POLICY BRIEF

Analysis of social transfers for children and their families in Kazakhstan

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Key messages

- Targeted social transfers are not effective in guaranteeing the minimum subsistence needs of poor households both because they offer limited amounts and because they do not reach many poor households. As a result, poor households tend to utilise social categorical transfers aimed at addressing the specific vulnerabilities of their children to support household subsistence needs. This undermines the objectives of social categorical transfers and leads to the dilution of benefits. In order to achieve the right balance between addressing subsistence needs and reducing vulnerabilities, it is crucial to improve the coverage, adequacy and targeting effectiveness of poverty-targeted transfers.

- The application process requires a substantial investment of energy and time and incurs some monetary cost. A key priority is to establish effective and transparent communication with all applicants and beneficiaries to ensure inclusive access.

- There is a significant degree of social stigmatisation of poor and vulnerable individuals. It is crucial that public officials work actively towards dispelling prejudices towards social assistance recipients.

This study was commissioned by UNICEF Kazakhstan, in partnership with the Government of Kazakhstan. It examines the effectiveness of social transfers to poor and vulnerable children and their families in Kazakhstan and discusses policy options for improving social assistance.

Methodology

This was a mixed methods study. The quantitative analysis was based on the 2009 Household Budget Survey carried out by the Agency of Statistics of Kazakhstan. This data offers a snapshot of the situation in 2009 and provides a valuable insight into the existing legal and institutional arrangements underpinning the social assistance system in Kazakhstan, which have been by and large intact for the last decade. The qualitative data, drawing on focus group discussion and in-depth interviews, reflects the experiences and perceptions of poor and vulnerable beneficiaries about social transfers in three locations: Astana, Semey (East Kazakhstan region), and rural areas of South Kazakhstan region (Tulkubas district and the district centre of Turar Ryskulov village).

Kazakhstan has a mature and broad social protection system that supports children and their families through (1) cash and in-kind transfers, (2) investments in education and health, and (3) social care services, including residential care, services for children with disabilities, and social work. In the last decade, there has been a significant progress in improving the economic and social conditions of the population. Yet poverty remains a prominent problem and many people remain vulnerable to social and economic risks. The Government of Kazakhstan considers social assistance as a critical policy tool for supporting people who are unable to earn sufficient income to maintain an adequate standard of living (SDP, 2012).

This briefing paper – based on the full study (http://unicef.kz/en/news/item/670/) – examines coverage, targeting, benefit levels, adequacy of transfers and beneficiaries' experiences and discusses policy implications of the findings.The study considered all social assistance benefits for poor and vulnerable households, but not social insurance benefits (e.g. contributory pensions).

Trends in social protection spending

Kazakhstan has a comprehensive social protection system offering a number of poverty-targeted, social categorical and universal benefits (see Box). Since the transition from a socialist to market economy, the social protection system in Kazakhstan has undergone a lot of change.

Since 2000, expenditure on social protection has grown and new programmes were introduced, boosted by steady economic growth. Social support and welfare make up the highest share of social spending in Kazakhstan for the last ten years, with expenditure on social support and welfare 4.1% of GDP in 2012, compared to 3.7% of GDP on education and 2.3% of GDP on health. Nevertheless, expenditure is lower than in neighbouring countries. With social assistance and social insurance amounting to 6.4% of its GDP (in 2011) Kazakhstan spends relatively little on social protection in a regional comparison (Kyrgyzstan 9.6% [2012], Uzbekistan 11.2% [2010], Mongolia 8.9% [2012] (ILO, 2014)).

While expenditure has decreased for poverty-targeted transfers, it sharply increased for many social categorical (e.g. basic disability allowance, allowance of families with four or more children, mothers with many children) and universal (e.g. birth grant) benefits.

Pro-poor coverage but high exclusion errors

Coverage of social assistance is generally higher for vulnerable households. Almost half of the households in the bottom income quintile receive a social transfer, compared with one in five in the top three income quintiles. Coverage of households with heads who are out of the labour force or unemployed is higher than the national average – these are groups that were identified to have a higher risk of being poor. Coverage of another vulnerable group, households with a member with a disability, is close to 100%. In terms of coverage for specific transfers, coverage for households facing specific vulnerabilities, such as disability or the loss of a breadwinner and mothers with many children is higher than coverage of social assistance for low-income groups. In other words, households that only face lack of income have lower coverage than households with specific vulnerabilities. Nevertheless, coverage is generally pro-poor – a greater share of households in the lowest income quintile receives a state social allowance or special state benefit, than those in the top income quintiles.

