



P A D C O

# Social Sector Reform in Ukraine

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**Policy  
Report:  
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**POVERTY AMONG  
HOUSEHOLDS  
RECEIVING  
TARGETED SOCIAL  
ASSISTANCE IN  
UKRAINE**

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## CONCLUSIONS

- Using housing subsidy data, it is estimated that, nationwide, 3,372,500 households in Ukraine have per capita money incomes less than the poverty level of 73.7 Hrn. (19.88% of all households in Ukraine) and that these families include 8,181,000 individuals (16.20% of the population of Ukraine). By comparison, the State Committee for Statistics estimates that 52.8 percent of the population of Ukraine received money incomes of less than 73.7 Hrn per capita in the first quarter of 1998.
- This difference may be attributable to several factors. First, households answering the Quarterly Survey of Income and Expenditure may be less accurate in their statements than households applying for subsidies who must provide documentary evidence. Second, it is likely that there are many low-income households in rural areas who do not receive housing subsidies. Third, the sample of 32 raion housing subsidy offices may not be representative of the population of all families receiving subsidies. And fourth, the sample of households answering the Quarterly Survey questionnaire may not be representative of the population as a whole. In view of the importance that is given to estimates of poverty by policymakers and for estimating the budgetary costs of targeted assistance programs, this issue should be subject to further research.
- Very poor families, those with per capita income of less than 37 Hrn per capita per month, differ from other families receiving housing subsidies. They:
  - are larger than the average households receiving housing subsidies -- with 3.27 members compared with only 2.44 for all households receiving subsidies;
  - are less likely to include a pensioner or invalid -- averaging 0.38 pensioners per household compared with 0.81 for all households;
  - are more than twice as likely to include a child -- averaging 1.30 children per household compared with 0.58 for all households; and
  - are more likely to include a working age adult -- averaging 1.63 working age adults per household compared with 1.07 for all households receiving subsidies.
- To assess the differences between the population of poor families receiving targeted child care assistance and poor households receiving housing subsidies, PADCO examined databases of the two programs in Zavodsky Raion, the largest raion in the City of Mikolaiv, where both caseloads are fully computerized.<sup>1</sup> The data show that families receiving childcare assistance and households receiving housing subsidies differ in three important regards.
  - The average household receiving housing subsidies included 0.6 more people than the average family receiving targeted child care assistance in Zavodsky Raion;
  - Household per capita income in Zavodsky Raion is 8.13 Hrn/month higher than average family per capita income; and
  - The number of households receiving housing subsidies (7,238) is double the number of families receiving targeted child care assistance (3,456); of the families receiving targeted child care assistance, 1,000 (29%) also receive housing subsidies.
- The results indicate that only 18% of all the families estimated to have children in the raion receive child care assistance – indicating that other families that may be eligible do not consider applying for benefits to be worthwhile.

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<sup>1</sup> Mikolaiv is the only oblast that has transferred the lists of families receiving childcare assistance from enterprises to local offices of social protection – under a pilot program approved by the Cabinet of Ministers.

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## 1. INTRODUCTION

### 1.1 THE NEED TO HELP THE POOR IN UKRAINE

This report summarizes what is known about who is poor in Ukraine using data from the housing subsidy program pilot raion project. (Ukraine's housing subsidy program is described in Attachment 1 to this paper). Subsequent reports make recommendations concerning the design and implementation of a targeted family assistance program and reforms in legal definitions poverty and minimum subsistence levels.

The most important finding of this report is that the number of people in Ukraine living below the official poverty level (73.7 Hrn in 1998, which includes both money income and the value of material assistance) appears to be only between 16% and 18% -- depending on the time of year. All PADCO estimates of family income include only money income and assume that all poor households are already enrolled in the housing subsidy program. No allowance is made for the value of material assistance and in-kind income that families may receive. Using information from Ukraine's largest targeted assistance program is an important way -- but not the only way -- to estimate the number of very poor families.

Estimates of the number of poor people calculated in this way may be more reliable than estimates made from the Quarterly Survey of Household Income and Expenditure because households applying for housing subsidies have gone to the trouble of providing documentation of their economic status to a local housing subsidy office. Those that respond to questionnaires may be less precise. Applicants for housing subsidies obviously believe they need and deserve assistance in paying for housing and communal services or heating. Some households have provided false information. But households may also provide false information to people conducting official surveys from which official estimates of income are made.

The public and many policy makers do not understand the problem of poverty in Ukraine clearly. This is, in large part, because poverty is a new social problem. When all people received basic goods and services at subsidized prices, poverty was not widespread. Today, with the collapse of traditional social protection systems -- pensions have fallen in value by more than 75% during the past six years, for example -- many people are poor. But because of Ukraine's continuing financial crisis, the state budget simply cannot be stretched far enough to increase benefits and wages for everyone. Targeting, therefore, is vital. But targeting can only work if there are accurate data about the number and the characteristics of poor people.

Poverty is, to some extent, subjective. Certainly more people believe that they are poor than can be assisted through targeted social assistance programs. Table 1 summarizes the results of surveys conducted regularly since 1994 by the survey firm democratic Initiatives. The number of people who classified themselves as poor in 1998 exceeded two thirds of the population -- a considerable increase over the 47% that classified themselves as poor.

Table 1: How Ukrainians See Themselves (In percent)

Year	1994	1995	1996	1997	1998
Poor	47	57	57	60	68
Average	51	42	42	39	31
Rich	0.2	0.5	0.3	0.2	0.2
No answer	2	0.4	0.2	1	1

Source: Survey conducted by Democratic Initiatives, reported in "Denh," September 3, 1998, page 1.

