

## The Classification of Households with Respect to the "Family 500+" Benefit

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### Abstract

Pro-family policy in Poland has changed since April 2016. The programme described as "Family 500+" has been introduced and it has provided financial support for Polish households. A household, taking advantage of the programme, may treat it as an additional financial support (apart from remuneration for work performed) or the main source of income. The purpose of this article is to explain the concept of a household from an economic point of view, as well as to indicate the differences between related concepts. Additionally, the work aims at characterizing the pro-family policy of Poland (also over the years). The main purpose is the division of households (classification) on the basis of the financial use of the funds from the "Family 500+" benefit. The research methods used in the article include: critical analysis of literature, examination of documents, a questionnaire and statistical analysis.

**Keywords:** Households, Pro-Family Policy, "Family 500+", Household Finances.

### Introduction

Households are the most numerous entities in the economy. It happens, however, that the terms: household, family, family household and a consumer are used interchangeably in scientific studies. A household needs financial resources to achieve its main goal, which is maximization of satisfaction of needs. A household can receive income from work performed or a profit from its business activities. In addition, a household can receive financial assistance in the form of a social or a family benefit, or a benefit for bringing-up a child. The "Family 500+" programme, which was implemented in Poland in April 2016, is the example of a benefit for bringing-up a child (a child-support benefit). Its main goal is to reverse the negative demographic trend, as well as to help in raising children. A lot of households treat additional financial resources as an opportunity to meet the children's needs (e.g. educational, leisure), which, due to current financial limitations, were impossible to satisfy before. It occurs, however, that households use the "Family 500+" benefit and other social benefits for current maintenance of the whole household, often giving up employment. Apart from the "Family 500+" programme, in Poland there are many forms of financial, material and non-material support for households in terms of pro-family policy. The purpose of this article is to classify households on the basis of the way the funds from the "Family 500+" programme are used. The additional aim is to characterize the pro-family policy in Poland, including the historical outline. As mentioned before, a household is identified with many other, related concepts. Separating the concept of a household is another goal of this work.

### A Household and Related Concept

An attempt to define a household was made by numerous authors. In the literature, which was subjected to criticism, the definitions proposed by Polish and English-language authors were analyzed. A household in the economic literature was defined by Cz. Bywalec (Bywalec, 2017), K. Gutowska (Gutowska, 2003), T. Zalega (Zalega, 2007), or B. Świecka (Świecka, 2009). Among foreign authors, G.S. Becker (Becker, 1976), L. Beaman, A. Dillon (2012) or M. Tomás (Tomás 2013) tried to define a household. The presented authors present their definitions based on various criteria. The following criteria for defining the concept of a household can be distinguished:

- the criterion of living together,
- kinship criterion,
- decision-making criterion,
- criterion of satisfying consumer needs,
- fundraising criterion.

After analyzing the available definitions, taking into account various criteria, the most universal definition of a household is the one proposed by the OECD. For the purpose of this article, a definition proposed by the OECD has been adopted. According to the definition, a household is an individual (a single person household) or a group of people (a multi person household), who reside together in a given dwelling unit (a house, a flat, a room) and, above all, share the funds necessary for subsistence (OECD, 2017). It can be stated that the criterion determining a household is both a common budget and a shared place of residence. Still, there are exceptions from this definition, a good illustration being pupils or students living in one household with other members but temporarily staying in another place of accommodation. Or to take another example, a household head who is employed away from the place of residence of persons included in his/her household. In both of the exceptions mentioned, the criterion of joint management of cash remains unchanged, but the criterion of cohabitation is impaired.

As previously mentioned, a household may be identified with a number of related concepts. It should be pointed out, however, that a family, a family household or a consumer are not synonymous. Table 1 presents the differences between the terms associated with the concept of a household.