Social assistance transfers in Kazakhstan

Poverty-targeted benefits
- Targeted social assistance or TSA
- State allowance for children under 18
- Housing allowance

Social Categorical benefits

I. State social allowances:
- State basic disability allowance
- Loss of breadwinner allowance

II. Special state benefits:
- Benefit for families with many children
- Benefit for mothers with many children
- Monthly allowance for children with disabilities

Universal benefits
- Birth grant
- Benefit for children under one
- Benefit for parents/guardians caring for children with disabilities

This could be explained by the fact that there is a higher concentration of individuals with these specific vulnerabilities in households in low-income quintiles.

Households across all income quintiles receive poverty-targeted transfers that seek to provide minimum income support. However, **the inclusion error for poverty-targeted social transfers is rather small, while we find a large exclusion error.** This means that while a relatively small share of high-income earners receive poverty-targeted social assistance, a large share of low-income households do not receive the transfers they are entitled to (see Figure 1). The vast majority of the extreme poor (i.e. individuals below 40% of the subsistence minimum) do not receive minimum income support to address their basic needs, even though they are eligible for it based on their household income.

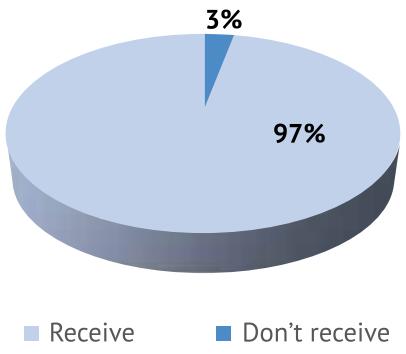

Figure 1.
Share of extreme poor receiving poverty-targeted transfers

Varying transfer levels with limited poverty impacts

The analysis on the values of transfers received shows a complicated picture. On the one hand, **households in the lowest income quintile receive higher amounts of total social assistance per capita, although these are only slightly higher than the national average.** However, this picture holds only when we consider all benefits combined, and the situation is different when looking at poverty-targeted transfers. More specifically, households in the higher quintiles receive higher amounts of poverty-targeted transfers even though they are not eligible to receive them.

The analysis also considered the adequacy of different kinds of transfers. The calculations show that the **amount of universal transfers and categorical transfers is more generous than that of targeted transfers**. For instance, the universal child benefit for one-child households amounts to 142% of the food poverty line and the categorical loss of breadwinner allowance amounts to 165% of the food poverty line for the loss of one parent. The average transfer levels of TSA – the main transfer to provide minimum income support – amounts to 29% of the food poverty line, on the other hand. Hence poverty-targeted social transfers are not sufficiently high to cover basic subsistence needs of beneficiary households and their children. This finding was echoed in the qualitative discussions and interviews.

The analysis also looked at poverty incidence, where we consider the relative contribution of social assistance to beneficiary households' budgets. On the whole, **social transfers make a small contribution to beneficiary households' budgets.** For the population as a whole, social assistance accounts for about 2.5% of household's budgets; for households in the lowest income quintile it is 7.6% (see figure 2). Social assistance for low-income households makes the smallest contribution to households' budgets owing to low transfer levels.

Finally, the analysis also simulated what would happen to household poverty levels if households did not receive social assistance. **Social transfers do have an effect – albeit small - on poverty levels, but to a variable degree for different groups of transfers.**

For all social assistance transfers combined, the poverty headcount would be 2.5% points higher without social transfers if households did not replace the lost social assistance income. Social categorical benefits, such as state basic disability allowance and loss of breadwinner allowance have the biggest effect in terms of reducing poverty levels (these reduce the poverty headcount by 1.7%), particularly on households with children owing to the higher benefit levels. Targeted social transfers and housing assistance, on the other hand, have fairly small effects on poverty, as would be expected considering the low transfer levels.

