

# CHILD RAISING ALLOWANCE UP TO THE CHILD'S SECOND BIRTHDAY - A TOOL OF SOCIAL POLICY

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## **Abstract:**

*The state comes in support of parents with different tools of financial aid needed for child raising. In this paper, we have presented a development of these forms of social protection, which have seen a frequent change after 2003. We have synthesized the main financial issues related to the child care benefit up to the child's age of 2 years from the point of view of legal regulations and in particular from the point of view of the amount of the benefit, of the method of calculation, of the minimum and maximum amounts that can be paid from the social security budget, the period of time for which it is granted. In the second part of the work I have tried a brief statistical analysis of the value of this allowance granted at regional level in Romania and I have concluded the paper with a comparative presentation of the main forms of financial aid in some EU countries granted to parents for the period following the birth of the child.*

**Key words:** benefit, maternity, protection,

**JEL classification:** A13, E24

## **I. INTRODUCTION**

Social policy is made up of all the policies which have been developed over time and have operated in those sectors of activity that affect or generate the degree of individual and social wealth. This policy is implemented by the state through its institutions and is focused on carrying out actions aimed to reduce various social problems. All these factors contribute to improving the social status of the community. An important component of social policies at national and global levels is the one that refers to children's caring, their familiar environment necessary for upbringing and to the elements of financial support. In this context, I shall present the characteristics of the financial implications in child upbringing until the age of 2 or 3.

The allowance for raising and caring for a child constitutes a financial aid which is granted to employed mothers who have children under the age of 2. This type of allowance is granted, upon request, following the statutory maternity pay, i.e. after a minimum of 42 days from the birth of the child or at any time until the child reaches the age of two.

In the long run, this form of protection of mothers has changed depending on several factors, the most important being: the existing resources within the social security budget; the number of beneficiaries of this type of allowance (including fathers who have benefited from paid paternity leave); the social policy of the Government.

## **II. STAGES REGARDING LEGISLATIVE AND FINANCIAL CHANGES OF CHILD RAISING ALLOWANCE UP TO THE CHILD'S SECOND BIRTHDAY**

Until December 31<sup>st</sup>, 2003, the rate of the allowance represented 85% of average monthly earnings over the last six months, on the basis of which was

established the individual social insurance contribution for the months in question. The entire value resulting from these calculations was fully incurred by the National Social Security Fund.

**Starting with January 1<sup>st</sup>, 2004**, the minimum period of contribution to the Social Security Fund was extended to 10 months out of the last 12 months prior to the birth of the child.

The amount of the allowance was calculated by applying a share of 85% to the gross average monthly revenue forecasted for the following year, under the provisions of the Law on Social Security Fund (e.g. in 2004, the forecasted gross average salary reached 7,682,00 lei, thus the amount of the allowance was 6,529,700 lei).

The allowance would be transferred to the employer, who would afterwards pay the mother. Because financial transfers were many and they were sometimes blocked, meaning that the employer paid only part of the allowance for child raising or he delayed the payment, **as of the year 2005**, the child raising allowance would be transferred from the County Houses of Public Pensions and Social Security to the County Departments of Labour, Social Solidarity and Family, thus eliminating employers as intermediate agents in this transaction; these benefits would be paid to each beneficiary by money order. Optionally, either of the child's parents can benefit from parental leave and parental allowance for caring for a child up to the age, and the duration of such leave shall be considered length of service.

This allowance represented, in 2005, a fixed amount of 800 lei and it was subsequently reduced to 600 lei. The argument which supported the reduction was that all children up to the age of 2 would receive an increased Child Benefit of 200 lei. In fact, mothers who benefited from allowance for child-raising would still get 800 lei, considering this latter benefit. The social impact could be felt by mothers who were not granted the allowance but were raising children under the age of 2.

**With effect from January 1<sup>st</sup>, 2009**, in order to be eligible for the child raising allowance until the child is 2 years old, the beneficiary parent must have had taxable personal income and must have contributed to the social security budget over the past 12 months prior to the birth of the child. The child raising allowance was optional: 600 lei or 85% of the average net income within the last 12 months before the birth of the child, but no more than 4,000 lei.

Even though the value of 600 lei looks quite small compared to a limit of 4000 lei, it comes as compensation to mothers who earned the national minimum wage before giving birth. Thus, by calculating 85% of the usual net revenues and by taking into account that the minimum gross wage in 2008 was of 500 lei from January through October and about 540 lei from October to December, one can notice that the value of the allowance would have dropped below 400 lei, i.e. a value much lower than 600 lei.

This allowance is also granted to adoptive mothers or guardians or to parents who have children taken into the household with the goal of raising and educating them, until the children reach the age of two. In the case of the handicapped child, the allowance shall be granted, upon request, until the child is three years old, on the basis of the certificate stating the disability degree.