**Table 1: A household and related concepts**

<b>The concept</b>	<b>Explanation</b>
<b>Consumer</b>	A household is identified with an individual, namely a consumer. The decisions made by a household in practice are taken by an individual, i.e. a consumer (Galbraith, 1979).
<b>Family</b>	This is a sociological category. A family is defined as the basic social group, in which the bonds connecting family members (parentage, marital relationship, blood kinship or adoption) play a very important role. Another characteristics include: an internal structure and positions occupied by family members (e.g. the family head, the child), as well as interactions between family members (Gelles, 2000).
<b>Family household</b>	Persons who are related or related by marriage, living together and maintaining a common household. A family household jointly uses durable goods, and collects and disposes of financial resources. Simultaneously, educational, culture-creating and caring activities are undertaken by members of a family household (Zalega, 2012).
<b>Consumer household</b>	A household that does not have its own means of production. It supports itself on work done by its members beyond household, and fulfills the household production function at the same time. This term is used as a synonym of a household (Zalega, 2012).

*Source: Own work*

Despite differences between the related concepts, for the purpose of this article, the terms: a household and a family have been unified and simplified, and used interchangeably. According to the common definition, a household and a family is a group of people living together or not, connected by blood ties (or adoptions or marital bonds), jointly making decisions regarding the disposition and distribution of an income in such a way that the common goals of the household as well as individual needs of individual household members could be satisfied in the fullest possible way. In literature, an interchangeable use of the terms: a household and a family can also be found. It was used by Paul Samuelson (Samuelson, 2004), and Lidia Beskid (Beskid, 1977). Despite the simplification and the use of the concept of household for the purposes of the article, the author decided to indicate related concepts. The distinction between concepts is to show that there are concepts that are related and similar to households, but still have different features.

The main purpose of a household is satisfaction of needs of its members. In order to achieve this goal, a household divides its income in order to meet obligations, satisfy current consumption and have savings. Financial plans, financial statements and household budgets are the techniques which facilitate control over income and expenses (Gitman, Joehnk, Billingsley, 2014). A household budget is used to monitor and control the household income and expenditures, as well as to supervise purchases and savings within one month. A household budget may also be prepared for several months, a year or even several years (for a short or long period). Moreover, a household budget allows to determine the level of income and expenditure in a given week, month or year and, simultaneously, creates the opportunity to estimate the amount of savings (Hammonds, 2006). Also, in the case of a household and its budget, the expenditure side is equal to the income side. According to the Central Statistical Office, a household budget is a systematic statement of revenues and expenses, both monetary and non-monetary

Let us now examine revenues and expenditure of a household. Disposable income is the sum of current monetary and non-monetary revenue of all members of a given household, reduced by advance personal income taxes.

Disposable income is reduced by social and health insurance contributions, too. This income is earmarked for all kinds of expenses, including consumption expenses and savings. Disposable income is also called spendable household income, which is reduced by other expenses (e.g. taxes and fees paid to the state and local government). In general, expenses are expenditures on consumer goods and services and other expenses (mentioned above). Expenditures on consumer goods and services are incurred to satisfy a household's needs (Świetlik, 2011). The examples of a household's revenues and expenditures, included in a household budget, have been presented in Table 2.

**Table 2: The examples of revenues and expenditures in a household budget**

The examples of revenues	The examples of expenditures
Remuneration for work (wage), bonuses and payroll allowances, pension, retirement benefits, non-returnable social and family benefits, benefits for bringing-up a child, profit from a household member's business activity, inheritance and donations, interest on bank deposits, rent income (beyond business activity), revenues from investment funds and participation units	Food, clothing and footwear, durable goods (e.g. domestic appliances and electronics, furniture), sport (e.g. sport equipment and training passes), holidays and leisure activities, cultural goods (e.g. cinema, museum and theatre tickets), health care and purchase of medicines, educational needs (e.g. books, extracurricular activities), children's needs (e.g. toys), alcoholic beverages, entertainment and exploitation of a flat.

*Source: Own work*

Additionally, a household's revenues include all kinds of financial benefits that are social, family-oriented or child-support. The "Family 500+" programme, implemented in April 2016, is the benefit like that. Financial resources, obtained due to the programme, increase the income side of a household budget. Increased household income results in the change of expenditure structure, i.e. more current needs can be met or the level of savings can increase.

