

Child Benefits as a Tool for Reducing Child Poverty in Russia: Microsimulation Analysis

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Abstract

The work employs a microsimulation approach to assess the impact of child benefits on the poverty level among children in Russia. The empirical basis of the study is data from a nationally representative Sample Survey of Household Income and Participation in Social Programmes conducted by Rosstat. The analysis reveals that between 2014 and 2021, child benefits did reduce the poverty level among children, but their impact was quite limited. In exploring possible directions for developing of the child benefit system, the study conducts a scenario analysis, evaluating the effect of universal, categorical, means-tested, and mixed-scheme benefits on child poverty levels. For each scenario, the effectiveness of the benefits is assessed in relation to their cost. The results suggest that, given a limited budget, the most promising approach may be a mixed-scheme benefit, with universal payments for younger children and means-tested payments for older children.

Keywords

child poverty, child benefits, universal child benefit, means-tested benefit, microsimulations

JEL codes: I31, I32, I38, H53

1. Introduction

The financial situation of a family is the most crucial factor in a child's well-being. Low levels of financial security and poverty negatively impact children's development. Children from poor families tend to have poorer health, perform worse in school, and are more likely to experience cognitive and behavioural difficulties (e.g., Bradshaw 2002; Engle and Black 2008; for a review, see Cooper and Stewart 2017). Childhood poverty influences many aspects of

adult life, including education, employment, income, health, demographic behaviour, and social inclusion (e.g., Duncan et al. 2010; Heckman 2008; World Bank 2015; Kim et al. 2018; Poulton et al. 2002). Moreover, childhood poverty is a significant factor in the formation of poverty traps, leading to the intergenerational transmission of poverty (Bird 2007; Barrett et al. 2018).

Child poverty is a global phenomenon, affecting families with children in all countries, regardless of their socio-economic development (e.g., Salmeron-Gomez et al. 2023; Hallaert et al. 2023; UNICEF 2023). Reducing the level of monetary poverty among children is a priority in the national social policies of many countries. Currently, universal benefits—payments made to every child without exception and any eligibility criteria—are considered the most effective approach to reducing child poverty. Unlike targeted benefits, which are provided only to specific groups of children, universal benefits guarantee the unconditional right of children to social support, significantly reduce errors in benefit assignment (inclusion/exclusion errors), eliminate the problem of stigmatization, and promote social stability (Townsend 2009; Walker et al. 2011; UNICEF/ODI 2020). Universal child benefits are often discussed in the literature as a form of basic income for children (ILO 2012). As a transitional stage from targeted to universal benefits, quasi-universal benefits are sometimes used—these are benefits provided to broad groups (covering more than 40% of the target population) with transparent assignment criteria, often based on age groups or income levels¹. Currently, universal and quasi-universal child benefits are the financial instruments for child support in several developed high-income countries, such as Austria, Germany, Denmark, Italy, Ireland, Luxembourg, Norway, and Switzerland. In many other countries, the financial support system for children is mixed, incorporating both universal and targeted child benefits. Examples of such countries include Belgium, Finland, Hungary, Israel, the Netherlands, the United Kingdom, Sweden, Japan, and Poland (UNICEF/ODI 2020).

In Russia, children consistently represent the most vulnerable group in terms of income poverty—the poverty level among children aged 0 to 18 significantly exceeds that of other age groups (e.g., Soboleva et al. 2013; Grishina 2018; Sem'i s det'mi... 2019). Ensuring the material well-being of children is a key priority of Russian social policy. A number of measures have been implemented, with various benefits for families with children being among the most important. These benefits differ depending on the sources of funding (federal/regional budgets, the budget of the Social Insurance Fund), frequency of payment, type, and focus (for a detailed description of these benefits, see Sem'i s det'mi... 2019; Razvitie effektivnoy... 2017). However, despite ongoing efforts and some progress, the poverty rate among children aged 0-18 years remains quite high. According to Rosstat, in 2021, the poverty rate among children was 19.7%, nearly double the national average of 11%. In other words, one in five Russian children is raised in a low-income household. Several studies noted the low effectiveness of child benefits in Russia (Bessonova and Tsvetkova 2023; Kolosnitsyna and Filippova 2017; Maleva and Grishina 2019). Recent changes—such as the introduction of new benefits and an increase in payment amounts—have led to some improvements but have not fully addressed the issue of child poverty (Razumov and Selivanova 2023). Among the reasons for the limited effectiveness of the child benefit system are errors in the coverage of targeted benefits, where some poor families do not receive benefits while some non-poor

¹ Income criteria in a quasi-universal benefit are usually used to exclude high-income groups of the population.

families do. Additionally, the low amount of payments contributes to the problem (Bychkov et al. 2015; Maleva and Grishina 2019; Razumov and Selivanova 2023).

The purpose of this work is to analyse the impact of child benefits on the level of absolute income poverty among children in Russia. The first part of the study examines the dynamics of how child benefits have contributed to reducing child poverty in Russia from 2013 to 2021. In the second part, a microsimulation model is used to assess the impact of different types of benefits—universal, categorical (based on the child’s age), and means-tested (based on household income)—on child poverty. The analysis is conducted for all children as a whole, as well as for specific age groups. For each type of benefit considered, the cost of implementation is estimated. The empirical basis of the study consists of microdata from the Sample Survey of Household Income and Participation in Social Programs (GNP) for the period 2014–2022, conducted by Rosstat.

The article is structured as follows: the second section provides a brief overview of current research on the impact of universal and quasi-universal benefits on child poverty. The third section describes the data and explains the construction of the main variables. The fourth section outlines the research methodology. The fifth section discusses the results. Finally, the main conclusions are presented in the sixth section.

2. Literature review

An important task for both the research community and policymakers is to assess the impact of universal and quasi-universal child benefits on child poverty. Overall, existing studies indicate that these benefits make a significant contribution to reducing child poverty. In 15 OECD countries, the implementation of universal and quasi-universal child benefits has helped reduce child poverty by an average of 5 percentage points (UNICEF/ODI 2020). The cost of providing these benefits in these countries ranges from 0.74% of GDP (Japan) to 2.51% of GDP (Austria)². A study by Jacques and Noël (2018) further demonstrates that the degree of universality of child benefits in OECD countries is significantly positively associated with their effectiveness in reducing poverty—more universal benefits lead to more substantial reductions in poverty.

