**Abstract**

**RS-217**

Title: «State social support, family income and labor market behavior in the first years after the birth of a child»

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1. **Goal of the project**: to assess the dynamics of employment, employment income (wages), and total income in Russian families after the birth of children and to formulate recommendations for improving existing social support measures and measures to promote employment targeted at families (parents) with young children.
2. **Methodology**: (1) systematic analysis of federal and regional regulatory documents available in *Garant* and *Consultant* databases and on official websites of federal and regional executive authorities; (2) analysis of budget expenditure statistics on measures to support families with children; (3) modelling the effects of social payments using the «model families» method; (4) micro-modelling using microdata of Rosstat surveys to estimate the total contribution of existing social support measures to the incomes of families with children; (5) univariate, bivariate and multivariate analyses of population survey data.
3. **Empirical base of the project:** (1) federal and regional legislation on social support measures for families with children; (2) data on the execution of federal and consolidated budgets of the constituent entities of the Russian Federation; (3) population census data and Rosstat current statistics on the number and structure of the population; (4) aggregated data from Rosstat population surveys on household income, expenditure, and living standards; (5) microdata from Rosstat Income and Participation in Social Programmes Survey (2022); (6) panel and cross-sectional data of the Russian Longitudinal Monitoring Survey (RLMS HSE University; 2000-2021).
4. **Results of the project**

The estimates showed that regardless of the socio-economic and demographic situation in the regions, the risks of monetary poverty for children are about twice as high as the population average. Although there has been a downward trend in recent years, the share of the poor is still particularly high among families with many children and among children living in families with children under three years of age. In addition to high poverty risks, such families are characterised by increased income deficits. At the same time, due to the peculiarities of demographic processes in Russia, on the one hand, the number of children under the age of 3 has by now stopped growing and will decline in the next 7-10 years. On the other hand, there is a noticeable trend towards an increase in the number and share of families with three and more children, including among households with incomes below the poverty line.

Since 2020, in the process of building a system of monthly payments for children from low-income families, the role of the federal level in making managerial decisions and especially in providing financial resources for the implementation of the policy of social support for families with children has increased. Against this background, a gradual reduction in the volume of support for families with children, including those under three years of age, is becoming more noticeable in the constituent entities of the Russian Federation: some support measures for children from low-income families, large families, pregnant women are cancelled or the possibility of their receipt by new applicants is blocked, the amount of payments is not indexed, additional conditions are introduced and the criteria for assigning support are tightened, etc. As a result, in some regions, support is denied to a small number of vulnerable categories of citizens who were previously eligible for it: for example, students aged 17, children from low-income families who do not meet the criteria for a comprehensive needs assessment, pregnant women, children under three years of age who had previously received support to provide nutritious food, etc.

At the same time, in the current structure of budget expenditures to support families with children, more than half of the total amount is spent to support families at the stage of the life cycle associated with childbirth. Of this, about 1/3 is accounted for by federal and regional maternity capital programmes. At the same time, expenditures on targeted payments to children from low-income families have increased most significantly over the last 3 years, which indicates a general increase in the effectiveness of the system of state measures in terms of overcoming poverty, including child poverty. As a result of these changes, in 2022, for the first time, cash transfers for children over 3 years of age became a higher budgetary priority than payments to families at the stage of birth and upbringing of children up to 3 years of age. In other words, the system has become more balanced in terms of supporting families at all stages of their life cycle.

In the early 2020s, the system of support measures provided in connection with the birth of children and their upbringing in the first years of life was partially reoriented in favour of single-child families. On the one hand, this significantly expanded the range of recipients of support and made it more accessible to children regardless of their birth order. On the other hand, the shift away from a focus on families with more than one child creates risks of reducing the effectiveness of the state's socio-demographic policy. Moreover, as the analysis of regional social payment systems carried out using the model family method has shown, families with two children, even if they have a young child, are at a greater disadvantage than families with one child or with three or more children. This relative «failure» of the system can negatively affect the realisation of further reproductive intentions of families.

At the same time, the amount of key payments to families with children under 3 years of age remains stable in relation to the child's subsistence minimum. In general, families with children up to 3 years of age are prioritised in terms of the amount of support compared to other age categories of children. The observed regional differentiation in the variety and size of payments and other support measures is explained primarily by the budgetary capacity of the region.

For families with many children there are much more lenient requirements for the application of income-based need assessment, so large regional social transfer packages are also received by families with many children who are not classified as low-income. The decisive factor determining the high level of support for large families per child is the presence of a child under 3 years of age in the family.

The assessment of support for low-income families with different numbers of children using the model family method has shown that single-parent families with a child under 3 years of age are often targeted with a larger package of transfers in regional social support systems than families with one child over that age. Their priority position is ensured only in the case of low incomes and is more characteristic of regions with high or higher levels of fiscal capacity. Families with pre-school or school-age children, even if they are poor, receive very little support from regional budgets in most regions. The largest amount of cash social transfers per child is almost everywhere received by families with many children, while families with two children are the most deprived.