**As of January 1<sup>st</sup>, 2011**, parents who, in the year prior to the child's birth, have registered 12 months of income from wages and salaries, income from independent activities, from agricultural activities subject to taxes under the provisions of Law No. 571/2003 on the Fiscal Code, with subsequent amendments and additions, hereinafter referred to as income subject to tax, could benefit from the child raising allowance for the child aged up to 2 years.

The financial crisis and the budget deficit at that time influenced the adoption of the two forms of benefits that were not in support of mothers with higher financial income but had, in the first place, a social purpose:

- child raising allowance until the child is 1 year old in the amount of 75% of the average net income over the last 12 months but not less than 600 lei and more than 3.400 lei;
- parental leave until the child is 2 years old, as well as a monthly allowance *in the amount of 75% of the average net income over the last 12 months which cannot be lower than 600 lei, neither can it go over +1.200 lei.*

**Starting with 2016** the monthly allowance, would still represent 85% of the average net income earned during the last 12 months, however this was only the minimum rate, not the maximum limit, as it is at the moment. “The monthly allowance (...) shall be established in the amount of 85% of the average net income over the last 12 months during the last two years prior to the child’s birth date, and it cannot be less than 85% of the gross minimum wage in Romania”, as stipulated by Law No. 66/2016 regarding amendments and additions to the Government Emergency Ordinance no. 111/2010 on the child raising leave and monthly allowance.

As of May 1<sup>st</sup> 2016 the minimum wage has increased to 1250 lei, which means that the minimum rate of the child raising allowance is 1062.5 lei. The rate of the allowance will increase by 1062.5 lei for each child born from a multiple pregnancy.

**Table 1. Report on child raising allowance up to the child’s second birthday for the period between 2001 and 2016**

Period	Method of calculation of the child raising allowance until the child is 2 years old	The minimum value of the child raising allowance until the child is 2 years old	The maximum value of the child raising allowance until the child is 2 years old	The minimum length of employment before the child’s birth needed to qualify for the allowance	Regulatory act
2001-2003	85% of the average net income within the last six months	Not established	Not established	6 months in the last 12 months	Law no. 571/2003 on the Fiscal Code
2004	85% of the average gross income forecasted for the following year	85% of the average gross income forecasted for the following year	85% of the average gross income forecasted for the following year	10 months in the last 12 months	Law no. 571/2003 on the updated Fiscal Code
2005	Fixed amount of 600 lei	The 600 lei allowance is supplemented by the 200 lei child benefit for children	The 600 lei allowance is supplemented by the 200lei child benefit for children under 2	12 months in the last 12 calendar months	Government Emergency Ordinance no. 148/2005 regarding family support in raising a

		under 2			child
2006-2008	85% of the average net earnings in the last 12 months prior to the child's birth	600 lei	4000 lei	12 months in the last 12 calendar months	Government Emergency Ordinance no. 158/17.11.2005 on paid leaves and social security benefits
2009-2010	85% of the average net earnings in the last 12 months prior to the child's birth	600 lei	4000 lei	12 months in the last 12 calendar months	Government Emergency Ordinance no. 148/2005 regarding family support in raising a child, approved by Government Resolution 1.025/2006
2011-2016	Option I Child raising leave until the child reaches the age of 1. <i>The rate of allowance represents 75% of the average net earnings in the last 12 months</i>	600 lei	3400 lei	12 months in the last 12 calendar months	Government Emergency Ordinance no.111/2010 on child raising leave and monthly allowance, approved with amendments by Law 132/2011, with subsequent amendments and additions
	Option II Child raising leave until the child reaches the age of 2. <i>The rate of allowance represents 75% of the average net earnings in the last 12 months</i>	600 lei	1200 lei	12 months in the last 12 calendar months	Government Emergency Ordinance no.111/2010 on child raising leave and monthly allowance, approved with amendments by Law 132/2011, with subsequent amendments and additions
As of July	85% of the average net	85% of the gross	Non existent	12 months in the last 24	Law No. 66/2016

1 <sup>st</sup> , 2016	<i>earnings in the last 12 months during the last two years prior to the child's birth date</i>	<i>minimum wage</i> RON 1.062,5		calendar months	regarding amendments and additions to the Government Emergency Ordinance no. 111/2010 on the child raising leave and monthly allowance
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### III. FINANCIAL REPORT ON GRANTING CHILD RAISING ALLOWANCE AT NATIONAL LEVEL

Nationally, in 2014 there was an average monthly number of 180,672 beneficiaries of child raising allowance until the child reaches the age of 2, or 3 in the case of children with disabilities and. From a regional point of view, the Northeast region holds the first place in the ranking 27,712 beneficiaries, with Iași County registering almost 25% of all recipients in the region, followed closely by the Northwest region with 27,492 beneficiaries and by the Central region counting 25,822 beneficiaries.