A number of studies have assessed the impact of introducing universal benefits on child poverty levels in specific countries. For example, in Poland, the introduction of the Rodzina 500+ programme in 2016, which provided universal child benefits for families with two or more children and means-tested benefits with broad coverage for families with one child, reduced child poverty by 6–8 percentage points (Paradowski et al. 2020; Hagemeyer 2019). In Canada, a 2015–2016 reform of the child benefit system combined three existing benefits, expanded the age range of recipients, and increased payment amounts. As a result, the new benefit became close to a quasi-universal benefit and significantly reduced the poverty rate among single-parent families by 12% (Baker et al. 2021). Another successful example of a quasi-universal benefit is Brazil’s Bolsa Família programme, which is the largest child benefit system in the world. Under the programme’s rules, the allowance is provided to families that meet certain conditions

2 For reference: On average, at the national level, spending on child benefits amounts to 1.69% of GDP in high-income countries, 0.58% of GDP in upper-middle-income countries, 0.33% in lower-middle-income countries and 0.25% in low-income countries (ODI/UNICEF 2020).

related to medical care and education. These conditions include prenatal and postnatal medical visits for women, adherence to a vaccination schedule for children under five years old, and ensuring a minimum level of education for children aged 6 to 17. Higgins (2012) shows that in 2009, the programme reduced poverty in Brazil by 12%-18% and the depth of poverty by 19%-26%. In 2009, a similar quasi-universal conditional child benefit programme was introduced in Argentina. According to estimates by Paz et al. (2018), the programme reduced the level of extreme child poverty in Argentina by 31%. In Mongolia, between 2014 and 2016, universal payments for every child under the age of 18 reduced overall absolute monetary poverty by 12%, with a more significant reduction observed among children (UNICEF/ILO 2019).

An important research task is to assess the effectiveness and costs of child benefits before their implementation, during the planning and development stages. Such assessments provide policymakers with the information needed to decide whether to implement a benefit. In most cases, these estimates are constructed using model-based methods, particularly microsimulation modelling. For example, Bitler et al. (2018) demonstrate that replacing the complex system of child benefits in the United States with a universal benefit of \$2,000 per child per year would lead to a significant reduction in child poverty. The universality of the benefit would also support the most vulnerable groups of children, such as those from non-working families. Universal child benefits are considered the most effective method for reducing child poverty in Southeast Asian countries (Kidd et al. 2021). However, due to budget constraints, the authors suggest a gradual transition to universal benefits. They recommend initially introducing a universal benefit for children aged 0 to 2 years, with plans to expand the age range of recipients over time. A comparative analysis of various hypothetical reforms to the child benefit system in Germany found that, compared to universal and means-tested benefits, a mixed-scheme benefit—incorporating both universal and means-tested components—was most effective at balancing poverty reduction with maintaining employment incentives (Bruckmeier et al. 2022). In the study by Evans et al. (2018), the authors use a microsimulation approach based on 2012-2013 data to analyse the effects of various child benefits on child poverty in 14 middle-income countries, including Russia. The total amount of payments at the national level is fixed at 1% of GDP. The study considers several types of benefits: fully universal benefits, universal benefits with variations in payment amounts (such as higher payments for younger children or for children in the lower 40% of the income distribution), and categorical benefits for younger children. On average, a universal benefit with increased payments for low-income groups is found to be more effective than the other types of benefits. Allocating more resources to young children alone does not significantly reduce child poverty. However, there is considerable variation in the effectiveness of child benefits across countries. The effectiveness of these benefits largely depends on factors such as fertility rates, and the socio-economic and demographic characteristics of households within a country. In Russia, the most effective approach was found to be a categorical allowance for children aged 0 to 3 years, with increased payments for low-income families.

This study contributes to understanding the impact of universal, categorical, and means-tested benefits on child poverty in Russia using up-to-date data from the Selective Observation of Household Income and Participation in Social Programmes for 2014-2022. Additionally, it examines a mixed-scheme benefit approach that includes a universal benefit for younger children and a means-tested benefit for older children. For each scenario, the effectiveness of the benefit is assessed in relation to its cost.

3. Data. Building variables. Characteristics of the sample

3.1. Data

The empirical basis of the study is microdata from the Sample Survey of Household Income and Participation in Social Programmes (SSHI) for 2014–2022, conducted annually by Rosstat³. This survey provides data representative of the entire population of the Russian Federation, as well as specific socio-demographic groups, with a sample size of 60,000 households.⁴ The choice of this data source is due to SSHI's comprehensive information on both the socio-demographic structure of households and their income for the year preceding the survey⁵. Additionally, SSHI data include detailed information on various social benefits, payments, and compensations received by households and their members for children.

The main focus of our work is on children aged 0 to 18. For each year of observation, the sample size ranges from 21,000 to 26,000 children, except for 2016 and 2021, when the SSHI survey was conducted with larger samples. In 2016, the sample size was 71,000 children, and in 2021, it was 65,000 children. In 2022, the sample composition was as follows: 10% were aged 0–2 years, 21% were aged 3–6 years, and 70% were aged 7–17 years. Additionally, 38% of children were only children, 40% lived in households with two children, and 22% lived in households with three or more children. The average household size in the study was 3.6 people. One-quarter of the children (25% of the sample) lived in single-parent families. The socio-demographic characteristics of the sample for 2013–2021 are detailed in Table A1 of the Appendix.

3.2. Poverty

The paper uses the absolute income criterion for determining poverty, as employed in the official statistics of the Russian Federation. A household is classified as poor if its income falls below the poverty line. Until 2020, the individual poverty line was set at the regional subsistence minimum per capita, calculated using a normative and statistical method based on the cost of the consumer basket, mandatory payments, and fees. Starting in 2021, the poverty line is defined as the regional subsistence minimum for the fourth quarter of 2020 adjusted by the consumer price index up to the fourth quarter of 2020. This adjustment ensures that poverty indicators before and after 2021 remain comparable. The poverty line is determined regionally and separately for three population groups: children under 16, the working-age population, and pensioners. It is important to note that absolute income poverty is a key target for government programmes aimed at improving the well-being of citizens in Russia.

Using SSHI data, a poverty indicator was created for the study. This indicator takes a value of 1 if the total monetary income of a household is below the combined poverty line for all its members, and 0 otherwise. The level of absolute income poverty among children aged 0 to 18 years at the national level is defined as the proportion of children living in poor households relative to the total number of children.

3 To learn more about the description of the GNI survey and to obtain microdata of the survey, please visit the Rosstat website https://rosstat.gov.ru/itog_inspect.