Cash benefits, compensations and payments provided directly to children — the so-called «children's» social support measures (ChSMs) — provide about half of the effect on preventing poverty among children under 18 years of age. For children under 3 years of age, this effect is maximum: in Russia as a whole, ChSMs (excluding one-time payments in 2021) contribute to reducing the share of children under 3 years of age living in poor households by 13 percentage points. The specific feature of the impact of ChSMs on child poverty is their high contribution to the prevention of poverty of children under 3 years old and 3-7 years old in regions with lower budget capacity than in other regions.

Estimation of the dynamics of men's and women's wages in the first years after childbirth using panel data from RLMS-HSE for 2000-2021 shows the presence of a fatherhood bonus and a motherhood penalty, measured through the growth rate of wages at the main place of work, in Russia. The fatherhood bonus is most pronounced in the second and third years of a child's life. The size and duration of the motherhood penalty depend, firstly, on the length of parental leave used and, secondly, on the number of children born. The longer the length of parental leave, the greater the magnitude of the motherhood penalty. The more births in a relatively short period of time (in this study we considered an interval of 8 years), the longer the maternity penalty lasts.

Two years after the birth of a child, only one category of women — those who gave birth to one child during the observed period and used a long maternity leave — retains a significant motherhood penalty. The results suggest that wage differentials in this group may persist in the longer term. In addition, the estimates show that the overall employment rate in the group of women who used short parental leave gradually recovers and reaches pre-birth levels by the time the child reaches the age of three. In the long parental leave group, the employment rate remains below the pre-birth rate for at least 5 years after the birth.

The results of the research allow to formulate the following proposals for improving the system of social support for families with children. Given the continuing high risks of poverty among children living in families with children under three years of age, as well as in large families, it is necessary to at least maintain the achieved level of their social support both at the federal and regional levels. This implies refraining from further tightening the criteria for needs assessment or introducing additional conditions that narrow the circle of recipients of support, etc. Optimisation of the system of support measures for families with children based on the results of the feasibility analysis should not lead to a worsening of the situation of vulnerable groups of the population.

Given the decline in the number of young children until at least 2030, it seems reasonable to use this «opportunity window» to strengthen material support for such families without significantly increasing budget expenditures for these purposes. One of the ways could be the introduction of an increase coefficient, or supplementary payment, for a child under three years of age to the universal child benefit. The target group for such a measure would be families in which the average per capita income does not reach the per capita income limit when the maximum allowance of 100 per cent of the subsistence level for children is granted. This can partly replace the monthly payment from the maternity capital funds provided for a child up to three years of age, and thus save these funds to meet other family needs.

At the regional level, it is necessary to expand material support for families with two or more children, for example, by increasing the number of measures launched after the second birth in the family, or by expanding the range of recipients of certain measures, which are currently provided only at the birth of the first child. However, for the constituent entities of the Russian Federation with low and reduced budgetary capacity and unfavourable situation with the birth rate, as well as a reduced share of children in the population, the implementation of such measures may require additional tools of budgetary support.

Indexation of cash payments is an important measure to increase the level of support for families with children. While the universal child benefit for low-income families and the monthly payment from the maternity capital automatically increase annually along with the growth of the subsistence level, many lump-sum and regular regional support measures are set at a fixed amount, which is not revised for years. Given the increased inflation rate in recent years, this approach leads to a significant devaluation of the support provided. Of the federal measures to support families with children, the recommendation on indexation is applicable to the mortgage repayment payment to families with a third or subsequent child, as from 2019 its upper limit is invariably set at RUB 450 thousand.

Promising and potentially demanded measures to support the employment of women vulnerable to the motherhood penalty (in particular, women with two or more children who interrupt their employment due to long-term caregiving) include programmes to facilitate their return to work, including short-term adaptation programmes and skills development / further education programmes at the workplace during the last months of maternity leave, before returning to work.

Another area is the development of measures to support employees with family responsibilities, including through the creation and promotion of a culture of corporate responsibility when hiring employees with children. Such a culture may include both internal corporate benefits and consideration of family responsibilities when planning the workload and schedules of parents with (young) children. It is important that corporate responsibility in hiring employees with children be encouraged, either symbolically (through popularising such practices, holding competitions and rewarding proactive companies) or financially (through a system of special benefits for employers or the development of public-private co-financing of such initiatives). On the contrary, the use of restrictive regulatory measures in this area, such as the prohibition of dismissal of certain categories of employees, is undesirable, since it may lead not to increased responsibility of employers towards employees with children, but to increased discrimination against such employees in recruitment and promotion.

Finally, in the context of a general shortage of labour resources, one of the ways to improve state support for families and parents with children under 3 years of age could be to increase the flexibility of the childcare leave system. In particular, to increase the variability of the length of leave combined with a corresponding (proportional) differentiation of the amount of the childcare allowance.

**5. Degree of implementation, recommendations for implementation or results of implementation of the results (to be filled in if the results obtained can be used in practice):**

The project of scientific and methodological support was carried out in the interests of the Administration of the President of the Russian Federation. The results of the project were presented at round tables of the Committee of the Chamber of Commerce and Industry of the Russian Federation on Education and Social Policy, as well as used in the materials for the Expert Council of the Federation Council Committee on Social Policy and in the preparation of proposals for the concept of demographic policy of Russia.