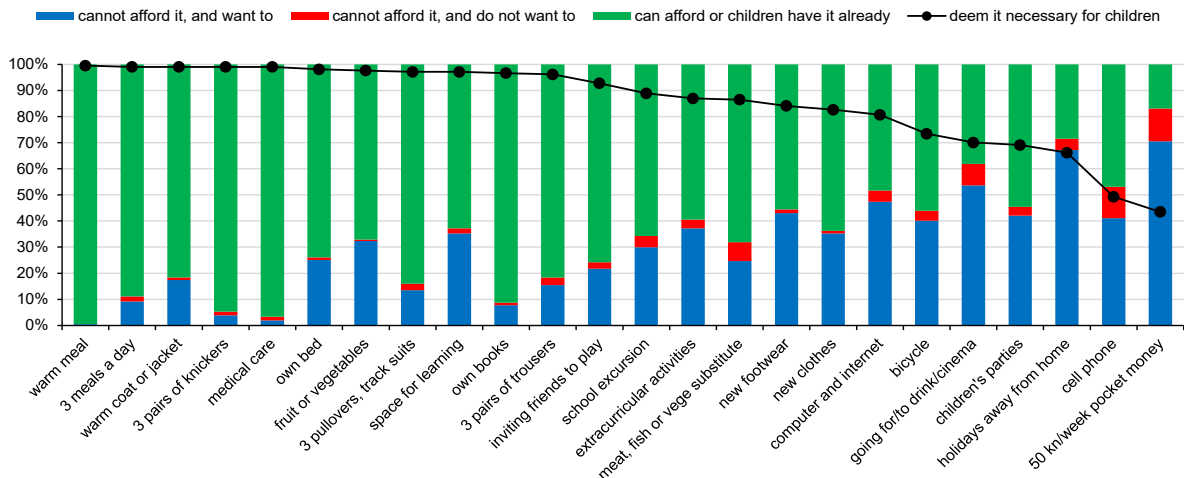
### Coping Strategies: Survey Data and Focus Group Discussions

In order to explore coping strategies a survey of households receiving GMI was carried out in May and June 2016, surveying 207 parents/heads of households and 99 children aged between 13 and 17. The survey shows that these households live almost exclusively on state support (GMI and child benefits) but their overall disposable income covers just over half of their basic needs. Borrowing money from family, relatives and friends, as well as from banks, is the most common source of additional income. 65% of households report problems with bills including 25% who have been cut off from at least one communal service. 43% of parents report sometimes going hungry to ensure their children do not. Parents are not able to ensure that their children have things they at the same time evaluate as very important: one quarter are not able to ensure children their own bed, and one third a quiet place to work, fresh fruits or vegetables, and clothes. Between 40% and 75% of parents are not able to ensure some other items which they do not evaluate as vitally important, but which are important from the point of view of socialization, such as: a small amount of pocket money (50 HRK or 6.5 € weekly), holidays outside home, children celebrations, etc.

While considerable research shows that kindergartens have very positive effects on children living in unfavourable conditions, this research reveals that only 33% households sent all their children to kindergartens: 31% stating this is because of the costs involved, and 33% because one of the parents is at home. Still, parents do have high aspirations for their children with respect to education, although their children's aspirations tend to be lower, or more realistic. The children surveyed tend to be rather resilient and to play down the problems they faced. Community and institutional support to such households is important, but the research shows that the local community and civil society play rather a marginal role. Parents rely mainly on family, relatives and friends, and among institutions the most important are Centres for Social Welfare.

Focus Group discussions show in particular how hard it is for parents to make ends meet and how they have to prioritise those items which are urgent over all others. Living in such circumstances is related to the danger of children being isolated from their peers (such as in cases of not being able to pay for school trips), and to lower marks in schools because of a lack of books, or not having a computer.

Figure 3: Necessity and affordability of children goods



Quotes from focus groups

*“I just can’t make it possible that he has the same as his friends at school. Kids are always commenting on the kinds of clothes you come to school in.”*

*“School in nature, for that you have a right to get support. For me the problem now is that my son is due to have his graduation excursion which costs 1,850 kuna. And you can’t send your child on that without at least another 400 kuna pocket money. So what do I do now? Should I ask a friend to borrow it on her credit card and I will pay it back over a year or so. And I am thinking about all the things I could buy with that money compared to what he will see in three or four days.”*

*“We didn’t have a computer and there was simply no understanding about that. The teacher at the end of half term gave my daughter a one”.*

*“It’s a shame that here there is not a single institution which people can come to, whether they are social cases or whatever other problematic. There needs to be an institution created which says: “Look, you can get this and this from the social welfare system, but go to the City authorities and you can realise these rights, go to this institution and you’ll get this and this.”*

## Policy Recommendations

A number of key policy recommendations derive from the research:

- There is a need for a greater focus on children at risk of poverty in Croatia. There is too little consistent public attention to the issue. A focus on poverty alleviation in general is not enough, given the specific effects of living on low income households on children's well-being. In order to develop evidence-based policies, research needs to be long-term and focus on diverse aspects of the phenomenon.
- GMI and child benefits represent crucial instruments for the reduction of rates of risk of poverty amongst children. Increasing both the adequacy and access of GMI would be an important step forward, as well as abolishing changes which reduced the coefficient used to calculate benefits for some children. Current policy proposals to replace existing targeted child benefits and child tax relief with a universal child benefit need to be elaborated, and their effects not just in terms of demographic renewal and family policy but also in terms of poverty alleviation need to be assessed. Depending on the amount of universal benefit proposed, there may be a case for an additional targeted benefit to be paid to children in low-income households.
- There is a need to maintain, if not expand, the crucial role played by Centres for Social Welfare. Proposals to relocate GMI functions to County administration offices should be scrapped. The role of CSWs should be protected and strengthened by means of ensuring adequate working conditions and resources, enabling them to truly become the coordinators of all social services in the local community.
- The role of single payments should be examined carefully. In any case, either the payment of cash through such mechanism should be speeded up or a system of emergency payments introduced.
- Scholarships for children from low income households in order to continue in education should be increased and made more readily available. It is especially important that scholarships target households in receipt of GMI and child benefits and cover transitions from school to higher education.
- Access to quality free-of-charge pre-school education and care for all should be a priority. At the very least, central Government needs to intervene to reduce regional inequalities in this field. In addition, priority should be given to children from low income households.
- Although not a major focus of the study, extending school hours so that children from low income households can spend additional time at school and, where needed, receive additional tuition, is a measure worth considering, to improve the educational performance of children at risk of poverty. Support for financing school trips for children from low income households should also be a priority.
- Regional and local governments should themselves do more to provide a range of services for children from low income households as well as offering long-term support to NGOs and citizens' associations who demonstrate that their activities have an impact on reducing poverty and exclusion of children. Prioritising access to quality play facilities and offering free places in sports' clubs and related organisations should also be a priority.
- No family with children should face utility disconnections without the intervention of a social worker or other advocate who can mediate and suggest a plan for debt recovery and, in exceptional cases, partial write off of the debt.
- Housing allowance should be included in the GMI, and needs to be increased in line with real needs.
- People experiencing poverty, and children appropriate to their age, should be regularly consulted about all matters of public policy relating to them.





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