4 In 2016 and in 2021, the survey sample was increased to 160 thousand households.

5 Thus, the analysis covers the period 2013–2021.

3.3 Child benefits

The indicator for the amount of child benefits received by a household in this study is based on the structure and limitations of open SSHI data and is defined as the sum of the following payments:

- monthly allowances for children under 18 years of age;
- childcare benefits for children under 3 years of age;
- compensation and other payments for the maintenance of children under 16 years of age;
- monthly allowances and one-time cash payments for children under 16 years of age due to the absence of one or both parents (excluding survivor's pensions).

When calculating this indicator, we excluded childcare benefits for children under 3 years of age if the mother was on official parental leave, as this payment is primarily insurance-based and varies with wages. This type of benefit was considered as part of household income for working women. Benefits provided to families with children due to the coronavirus pandemic (paid in 2020 and 2021) were also excluded from the analysis. These benefits were not included in either the calculation of total benefits or household income because they are one-time, situational measures rather than systemic forms of support.

According to the calculations, in 2021, the average total income of a household with children, excluding child benefits, was 5.7 times the regional minimum subsistence level for a child (reg. SL)⁶, while the per capita income was 1.9 reg. SL. Approximately 40% of households with children received child benefits. The average amount of these benefits per household was 0.34 reg. SL. Detailed data on income, child benefits coverage, and the amount of child benefits for 2013-2021 can be found in Table A2 of the Appendix.

4. Methodology

This study employs microsimulation analysis to calculate the impact of child benefits on child poverty levels. Microsimulation is a powerful method for evaluating the effects of both current and proposed reforms on population well-being (see reviews by Figari et al. 2014; Bourguignon and Spadaro 2006). The method involves assessing changes in well-being for each household in the sample due to the introduction of specific policies, allowing for the consideration of household heterogeneity. The study uses arithmetic microsimulation models, which do not account for behavioural changes but are effective for determining the short-term effects of social policy adjustments. Arithmetic models are commonly used to evaluate the impact of child benefits on poverty in both international (e.g., Evans et al. 2018; Bitler et al. 2018; Kidd et al. 2021) and Russian studies (e.g., Bessonova and Tsvetkova 2023; Razumov and Selivanova 2023; Maleva and Grishina 2019).

In the first stage of the work, a retrospective analysis examines the impact of child benefits on child poverty levels in Russia from 2013 to 2021. This analysis compares the poverty levels of children before and after accounting for child benefits to assess their contribution to poverty reduction.

In the second stage, scenario modelling is used to evaluate the effects of universal, categorical, means-tested, and mixed-scheme child benefits on child poverty levels. This modelling is based on SSHI data collected in 2022, which includes information on household and

⁶ Here, nominal monetary values (income, benefits) are given in shares of the regional subsistence minimum of the child to ensure interregional and intertemporal comparability.

individual incomes for 2021. The effectiveness of each benefit type is assessed by comparing child poverty levels before and after the application of benefits in each scenario. For each scenario, the income indicator is adjusted at the household level: the actual amount of child benefits received is subtracted from the household income, and the potential amount of child benefits according to the scenario is added.

The effectiveness of the following types of child benefits is analysed:

- Universal Benefit: paid to all children between the ages of 0 and 18.
- Categorical Benefits: paid to all children within specific age groups. The study considers benefits for children aged 0 to 3 years, 0 to 7 years, 0 to 13 years, and 0 to 16 years.
- Mean-tested Benefits: paid to children based on the criterion of need, specifically those living in households with incomes below a certain threshold. Various need criteria are examined, including per capita household income of less than 50%, 75%, 100%, and 150% of the regional subsistence level (reg. SL).
- Mixed-scheme Benefit: this combines a universal benefit for younger children with a means-tested benefit, for older children.

For each type of child benefit, performance is assessed for different payment amounts. The assessment is conducted both for all children collectively and separately for younger children. Additionally, the cost of each benefit scenario is estimated (excluding administrative costs) as a percentage of GD.

5. Results

5.1 The impact of child benefits on child poverty in 2013–2021

Figure 1 shows the results of an assessment of the contribution of child benefits to reducing the poverty level among children aged 0–18 years.

- 2013–2015: child benefits had a minimal impact on child poverty, reducing the poverty rate by only 1.4–1.5 percentage points.
- 2016–2019: the contribution of benefits to reducing child poverty increased slightly, with a reduction of 1.9–2.3 percentage points, but it still remained relatively modest.
- 2020: child benefits began to have a more significant impact, reducing child poverty by 3.3 percentage points. This improvement is largely attributed to the increase in individual payment amounts and the introduction of a monthly allowance for children aged 3 to 7 years in June 2020.
- 2021: the impact of benefits further increased, with a reduction in child poverty by 4.3 percentage points. This was influenced by the continuation of previous measures and the introduction of monthly payments for single-parent families with children aged 8 to 17 years, which were based on need.

According to estimates, the cost of child benefits amounted to 0.3% of GDP in 2020 and increased to 0.4% of GDP in 2021.

In 2020 and 2021, as part of the efforts to support the welfare of the population during the COVID-19 pandemic, families with children in Russia received additional short-term financial support. A significant portion of these “COVID-19 payments” were universal in nature. These benefits made a substantial contribution to reducing poverty, lowering the poverty rate by an additional 3.9 percentage points in 2020 and 1.4 percentage points in 2021. This suggests that the COVID-19 payments can be considered a successful example of implementing universal child benefits in Russia.

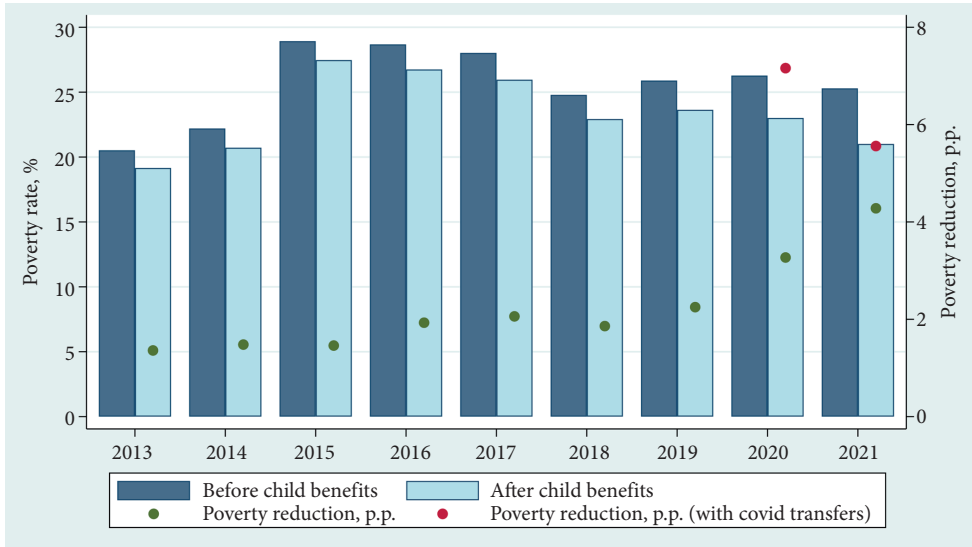


Figure 1. Poverty rate of children aged 0-18 years, before and after receiving child benefits, 2013-2021. *Source:* authors’ calculations based on the 2014-2022 SSHI data.