## Family policy in Poland

For the purposes of this article, a number of documents were analyzed, including acts and draft acts on family policy in Poland and Europe. The analysis of current and archival documents helped to develop the characteristics of the family policy. Moreover, the analysis of the documents made it possible to distinguish the instruments of family policy. Family policy is the part of social policy of the state. The term 'family policy' was first used in the 1940s during debates on social policy in Europe. The first actions addressed to families were taken in France and Sweden at the turn of the 20th century. Pro-family policy is defined as all kinds of measures, actions and legislation that are introduced and adopted by the state; they are aimed at creating appropriate conditions for functioning of a family: its creation, proper functioning and fulfilling its all important social roles. In the subject literature, two types of family policy are mentioned: indirect policy (implicit), and direct policy (explicit). As for implicit family policy, actions are aimed neither at families nor households directly, but have important consequences for their functioning. These are, for example: unemployment prevention or tax policy. Explicit family policy consists of clearly defined actions, programmes and benefits aimed directly at families.

Family policy in Poland, has undergone a lot of modifications and transformations over the years. Between 1989 and 2015, three major periods can be distinguished: transformational (1989 - 1997), transitional (1997 - 2005), and mature (2005 - 2015). The first one (the transformational period) was characterized by limited family policy. Actions of the state were directed mainly at the unemployed and aimed at counteracting high unemployment. In the first phase of the transformation, there were neither explicit programmes nor strategies for families; what is more, a decrease in the number of places in nurseries and kindergartens could be observed. In the next period, from 1997, family policy took the form of programmes aimed directly at families. This can be illustrated by prolonging the maternity leave, tax relief for a child and a single payment birth grant (so-called 'newborn allowance'), as well as the gradual growth in the number of places in nurseries and kindergartens. In the last, mature period, the solutions introduced in previous years, have been improved and family policy has been aimed at both compensating families with expenses that they have had to cover in order to run a household and facilitating the reconciliation of professional life with bringing up children.

Family policy is implemented by means of instruments like: legal measures (i.e. all legal norms that regulate the relationships between families and the state or other institutions), cash benefits (all kinds of benefits and

allowances), payment in kind (material goods transferred to families), as well as services (e.g. nurseries, kindergartens, community centers). Table 3 presents selected instruments of family policy operating in Poland.

**Table 3: The instruments of family policy in Poland**

The type of the instrument	The name of the instrument
<b>Monetary benefits</b>	<ul style="list-style-type: none"> <li>• Family allowance with supplements</li> <li>• Carer's allowance (related to care of a disabled child)</li> <li>• Single payment birth grant (so-called 'newborn allowance')</li> <li>• Child Tax Credit</li> <li>• Maternity allowance</li> <li>• Benefit for bringing-up a child</li> <li>• The "Family 500+" programme</li> </ul>
<b>Non-cash benefits (services, payment in kind)</b>	<ul style="list-style-type: none"> <li>• The nationwide Big Family Card</li> <li>• Paternity leave, maternity leave</li> <li>• Care for a child under 3 years: nurseries, toddler clubs, daytime babysitters</li> <li>• Preschool education</li> </ul>

Source: Own work

The "Family 500+" programme, which has been operating in Poland since April 1, 2016, seems particularly noteworthy. In accordance with its assumptions, the programme provides universal and long-term support for families. The programme is designed to help raise children; and the monthly benefit aims to cover, at least partially, costs connected with meeting basic needs and child rearing. Next goal is to improve the material situation of Polish families, and to increase fertility in Poland. Broad eligibility criteria allow all kinds of families to apply for the benefit. It is granted for every family, i.e. parents or guardians of children until they reach 18. The "Family 500+" benefit is paid in the amount of PLN 500 per child each month. The "Family 500+" benefit is paid by town councils, community councils, social welfare centres or social benefit centres. However, in order to receive the benefit, a family have to submit an application to one of the above-mentioned institutions. After granting, a similar request have to be submitted every year. The benefit is paid from the month the application was submitted.

What seems essential, the benefit assigned (in the amount of PLN 500 and more) is not counted as family income while establishing entitlement to other benefits, e.g. alimony fund, family benefits, or various types of housing benefits. Moreover, the "Family 500+" benefit is tax-free, therefore parents of children for whom the benefit was granted receive PLN 500 per child and have no obligation to pay any taxes or contributions on this amount. This rule also applies to parents who run a business. Families who receives funding of a similar nature abroad are not entitled to the benefit.