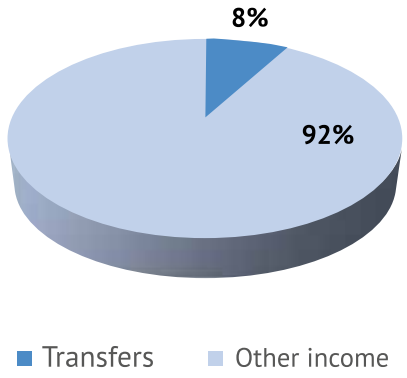

Figure 2.
Share of social assistance in budget of households in lowest income quintile

Beneficiaries' experiences

The application process required a substantial investment of energy and time and incurred some monetary cost. Red tape, limited communication and unsympathetic attitudes of benefit administrators made the application process difficult and time consuming. The application experience contributed to a sense of insecurity and vulnerability among beneficiaries and affected their psychological well-being. The beneficiaries found it especially difficult to apply for the state disability allowance, which requires a periodical hospital-based medical assessment. Not only does it have costs in time and money, but the process of medical certification is perceived to be traumatic in many cases.

The qualitative assessment reveals a mixed picture with regard to the timeliness and accuracy of benefit payments. Whilst many beneficiaries received their benefits on time, some experienced delays and administrative errors. The beneficiaries received the full amount of their benefits, except in South Kazakhstan where small sums were deducted at the point of receipt at a post office.

There is a significant degree of social stigmatisation of poor and vulnerable individuals in Kazakhstan. These attitudes concern children from poor backgrounds and children with disabilities, as well as their parents. They often encounter negative social attitudes from the public as well as public sector officials at schools and hospitals. Such treatment negatively affects their self-esteem and contributes to a sense of vulnerability and exclusion. The quote from a beneficiary reflects the stigmatisation and negative treatment of benefit applicants by some social welfare officials.

> ***'They always say [..]. 'You deliver children, and then you come to us.' As if they are paying from their own pocket.'***
>
> *Beneficiary, Astana*

Implications on effectiveness of transfers

The fact that targeted social transfers (TSA particularly) are not effective in guaranteeing the minimum subsistence needs of poor households (both because they offer limited amounts and because they do not reach many poor households) has implications for the use and effectiveness of other social transfers. **As poor households receive limited subsistence support through targeted social transfers, they tend to utilise social categorical transfers aimed at addressing the specific vulnerabilities of their children.** For example, transfers to support the needs of children with a disability or the extra cost of caring for a child with a disability are often spent on basic subsistence needs of a family in the absence of other substantial sources of income.

Similarly, the transfer for families with many children is spent not only on children, but the whole family. In other words, the limited minimum income support available to low-income households undermines the objectives of other social transfers and leads to the dilution of benefits.

The design of the TSA means test contributes to this problem. In particular, the TSA is awarded following a stringent means test that considers income from other transfers as part of the household's income. **This implies that the TSA means test presupposes that beneficiaries should use other transfers for addressing the household's minimum subsistence needs.** Meanwhile, unlike TSA, these transfers do not aim to guarantee a minimum income to low-income families; instead, they intend to reduce specific household vulnerabilities.

Access to social services

Social care services in Kazakhstan are not fully developed and are mostly oriented towards children with disabilities. Respondents to the qualitative assessment for this study reported difficulty accessing social care services, mentioning shortage of places in the rehabilitation centres, or complete lack of availability. Social care services can also be expensive and difficult to afford. The concept of social work is arguably becoming increasingly ingrained in Kazakhstan, but social work is primarily targeted at specific groups and is not used as a vehicle for detecting and addressing vulnerabilities more broadly. The existing pre-school facilities cover a relatively low percentage of children. Respondents to the qualitative assessment for this study reported that enrolling a child in the public kindergartens required connections and that private kindergartens were expensive.

Policy recommendations

Providing adequate support

Children do not live on their own: they live in a household. The objective of enhancing child well-being must be addressed through an integrated approach, as part of addressing household well-being. For social policies, this implies that it is not sufficient to concentrate on specific programmes for children, but it is crucial to improve the effectiveness of social support for the entire household.

Adequate support involves: (1) ensuring that household basic subsistence needs are met, and (2) supporting vulnerable households to meet additional costs related to large family size, sickness, disability, and special needs. It is crucial that these two components be seen as complementary rather than mutually exclusive.