The level of poverty and the effectiveness of child benefits vary significantly across different age groups of children. The proportion of poor children is notably higher among younger children compared to older ones. In 2021, excluding child benefits, the poverty rate for children aged 0-2 was 37%, while for older children, it ranged between 22% and 27% (see Figure 2). Child benefits reduced the poverty level for children aged 0-2 by 8.9 percentage

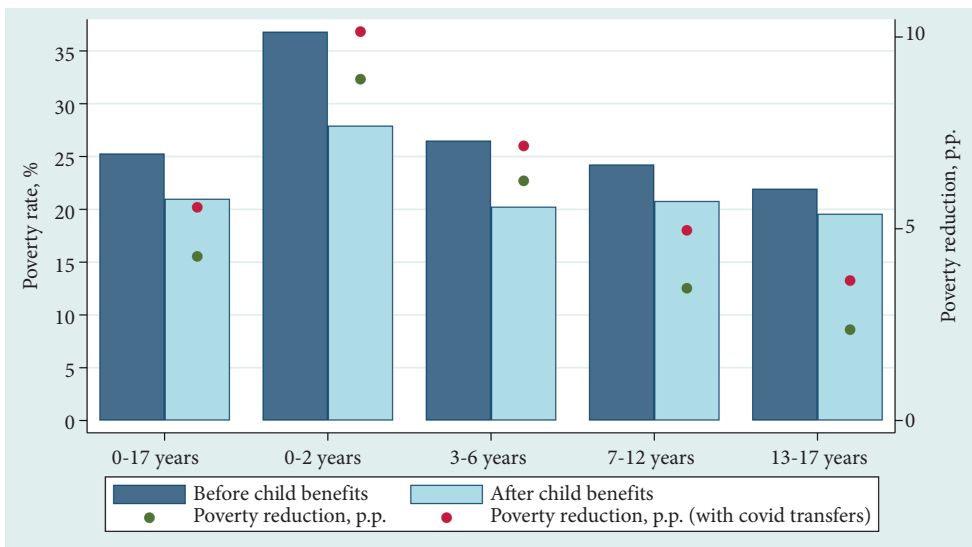


Figure 2. Poverty level of children of different age groups, before and after receiving child benefits, 2021. *Source:* the authors’ calculations based on the data of the SSHI 2022.

points, and for children aged 3–6 by 6.3 percentage points, which equates to a 24% reduction in poverty for both age groups. For children aged 7–12 and 13–17, the benefits led to a decrease in poverty by 3.5 and 2.4 percentage points, respectively, corresponding to reductions of 14% and 11% from the poverty levels without benefits. This indicates that child benefits had the greatest impact on the well-being of younger children. This outcome is expected, as families with younger children are more likely to receive child benefits. However, even after the benefits were applied, the poverty rate for children aged 0–2 remained high at 28%, which is significantly above the poverty levels for children in other age groups (20–21%).

5.2 The Impact of Child Benefits on Child Poverty: Results of a Microsimulation Analysis

The analysis revealed that while the child benefits system in Russia contributes to reducing child poverty, its impact remains limited, with the poverty rate still notably high, especially among children aged 0–2 years. This underscores the urgent need to explore potential directions for the development of the child benefit system in Russia. The results of a scenario analysis evaluating the impact of universal, categorical, means-tested, and mixed-scheme benefits on child poverty are presented below.

Universal Benefit

Figure 3 illustrates the key results of modelling the impact of a universal benefit on the level of child poverty, varying by the amount of the benefit.⁷ The analysis assumes a universal benefit of equal size is paid to all children aged 0 to 18 years, without any specific eligibility criteria. The findings indicate that a universal benefit is a highly effective tool for combating child poverty. With a benefit amount equivalent to 50% of the regional subsistence level (reg. SL), the poverty rate among children aged 0–17 decreases from 25% to 14%, while for children aged 0–2, it drops from 37% to 22%. Increasing the benefit to 100% of the reg. SL further reduces the poverty rate to 5% for children aged 0–17 and 8% for children aged 0–2. A benefit set at 150% of the reg. SL nearly eradicates child poverty entirely. However, a significant drawback of the universal benefit is its relatively high cost in terms of budget expenditures. If the benefit is set at 50% of the reg. SL, the cost would amount to 1.7% of GDP. At 100% of the reg. SL, the cost would rise to 3.3% of GDP.

Categorical Benefit: Age-Based Payment Criterion

Figure 4 presents the key results from modelling the impact of age-based categorical allowances on child poverty, varying by the amount of the allowance.⁸ This type of benefit is a fixed payment provided to all children within a specific age group. Four scenarios are considered: benefits for children under 3 years old, under 7 years old, under 13 years old, and under 16 years old.

Benefits for children under 3 years old target the most vulnerable group and require relatively modest funding. With a benefit amount set at 100% of the regional subsistence level (reg. SL), the cost of this benefit would be 0.3% of GDP. However, its impact on overall child poverty is limited. Providing 100% reg. SL for every child under 3 years old would reduce the poverty rate among all children aged 0–17 by only 2 percentage points, from 25% to 23%.