**Table 2. Report on granting child raising allowance at national level in 2014**

<b>Regions/Counties</b>	<b>Average monthly number of beneficiaries</b>	<b>Amounts paid - lei -</b>	<b>Number of inhabitants</b>	<b>Allowances per inhabitants -%-</b>
<b>TOTAL</b>	180.672	998.934.122	20.121.641	0,89
North-East	27.712	152.886.462	3.302.217	0,83
South- East	20.108	110.618.770	2.545.923	0,86
South Muntenia	24.374	136.216.075	3.136.446	0,77
South- West Oltenia	14.670	80.867.188	2.075.642	0,70
West	17.528	96.683.923	1.828.313	0,95
North- West	27.492	152.197.568	2.600.132	1,01
Center	25.822	142.164.078	2.360.805	1,01
București-Ilfov	22.966	127.300.058	2.272.163	1,01

Other regions of the country, such as Prahova County counts 7524 beneficiaries while Cluj County registers 6815 beneficiaries. The counties with the lowest rates of allowances for raising children until they are two years old are Giurgiu County with 1476 beneficiaries and Mehedinti County with 1772.

If we compare the number of inhabitants within a region, one can notice that the national average of allowances related to the number of inhabitants is 0.89%, the counties with smaller percentages than the average being those in South-Muntenia region and Southwest Oltenia, while the Northwest region, the Central region and Bucharest-Ilfov register percentages above the average.

#### IV. CHILD RAISING ALLOWANCE IN EUROPE

Benefits paid as parental allowances differ greatly in the European Union; thereby, in Austria there are several options to choose among: EUR 14.53 per day until the child reaches 30-36 months of age; EUR 20.80 per day until the child reaches 20-24 months of age; EUR 26.60 per day until the child is 15-18 months old; EUR 33 euros per day until the child reaches 12-14 months of age; income related option until the child is 12-14 months old; in Bulgaria there is only one option and its value is EUR 374 per month. In Belgium there is also only one financial option which ensures 771.33 euros/month but the granting period is very short, 4 months, unlike Croatia where the period can extend to 2.5 years and the amount of allowance can reach 374 Euros/month.

**Table 3. Report on granting child raising benefits in some European Union countries**

Country	Period of granting child raising allowance	Value of child raising allowance
Luxemburg	2 years	465 EUR/month
Slovakia	2 years	203,20 EUR/month
Sweden	1-3 years	326 EUR/month
Austria	Up to 30-36 months	14,53 EUR/month
	20-24 months	20,80 EUR/month
	15-18 months	26,60 EUR/month
	12-14 months	33 EUR/month
Croatia	6 months	651,35 EUR/month
	30 months	219.60 EUR/month
Bulgaria	1-2 years	374 EUR/month
Belgium	4 months	771,33 EUR/month
Czech Republic	from 10 months to 4 years	maxim 8012 EUR/4 years
Estonia	1 year	Minimum 320 Euros Maximum 2378,25 Euros
	3 years	
	8 years	
Poland	2 years	96 EUR/month
France	6 months – 3 years	Maximum 638,34 EUR /month
Great Britain	2 years	124,88 pounds/week

An interesting calculation of the child raising allowance can be found in Denmark where the allowance is reported as value to the net administration costs for a child placed in day care or in Finland where there are four types of benefits: child home care allowance; private day care allowance; partial child care allowance; flexible child care allowance.

This allowance is very different in value in the countries of the European Union; France has one of the greatest values of 638.34 euros/month; in Luxembourg the allowance of 485.01 euros/month is granted for a period of 2 years and half of this value, i.e. 203.20 Euros/month is paid in Slovakia.

If we take into account the amount of the allowance for raising a child aged up to 2 years in Romania which was set at minimum 1062 lei, the equivalent of at least EUR 238, as of July 1<sup>st</sup> 2016 and we compare it with the value of the benefits granted in the neighboring countries, one can observe a negative difference in relation to Bulgaria

where the amount of the allowance reaches EUR 374 or a positive one in relation to Hungary where the period of child raising leave was increased to three years and the rate of benefits is significantly lower, little above EUR 100. Moreover, there is also an incentive to raise multiple children so that in Belgium a family with more than three children gets important discounts for transportation and a six-month maternity leave for the third child; in Russia, a mother receives a minimum allowance of \$70 per month from the social insurance fund, for the first child and \$137 per month, respectively for the second and subsequent children.

## V. CONCLUSIONS

Birth rate represents a problem for each State and the State has the important role to foster this phenomenon. Since the decision to have a child is often determined by the financial levers of the State to support and help in raising children, I have pointed out in this paper several comparisons regarding child raising allowance until the child reaches the age of 2.

In the case of Romania, the legislative changes we have presented show the concerns of the state's social policy and its role in stimulating birth rate and in helping mothers go through this period of raising a child up to 2 years more easily.

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