## **The classification of households**

### ***The classifications presented in the literature***

The classification of households is the division of these business subjects according to specific criteria. One household can be matched simultaneously to several types of classification. There are a lot of different criteria. The simplest criterion for the division is the size, namely the number of people making up a household (a single-person household and a multi-person household). In another classification, households are grouped into: rural and urban households. Here, the distinguishing criterion is the area of residence. Rural households are subdivided into typically agricultural households, primarily farming households and non-agricultural rural households. Likewise, households in urban areas are subgrouped into metropolitan households, mid-sized town households and small-sized town households Taking into consideration relationships between household members one may distinguish: single person households, family households, family households with other people and non-family households (based on different ties than family relationships). Similarly to the division of rural and urban households, family households are divided into several separate subgroups., namely: one-generation households, two-generation households and three-generation households (and more). Another classification proposed in the literature is based on the age of a household, i.e. the duration of a household. According to this criterion, there are newly established households (e.g. young married couples), medium-aged (e.g. married couples with small children), and incumbent - old (households of elderly people or after children leave the family home). The classification may also depend on the level of education of household members. According to this criterion, there are households at a low level of

education, medium level of education, high level of education and a very high level of education. According to the socio-economic classification, households can be categorized into households of employees, households of farmers, households of self-employed persons, households of pensioners and households living on transfer incomes (e.g. unemployment benefits, social benefits, family benefits, alimony) (Bywalec, 2017).

Although there are a number of household classifications, it clearly does not exhaust the topic. Taking into account other fields of knowledge (e.g. sociology, psychology), other household classifications may also be mentioned (e.g. depending on shopping preferences, religious beliefs, political orientation). Besides, households can be grouped according to the use of funds obtained due to pro-family policy. This classification has been presented below.

### ***The classification of households - primary research***

As was mentioned earlier, households can be divided on the basis of many different criteria. In accordance with the purpose of this article, the division of households has also been made according to the use of aid received under the generally-understood pro-family policy. In addition, households that benefit from the "Family 500+" programme were classified and characterized in detail.

For the purposes of this article, a questionnaire survey was conducted own and original on a purposive random sampling. The questionnaire was addressed to households that receive the "Family 500+" benefit. Households that do not receive benefits were not examined. Purposeful sample selection based on the tasks set out in this article - classification of households taking into account the 500+ benefit. Households that do not receive this benefit cannot be classified. The study was carried out using the PAPI and CAWI methods. 400 questionnaires were prepared, of which 368 were completed. Thus, 92% of the households, to whom the study was directed, answered. 285 questionnaires were filled correctly (71.25% of all prepared questionnaires). Errors were identified so there was no need to reject some questionnaires from the ones which were filled properly. The errors included: the lack of answers to some questions, the selection of several answers in the question (where only one answer was required), and adding some information in the questionnaire by people who do not receive the "Family 500+" benefit. The study was conducted in accordance with the following stages:

1. Development of theoretical issues.
  2. Defining the research sample.
  3. Development of questionnaire questions.
  4. Conducting a pilot study.
  5. Refining the questions of the questionnaire.
  6. Conducting a proper examination (PAPI, CAWI method).
  7. Analysis of the obtained research material.
  8. Development and presentation of research results.
- The table below presents the research group in detail in terms of socio-demographic characteristics.