7 For more information in tabular form, the results of the analysis are presented in Table A3 of the Appendix

8 For more information in tabular form, the results of the analysis are presented in Table A4 of the Appendix.

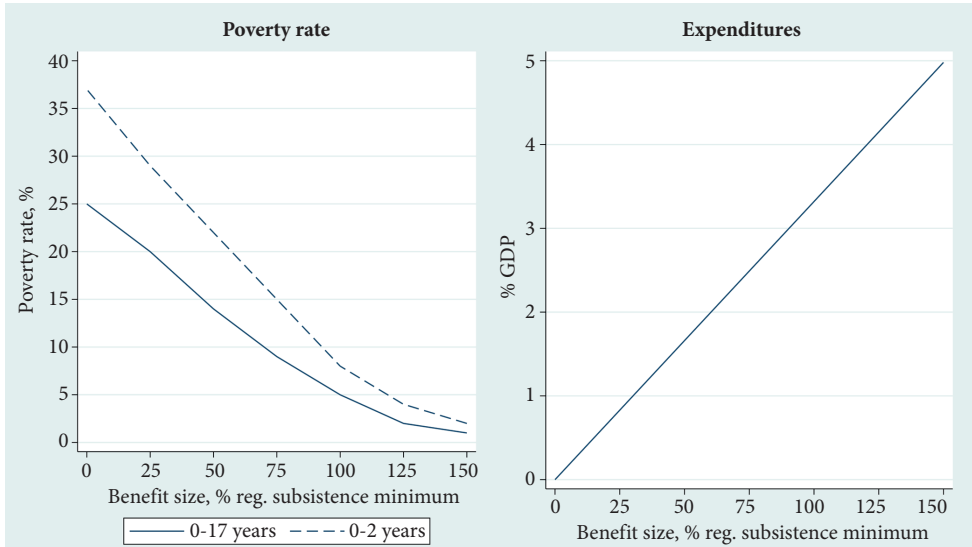


Figure 3. Universal benefit: the poverty level of children aged 0-17 and 0-2 years and the cost of paying benefits depending on the amount of the benefit – results of modelling. *Source:* the authors' calculations based on the data of the SSHI 2022.

This limited impact is primarily due to the low coverage of children in this age group—only 10% of all children aged 0-17 would receive the payments. Moreover, the allowance for children under 3 years old has a constrained effect on the poverty levels of the actual recipients. At a benefit rate of 100% reg. SL, the proportion of poor children aged 0-2 would decrease from 37% to only 22%. This limited impact is largely attributed to the demographic structure of families—young children often (in 74% of cases) live in families with older children who would not receive benefits under this scenario.

Increasing the benefit amount to 150% of the regional subsistence level (reg. SL) would further reduce child poverty, but it would not completely solve the problem. The poverty rate among children aged 0-2 would decrease to 16%, while the rate among all children aged 0-17 would drop to 21%. However, the cost of these benefits would increase to 0.5% of GDP. Expanding the focus of social support to include children aged 3-6 years (through an allowance for children under 7 years old) would increase the coverage to 32% of all children. With such coverage, this allowance could be considered quasi-universal under certain assumptions. Providing a benefit of 100% reg. SL to each child under 7 years old would require expenditures amounting to 1.1% of GDP. This measure would reduce the poverty rate for children receiving benefits (those aged 0-6 years) from 30% to 14%, the overall poverty rate for all children aged 0-17 from 25% to 18%, and the poverty rate for children aged 0-2 from 37% to 17%.

Expanding the age limits for benefit payments to include children up to 13 years old and then up to 16 years old would significantly increase the coverage of children aged 0-17 years, reaching 71% and 90% coverage, respectively. This expansion would make the benefit system increasingly close to being universal. With a benefit amount set at 100% of the regional subsistence level (reg. SL), the poverty rate among children aged 0-17 years would decrease to 10% for benefits covering children up to 13 years old, and to 7% for benefits covering

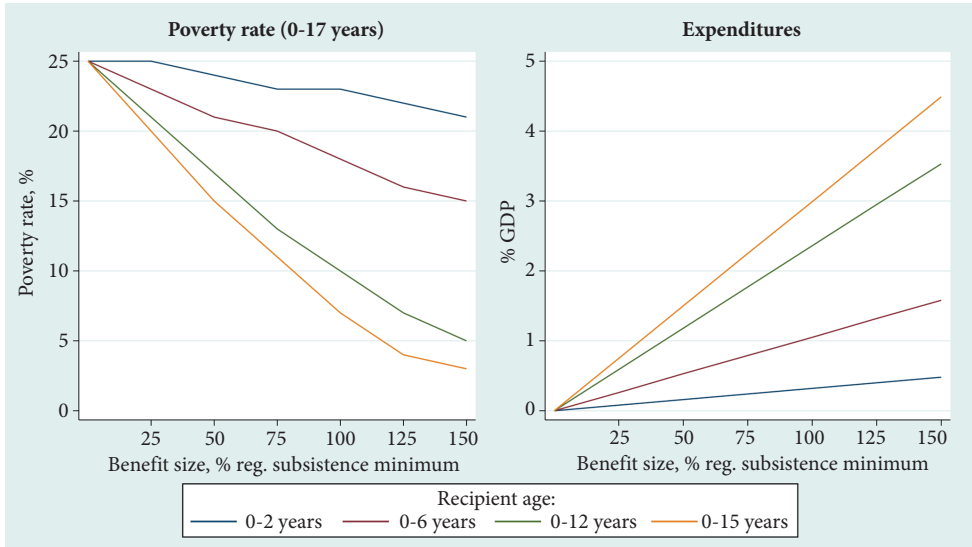


Figure 4. Categorical benefits paid to all children of a certain age group: the poverty level of children aged 0-17 years and the cost of paying benefits depending on the amount of benefits – results of modelling. *Source:* the authors’ calculations based on the data of the SSHI 2022.

children up to 16 years old. The proportion of poor children aged 0-2 would drop to 11% and 9%, respectively.

However, this expanded coverage would come with a significant increase in expenditure. Paying benefits to children under 13 years old would require 2.4% of GDP, while extending benefits to children under 16 years old would require 3% of GDP.

Means-tested Benefit: Payment Criterion is Neediness

Figure 5 illustrates the results of modelling the impact of means-tested child benefits, which are provided only to children from needy households, on the poverty levels of children aged 0-17 and 0-2 years under different benefit amounts.⁹ A child is considered needy if the average per capita income of the household they live in falls below a specified threshold. The analysis considers several thresholds for neediness: 50%, 75%, 100%, and 150% of the regional subsistence level (reg. SL).

The calculations show that limiting benefits to children in extreme poverty (household incomes less than 50% of reg. SL) does not significantly reduce overall child poverty. Even with a benefit amount of 150% of reg. SL, the poverty rate among children aged 0-17 years would only decrease by 5 percentage points, to 20%, and among children aged 0-2 years by 9 percentage points, to 28%. This limited impact is largely due to the low coverage of the benefit, which would only reach 6% of all children aged 0-17 years. The cost of this benefit is estimated at 0.3% of GDP.

Relaxing the neediness criterion to 100% of reg. SL would increase benefit coverage to 25% of children aged 0-17 years, resulting in a more substantial reduction in child poverty, particularly among the most vulnerable groups. With a benefit amount of 100% reg. SL, the

9 For more information in tabular form, the results of the analysis are presented in Table A5 of the Appendix.

poverty rate among all children aged 0-17 years would decrease to 5%, and among children aged 0-2 years, it would fall to 8%. The cost of providing this benefit would amount to 0.8% of GDP.