The key finding of this study that requires immediate policy attention is that the poverty-targeted transfers (particularly TSA) do not provide adequate support to poor and vulnerable families and their children; this undermines the objectives of other transfers as households use them to meet their basic subsistence needs. As the overall value of poverty-targeted transfers is low, these benefits do not ensure that basic needs are fully met.

In order to achieve the right balance between addressing subsistence needs and reducing vulnerabilities, it is **crucial to enhance the coverage and adequacy of TSA as the main instrument of minimum income support.** First, improving the targeting effectiveness of TSA: that is, the ability of the programme to reach its target group. Second, it is important to raise the extremely low eligibility threshold for the means test from 40% to 100% of the national subsistence minimum. This will ensure that social assistance can reach all the poor and not only a small fraction of the poor as is now the case. Third, this higher threshold should also be used for calculating the benefit value. This will ensure that benefits provide adequate support by covering the poverty gap – the difference between the minimum subsistence. Threshold and income levels of beneficiary households

Lessons learnt from other OECD countries

The existing institutional arrangements in social protection systems in most OECD countries ensure that individuals are able to maintain basic income security and at the same time have adequate support to deal with specific life-cycle-related risks. Many countries offer minimum income support benefits that cover the basic subsistence needs of all household members. They also provide support for addressing household vulnerabilities by incorporating additional costs in the benefit structure of minimum income support schemes and / or coordinating them with other social assistance transfers. For instance, in the UK, when determining poverty threshold for the Income Support benefit, the government compares income to a fixed weekly level, which is considered to be the amount that is needed to live on. It includes three main parts: 1) **a personal allowance**, which is a basic amount for the claimant and their partner. 2) **Children's personal allowance –** an amount for any dependent children. 3) A **premium,** which depends on circumstances, and are designed to cover any special needs the claimant may have (e.g. disability, caring for a person with a chronic illness or disability).

Finally, the TSA means test must disregard income from other transfers (disability allowance, housing assistance and the benefit for families with many children) when considering the household's income. This will ensure that households spend assistance received through these transfers on addressing specific vulnerabilities rather than spending them entirely on their basic subsistence needs.

Implications on effectiveness of transfers

The process of applying for social transfers needs to be made more straightforward to ensure inclusive access. A key priority is to **establish effective and transparent communication with all applicants and beneficiaries.** Comprehensive information about the application process and requirements must be provided to the public both in writing and verbally. This includes explaining to all applicants how to complete forms and what documents to present. The benefit administrators must be explicitly tasked with the responsibility to offer advice and support (rather than just accepting and processing applications). They need to receive clear training and instructions about the basic standards of interaction with applicants and existing clients to ensure they are courteous and supportive. Accountability must be improved and local officials must not be allowed to deduct any money from social transfers. The central ministries can issue a directive to prohibit additional charges that may be initiated locally.

The Government of Kazakhstan must work actively towards dispelling prejudices towards social assistance recipients. The government is committed to ensuring efficient allocation of social assistance based on need. Yet it is important that the discourse about the need to improve targeting does not negatively affect public perceptions of benefit recipients. Overcoming negative social attitudes and stigma is not easy and takes considerable time. It requires the proactive engagement of government officials in communicating the principles of equality and inclusion to the public that must underpin social relations in any country. It is important that the discourse about the need to improve targeting does not negatively affect public perceptions of benefit recipients.

Improving access to social services

In order to enhance child well-being, social transfers in Kazakhstan must be complemented with effective and inclusive social services. In particular, social care and pre-school education services must be made widely available and must not impose a significant cost on poor and vulnerable families. The role and functions of social workers must be enhanced to enable them to serve as focal points for promoting greater access to social assistance and services. It is important to identify areas and entry points for promoting greater integration between social assistance and social services.

Effective monitoring and evaluation

It is important that household budget surveys contain comprehensive modules on social transfers to allow detailed monitoring of receipt of benefits and their effects on poverty. The 2009 HBS dataset clustered social transfers in groups of transfers, which constrained our ability to analyse the effects of specific transfers. Therefore, collecting and presenting data on individual transfers can offer greater accuracy in understanding their effects. It is also important that as part of HBS data analysis the Agency of Statistics evaluates the effect of social transfers on poverty incidence. This would help policy-makers to monitor the effects of existing polices and introduce changes to improve their effectiveness if necessary.

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