**Table 4: Characteristics of the research sample**

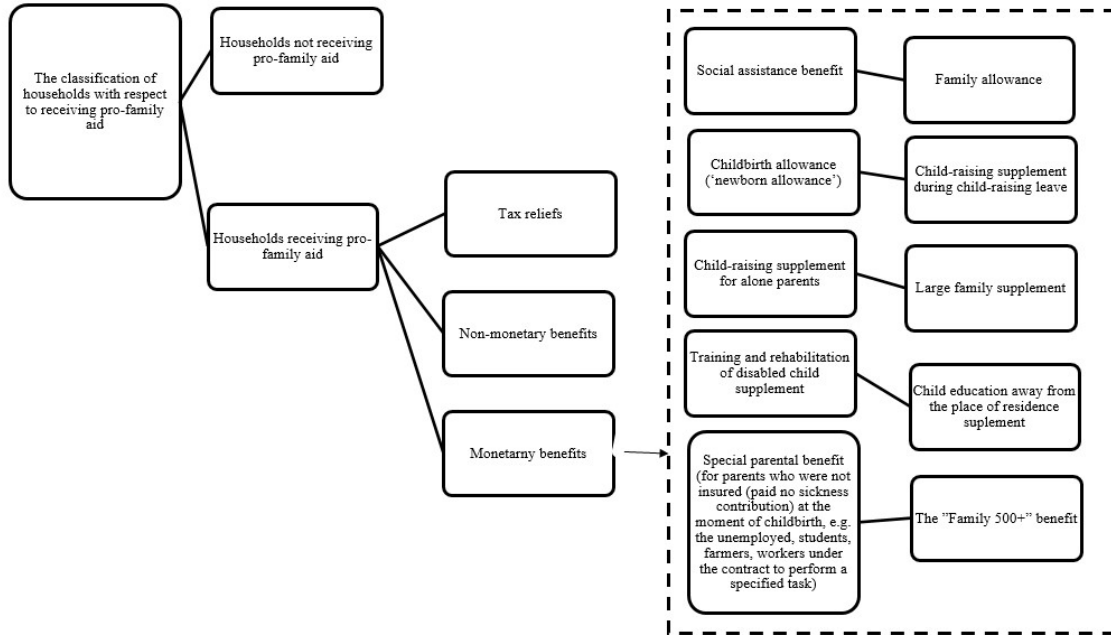
Feature	Percentage of respondents
Gender	Female: 92.63% Male: 7.37%
Age	18 and under: 2.46%; 19 to 25: 37.89%; 26 to 32: 31.58%; 33 to 40: 22.11%; 41 to 48: 5.61%; over 49: 0.35%
Area of inhabitation	City area: 84.21%; Rural area: 15.79%
Number of children	1 child: 34.04%; 2 children: 47.37%; 3 children: 11.58%; 4 children: 5.26%; 5 children: 1.05%; 6 children and more: 0, 70%
Household income	Less than PLN 800 per person per month: 50.53%; from PLN 1,500 to PLN 2,200 per person per month: 13.68%; from PLN 2,200 to PLN 3,000 per person per month: 4.91% ; from PLN 800 to PLN 1500 per person per month: 27.37%; more than PLN 3,000 per person per month: 3.51%

Source: Own work

The result of the primary survey is the original classification of households. The aim of the study is to present the classification of households in terms of using family support, which has not been available in the domestic and

foreign literature so far. The presented classification complements the knowledge gap regarding the previously unavailable classification of households in terms of family benefits.