Increasing the benefit amount to 150% of reg. SL would almost completely eradicate child poverty. Under this scenario, the poverty rate for children aged 0-17 would drop to 1%, and for children aged 0-2, it would fall to 2%. However, the cost of such a benefit would rise to 1.2% of GDP.

A means-tested benefit with a neediness threshold set at 100% of the regional subsistence level (reg. SL) cannot be considered quasi-universal due to its limited coverage—under this scenario, only one in four children would receive social support. However, relaxing the neediness criterion to 150% of reg. SL increases the benefit's coverage to 49% of children aged 0-17 years, making it more quasi-universal in nature. The cost of providing this quasi-universal benefit at a payment rate of 100% of reg. SL is estimated at 1.6% of GDP. It's important to note that while increasing the neediness threshold beyond 100% reg. SL does enhance the material support available to children, it does not result in any further reduction in poverty levels (see Table A5 in the Appendix).

Thus, with appropriate parameter values (such as the neediness threshold and the amount of the payment), a means-tested benefit can be an exceptionally effective tool for reducing child poverty. In terms of balancing effectiveness and cost, means-tested benefits are generally more cost-effective compared to universal benefits. However, it's important to acknowledge a significant limitation in this cost-benefit analysis: it does not account for the administrative costs associated with implementing these benefits. Administrative costs can vary considerably depending on the structure of the programme (GSDRC 2010). According to a review by the International Labour Organization, the cost of administering universal benefits is notably lower than that of administering means-tested benefits (Ortiz et al. 2017). Uni-

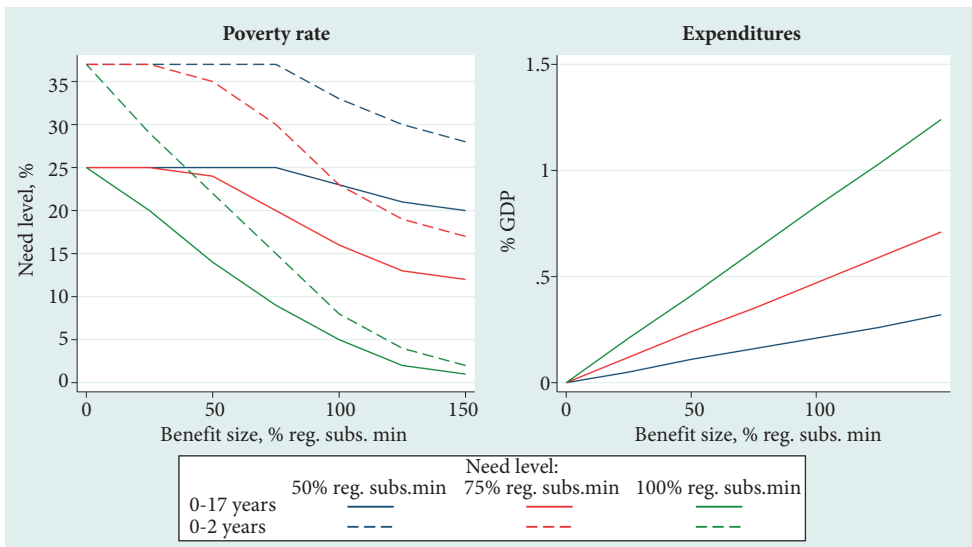


Figure 5. Means-tested benefits: the poverty level of children aged 0-17 and 0-2 years and the cost of paying benefits depending on the amount of benefits and the line of need – the results of modelling. Source: the authors' calculations based on the data of the SSHI 2022.

versal schemes typically have administrative costs averaging 2.5% of total benefit expenses (ranging from 0.5% to 4.5%), while means-tested schemes have higher administrative costs, averaging 11% of total benefit expenses (ranging from 2.2% to 30.0%).

Nevertheless, even accounting for maximum administrative costs, the means-tested benefit remains the most effective tool for reducing poverty in the Russian Federation in terms of return on investment. Specifically, a benefit scheme with a neediness line set at 100% of the regional subsistence level (reg. SL) and a benefit amount of 100% reg. SL, including a 30% administrative cost, would require expenditures amounting to 1.1% of GDP and reduce child poverty to 5%. In comparison, other benefit schemes considered, with similar costs of around 1% of GDP, show significantly lower effectiveness in reducing poverty.

Mixed-scheme Benefit: Universal for Younger Children and Means-tested for Older Children

Despite the fact that the means-tested benefit, provided based on neediness, proves to be the most effective when comparing the effectiveness and costs of paying benefits, it does not address all the issues facing the modern child benefit system. The disadvantages of the means-tested system are, for example, the exclusion of a significant part of children from the focus of social support, coverage errors, distortion of employment incentives, stigmatization of benefit recipients, low speed of adjustment of the system to changing circumstances, and a decrease in the level of social consent. The universal benefit scheme smooths out these shortcomings, provides children with unconditional social support, and contributes to ensuring equal opportunities for children. However, as shown above, the cost of universal benefits in Russia significantly exceeds the cost of benefits paid according to need. For example, to reduce the poverty rate of children aged 0-17 to 5-6%, a minimum of 3.3% of GDP will be required under the universal scheme, and a maximum of 1.1% of GDP under the means-tested scheme.

Conversely, universal benefit schemes mitigate these problems by providing unconditional support to all children, thereby ensuring equal opportunities and fostering social cohesion. However, universal benefits come at a significantly higher cost. For instance, to reduce the poverty rate of children aged 0-17 to 5-6%, a universal benefit scheme would require a minimum of 3.3% of GDP. In contrast, a means-tested benefit scheme could achieve a similar reduction in poverty with a maximum expenditure of 1.1% of GDP.

In conditions of budgetary constraints, a mixed-scheme benefit system can be considered a transitional stage toward a universal benefit. This system would provide universal support for the most vulnerable age group—children aged 0-2 years—and means-tested support for children aged 3-17 years. Improving the financial situation of young children is a priority of social policy, as early-life disadvantage causes significant harm to a person's future well-being (Duncan et al. 2010; Heckman 2008). Moreover, investments in early childhood development yield the greatest economic and social returns (Knudsen et al. 2006).

Table 1 shows the main results of modeling the mixed-scheme benefit depending on the amount of payment. The coverage of such a benefit is 31% of children aged 0-17 years. If the amount of the benefit is 100% of the subsistence level (SL) in both the universal and means-tested parts of the benefit, then the poverty level of children aged 0-17 years is reduced to 5%, and the poverty level of children aged 0-2 years is reduced to 8%. At the same time, the cost of benefits will increase to 1.0% of GDP. An increase in the amount of universal support for children aged 0-2 to 150% of the SL leads to a decrease in the proportion of poor children to 4% among all children aged 0-17 and among children aged 0-2. The cost

Table 1. Mixed-scheme benefit (universal benefit for children 0-2 years old and means-tested benefit for children 3-17 years old): the poverty level of children 0-17 years old and 0-2 years old and the cost of paying benefits depending on the amount of the benefit– the results of modelling.

The amount of the allowance for children 0-2 years old, reg. SL.	The amount of the allowance for children aged 3-17 years living in families with per capita incomes below 100% reg. SL, reg. SL.	Coverage, % of children 0-17 years old	Expenditure, % of GDP	Poverty rate, % of children	
				0-17 years old	0-2 years old
Without benefits	Without benefits	–	–	25	37
100%	50%	31	0.7	13	15
	75%	31	0.9	9	12
	100%	31	1.0	5	8
150%	50%	31	0.8	12	10
	75%	31	1.0	7	6
	100%	31	1.2	4	4
	150%	31	1.5	1	2

Source: the authors' calculations based on the data of the SSHI 2022.

of paying such a benefit will amount to 1.2% of GDP. If, for children aged 3-17 years, the amount of the means-tested allowance is increased to 150% of the regional subsistence level (reg. SL), the poverty level of children aged 0-17 years will decrease to 1%, and for children aged 0-2 years – to 2%, with the cost of benefits increasing to 1.5% of GDP.

Additionally, the study simulated a mixed-scheme benefit scheme with a universal component for children aged 0-6 years and a means-tested component for children aged 7-17 years. This scheme covers 48% of children (see Table A6 in the Appendix). When the benefit amount is set at 100-150% of the regional subsistence level (SL), the impact on child poverty is similar to that of a mixed-scheme benefit with a universal component for children aged 0-2 years. The cost of providing such a benefit would range from 1.6% to 2.4% of GDP.

6. Conclusion

The paper provides a retrospective assessment of the contribution of child benefits to reducing absolute income poverty among children in the Russian Federation from 2013 to 2021. It demonstrates that during this period, child benefits played a role in reducing child poverty, with the impact increasing slightly in 2020-2021. During these years, child benefits reduced the poverty level of children by 3-4 percentage points, considerably due to the introduction of new means-tested payments and increases in the amounts of individual benefits. Overall, the findings align with previous studies (e.g., Bessonova and Tsvetkova 2023; Razumov and Selivanova 2023), which confirm that while child benefits help mitigate child poverty, their impact remains insufficient—the proportion of children living in poor households was still high at 20% in 2021. Thus, the challenge of child poverty and the search for impactful solutions remain pressing.

Using arithmetic microsimulation models, the paper evaluates the impact of various types of child benefits on the poverty level of children aged 0 to 17 years and estimates the costs associated with these benefits. The analysis explores different benefit scenarios based on assignment criteria and benefit amounts.

Currently, the global community admits universal benefit as the most promising type of child benefit. It promotes equality of opportunity, guarantees children's right to social support, reduces errors in benefit assignment, mitigates stigmatization, and allows for a swift response to emerging shocks. However, universal benefits come with significant costs. According to the estimates for the Russian Federation, providing a benefit of 100% of the regional minimum subsistence level (reg. SL) would reduce the child poverty rate to 8% for each child. The total cost of such a benefit would be 3.3% of GDP.

As an alternative to the universal allowance, the paper examines categorical allowances for children of different age groups. An allowance targeted only at young children (under 3 years old), who are particularly vulnerable to poverty, does not significantly impact overall child poverty levels, even with a substantial benefit amount (150% reg. SL). This limited impact is primarily due to the small coverage of such a benefit. Moreover, this allowance has a limited effect on the target group of children aged 0-2 years, as it does not extend support to older children in the same household. Expanding the scope of social support to include older children—thereby increasing the universality of the benefit—would improve the well-being of children but would require a significant rise in costs.

According to the estimates obtained, the most cost-effective option assuming balancing effectiveness and costs is a means-tested benefit based on need. With a neediness line set at 100% reg. SL and a benefit amount of 100% reg. SL, the poverty level among children can be reduced to 5%, with total costs amounting to 0.8% of GDP. However, this benefit falls short of being either universal or even quasi-universal. The strict neediness criterion results in limited benefit coverage, excluding not only children from high-income households but also those from households with relatively low incomes (just above the neediness line). Furthermore, using stringent neediness criteria increases the likelihood of errors in benefit assignments (Grishina and Tsatsura 2023).

Since 2023, Russia has introduced a single-child benefit at the federal level, aimed at supporting families with children from 0 to 17 years old. This benefit is means-tested and based on a comprehensive means test. Eligibility is determined by a per capita income of less than 1 reg. SL, and the family's assets status, such as real estate, vehicles, and savings. The zero-income rule also applies - if adult family members are not working without objective reasons, the family will not award the benefit. The benefit amount varies depending on the depth of family poverty (50% reg. SL, 75% reg. SL, 100% reg. SL).

Based on our analysis, this benefit has the potential to be a fairly effective tool for reducing child poverty, with relatively low costs compared to other types of benefits. However, the strict targeting criteria may result in errors in benefit assignments, causing some children to miss out on necessary support. It is also important to note that the benefit does not cover children under the age of 17.

In the context of budget constraints, a promising approach for developing the child benefit system could be a mixed-scheme benefit that provides unconditional universal support for younger children and means-tested support for older children. While the impact of this combined benefit on child poverty may not differ significantly from that of a purely targeted benefit, offering unconditional support to young children can have additional advantages. Although this approach may slightly increase costs, it not only improves the financial situa-

tion of families with young children but also has a substantial positive impact on the development of the country's human capital (Knudsen et al. 2006; Heckman 2008).

The conducted research has several limitations. Firstly, it relies on aggregated data on child benefits from Rosstat's public domain sources. To enhance the accuracy of assessments, more detailed information on individual types of benefits would be beneficial. Another limitation arises from the SSHI microdata, which does not distinguish between the income of a child's immediate family (including parents and minor siblings) and the total household income. This distinction is significant as eligibility for child benefits is often based on the income of the child's family rather than the entire household. Additionally, the research focuses on the short-term effects of changes in child benefits on child well-being. Changes in the demographic structure of the population, as well as the socio-economic situation of households and the behaviour of individuals in the labour market, need to be considered to assess long-term effects. Assessing these long-term effects will be a crucial aspect of further research on this topic.