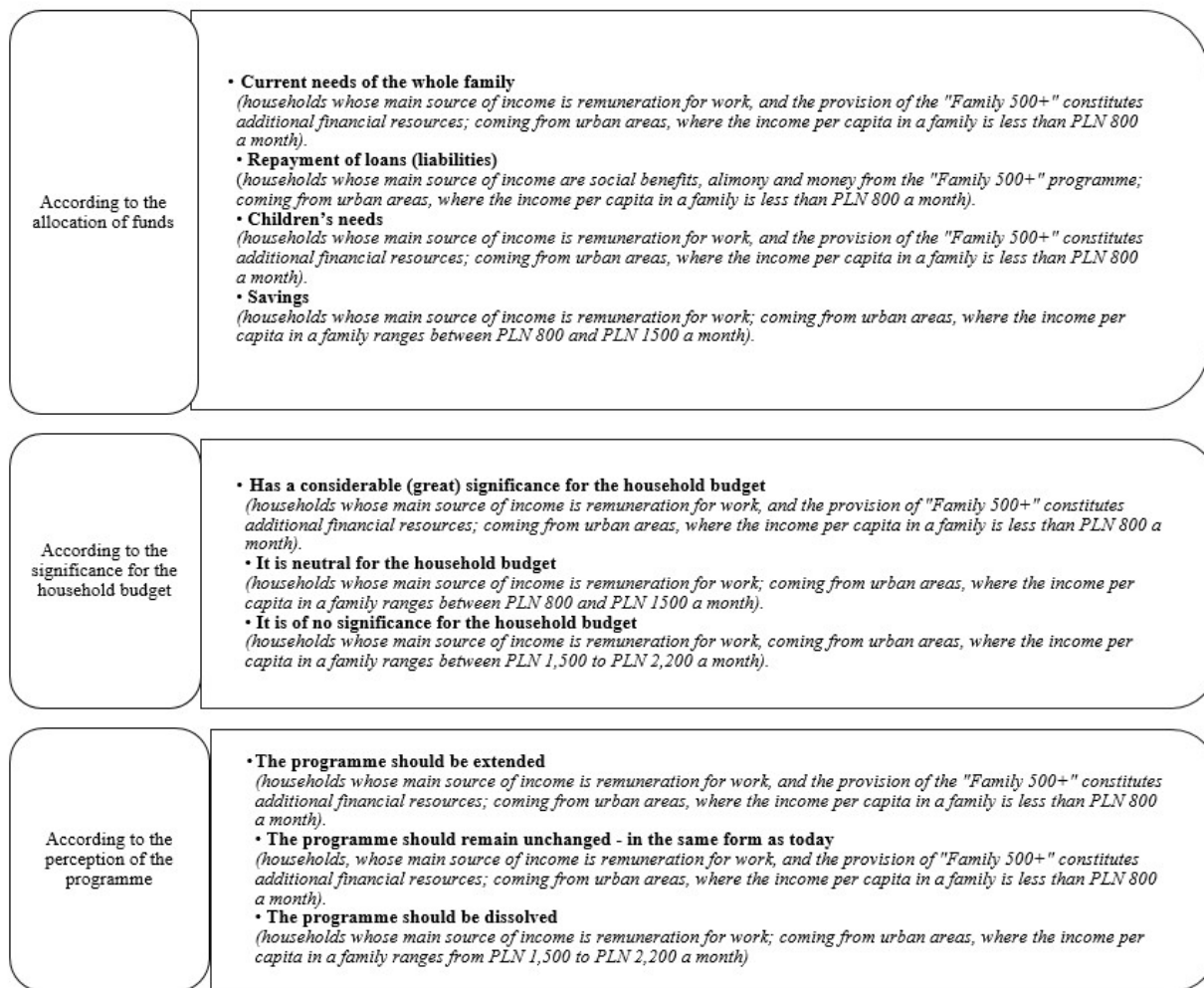
The following diagram presents the classification of households according to the use of pro-family aid. Simultaneously, this scheme allows for the analysis and review of available forms of assistance in terms of pro-family policy in Poland. The next diagram (Diagram No. 2) is a response to the objective set in the article – the classification of households with respect to the aid received in the form of a child-support benefit.



**Diagram 1: The classification of households depending on the use of pro-family policy tools**

Source: Own work

Diagram No 2 presents the classification of households that receive the "Family 500+" benefit. Besides, it contains a short description of households.



**Diagram 2: The classification of households receiving the "Family 500+" benefit**

Source: Own work

Conclusions from the analysis and the conducted research:

- the presented author's classification of households allows for filling the knowledge gap regarding the classification of households in terms of services supporting child upbringing,
- the largest group of respondents in terms of gender are women, which allows for the conclusion that they are the ones who manage the benefit received,
- the highest percentage of households stated in the study that the childcare benefit should be extended,
- child benefit is very important for households in rural areas than for households in urban areas,
- the smallest percentage of households (regardless of the area of residence and earnings) indicates that the 500+ benefit has no significance for household finances,
- households with an income lower than PLN 800 per person are of great importance in the finances of a household, and households with an income in the range of PLN 800 to 1,500 per person indicate a neutral importance.

## Summary

A household, being the most numerous economic entities, can be defined in many different ways, depending on the author's point of view. The concept of a household is identified with other related concepts, too. The term 'family' seems to be the closest to the term 'household'. A family, as an entity, comes under the influence of pro-family

policy. This policy, by means of its different instruments, may directly or indirectly affect households (families). One of the instruments is the "Family 500+" programme, which is support for families of a universal and long-term nature. This programme, however, has caused a lot of controversy since the beginning of its operation. Doubts have arisen over whether households will continue to be interested in performing paid work, and whether the quality of life of Polish families will improve. Still, additional financial resources from the programme have increased an available household budget.

As it was mentioned before, households can be classified in many different ways. One household can simultaneously be found under a number of classifications. Nonetheless, after the introduction of a child-support benefit, it seems important to classify households with respect to the "Family 500+" benefit. The classification like this allows to know the real purpose of the funds. Moreover, the classification of households with respect to the "Family 500+" benefit enables us to learn about the importance of this provision for a household budget, and know how the programme is perceived by households.

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