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Appendix

Table A1. Socio-demographic characteristics of the sample

Indicator	Year								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total children 0-17 years old, people	20537	20866	27576	71463	27161	27349	26302	23816	65002
<i>By age groups, %:</i>									
0 – 2 years	15.7	15.0	14.5	14.0	13.7	12.5	11.3	9.6	9.6
3 – 6 years old	24.8	24.6	24.1	24.1	24.0	24.3	23.2	22.0	21.4
7 – 12 years old	34.3	33.9	35.0	35.3	35.6	36.3	37.2	38.6	39.3
13-17 years old	25.3	26.5	26.3	26.5	26.7	26.9	28.4	29.8	29.7
<i>By the number of children in the household, %:</i>									
1 child	42.6	40.1	38.6	38.4	37.3	37.1	37.2	39.7	37.5
2 children	40.3	42.1	42.3	42.0	42.1	41.8	41.7	40.0	40.4
3 or more children	17.2	17.8	19.2	19.6	20.6	21.0	21.1	20.3	22.1
<i>By area of residence, %:</i>									
City	66.1	67.3	65.1	65.7	66.0	66.0	66.9	67.4	67.8
Rural area	33.9	32.7	34.9	34.3	34.0	34.0	33.1	32.6	32.2
Average size of a household with children, people	3.6	3.6	3.7	3.7	3.7	3.6	3.6	3.5	3.6
Live in single-parent families, %	21.7	21.8	22.5	22.2	21.1	21.8	23.4	23.9	25.4

Source: authors' calculations based on the 2014–2022 SSHI data.

Table A2. Income, child benefit coverage, amount of child benefits for households with children

Indicator	Year								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Average total income of a household with children, reg. SL.	6.4	6.1	5.1	5.2	5.4	5.5	5.5	5.5	5.7
Average per capita income of a household with children, reg. SL.	2.1	2.2	1.9	1.9	1.8	1.9	2.0	1.9	1.9
For households with children which receive child benefits, %	47	49	49	48	44	40	40	40	40
Average amount of child benefits (per household with children), reg. SL.	0.14	0.14	0.13	0.14	0.12	0.13	0.12	0.25	0.34

Source: authors' calculations based on the 2014-2022 SSHI data.

Note: In the table, nominal monetary values (income, benefits) are given in shares of the regional subsistence minimum of the child to ensure interregional and intertemporal comparability.

Table A3. Universal manual: modelling results

Recipient category	Amount of the allowance, reg. SL.	Coverage, % of children 0-17 years old	Expenditure, % of GDP	Poverty rate, % of children	
				0-17 years old	0-2 years old
	Without benefits	-	-	25	37
All children from 0 to 18 years old	25%	100%	0.8	20	29
	50%	100%	1.7	14	22
	75%	100%	2.5	9	15
	100%	100%	3.3	5	8
	150 %	100%	5.0	1	2

Source: the authors' calculations based on the data of the SSHI 2022.

Table A4. Categorical benefits paid to all children of a certain age group: modelling results

Category of recipients (type of benefit)	Amount of the allowance, reg. SL.	Coverage, % of children 0-17 years old	Expenditure, % of GDP	Absolute poverty rate, % of children		
				Recipients of the benefit	0-17 years old	0-2 years old
Children 0-2 years old (allowance for children under 3 years old)	Without benefits	–	–	37	25	37
	50%	10	0.2	29	24	29
	75%	10	0.2	25	23	25
	100%	10	0.3	22	23	22
	150%	10	0.5	16	21	16
Children 0-6 years old (allowance for children under 7 years old)	Without benefits	–	–	30	25	37
	50%	32	0.5	21	21	26
	75%	32	0.8	17	20	21
	100%	32	1.1	14	18	17
	150%	32	1.6	8	15	10
Children 0-12 years old (allowance for children under 13 years old)	Without benefits	–	–	27	25	37
	50%	71	1.2	17	17	23
	75%	71	1.8	12	13	17
	100%	71	2.4	8	10	11
	150%	71	3.5	3	5	4
Children 0-15 years old (allowance for children under 16 years old)	Without benefits	–	–	26	25	37
	50%	90	1.5	15	15	22
	75%	90	2.3	10	11	15
	100%	90	3.0	6	7	9
	150%	90	4.5	2	3	2

Source: the authors’ calculations based on the data of the SSHI 2022.

Table A5. Targeted benefits paid to children according to the need criterion: simulation results

Recipient category	Amount of the allowance, reg. SL.	Coverage, % of children 0-17 years old	Expenditure, % of GDP	Poverty rate, % of children	
				0-17 years old	0-2 years old
Without benefits	Without benefits	–	–	25	37
Average per capita income <50% reg. SL.	50%	6	0.1	25	37
	75%	6	0.2	25	37
	100%	6	0.2	23	33
	150%	6	0.3	20	28
Average per capita income <75% reg. SL.	50%	14	0.2	24	35
	75%	14	0.4	20	30
	100%	14	0.5	16	23
	150%	14	0.7	12	17
Average per capita income <100% reg. SL.	50%	25	0.4	14	22
	75%	25	0.6	9	15
	100%	25	0.8	5	8
	150%	25	1.2	1	2
Average per capita income <150% reg. SL.	50%	14	0.8	14	22
	75%	14	1.2	9	15
	100%	14	1.6	5	8
	150%	14	2.4	1	2

Source: the authors' calculations based on the data of the SSHI 2022.

Table A6. Mixed-scheme benefit (universal benefit for children 0-2 years old and means-tested benefit for children 7-17 years old): the poverty level of children 0-17 years old and 0-2 years old and the cost of paying benefits depending on the amount of the benefit– the results of modelling.

Amount of the allowance for children 0-6 years old, reg. SL.	Amount of the allowance for children aged 7-17 years living in families with per capita incomes below 100% reg. SL, reg. SL.	Coverage, % of children 0-17 years old	Expenditure, % of GDP	Poverty rate, % of children	
				0-17 years old	0-2 years old
Without benefits	Without benefits	–	–	25	37
100%	50%	48	1.3	10	12
	75%	48	1.4	8	10
	100%	48	1.6	5	8
150%	50%	48	1.8	8	6
	75%	48	2.0	5	4
	100%	48	2.1	3	3
	150%	48	2.4	1	2

Source: the authors' calculations based on the data of the SSHI 2022.

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