### 1.2 HOW MANY PEOPLE RECEIVE HOUSING SUBSIDIES

One measure of the poverty population is the number of households (and the number of people in those households) that receive housing subsidies. The housing subsidy program was created by the Government

of Ukraine to help the poorest households cope with the sharp increases in monthly housing payments. In December 1997, there were a total of 3.63 million households receiving monthly subsidies for housing and communal services in Ukraine – according to the monthly reports prepared by the State Committee for Statistics. In addition to the number of households receiving housing subsidies, a total of 852,000 families were granted subsidies to cover annual purchases of liquid gas and solid fuel during 1997 including 2.036 million people.

The number of households receiving subsidies for housing and communal services fluctuates between about 14 percent of families during the summer and 21.7 percent of families during the winter months when additional families enroll for assistance in paying the costs of gas used for heating. The average number of households receiving housing subsidies for housing and communal services in 1998 was 3.03 million with 7.24 million, or 14.3 percent of the population.

The percentage of households receiving subsidies overstates the percent of the population that are poor. This is because households receiving housing subsidies are, on average, smaller than the average household in Ukraine is -- averaging 2.39 members compared with the national average of 3.0 people per family. This difference reflects the disproportionately large share of single-member families receiving housing subsidies – mostly, pensioners living alone.

### 1.3 DATA USED FOR ANALYSIS

At the request of the Ministry of Labor and Social Policy, PADCO has compiled a database consisting of a sample of families granted subsidies since the housing subsidy offices began receiving applicants in May 1995. The data are collected from housing subsidy offices in thirty-two urban and rural raions.<sup>2</sup> The database used for the analysis reported in the following sections of this report includes detailed information concerning 155,765 households (which include 382,581 individuals) receiving housing subsidies on December 31, 1997. These data are provided by 32 raion housing subsidy offices participating in the pilot raion reporting project that is the basis for the *Statistical Bulletins* prepared by the PADCO Social Sector Reform team for the MLSP.

Of all these people, 150,133 people (39.2 percent) were wage earners, 129,843 people (33.9 percent) were pensioners, and 89,409 people (23.4 percent) were children under the age of 16. The remainder included 7,816 students with stipends and 5,380 people of working age who were registered as unemployed or who declared no income (see Attachment 1). This database allows the examination of different types of household, categorized according to the type of household members.

## 2. NUMBER AND CHARACTERISTICS OF VERY-LOW INCOME HOUSEHOLDS RECEIVING HOUSING SUBSIDIES

### 2.1 NUMBER OF VERY LOW INCOME PEOPLE RECEIVING HOUSING SUBSIDIES

To calculate the number of very low-income people in Ukraine using the sample of 32 housing subsidy offices, the following data were used:

• Number of households receiving housing subsidies in sample	155,765
• Number of people in households in sample	382,581

<sup>2</sup> This is part of a project for the Ministry of Labor and Social Policy of creating a monthly reporting system on the housing subsidy program. Eventually, there will be 36 pilot raions (statistically selected to be representative of the whole of Ukraine) reporting caseload data each month automatically. These raions are described in the *Statistical Bulletins*, produced quarterly by PADCO, using this pilot database.

· Number of households receiving housing subsidies and/or subsidies for liquid gas and solid fuel nationwide, December 1997	4,477,500
· Number of people in households receiving housing subsidies nationwide, December 1997 <sup>3</sup>	10,701,225
· Number of households in Ukraine, 1997	16,964,500
· Population of Ukraine, 1997	50,500,000

Estimates of the number of households with per capita incomes below 37 Hrn per month, 44 Hrn per month, 48 Hrn per month, and 73.7 Hrn per month were made by extrapolating from the sample to the all households receiving housing subsidies and expressing as a percentage of all households in Ukraine.<sup>4</sup> The estimates are (NB: at the time the estimates were made 1 Hrn = \$0.45):

<i>Per capita Income Below (Hrn):</i>	<i>Percent of Sample households</i>	<i>Total number of households</i>	<i>Percent of all households in Ukraine</i>
37.0	16.59	742,800	4.38
44.0	28.83	1,201,300	7.08
48.0	31.96	1,431,000	8.44
73.7	75.31	3,372,000	19.88

Estimates of the number of people in Ukraine living in households with per capita incomes below 37 Hrn per month, 44 Hrn per month, 48 Hrn per month, and 73.7 Hrn per month were made by extrapolating from the sample to the all households receiving housing subsidies and expressing as a percentage of all people in Ukraine. The estimates are:

<i>Per capita Income Below (Hrn):</i>	<i>Percent of Sample households</i>	<i>Total number of people in households</i>	<i>Percent of population in Ukraine</i>
37.0	22.18	2,373,500	4.70
44.0	32.65	3,494,000	6.92
48.0	38.21	4,088,900	8.10
73.7	76.45	8,181,000	16.20

Summary data and characteristics of families in the sample are shown in Table 2 below).

These household data from housing subsidy data differ markedly from official statistics on family per capita income. In the first quarter of 1998, the State Committee for Statistics estimated that 52.8% of the population had money incomes below the poverty level.

This difference may be attributable to several factors. First, households answering the Quarterly Survey of Income and Expenditure may be less accurate in their statements than households applying for subsidies who must provide documentary evidence. Second, it is likely that there are many low-income households in rural areas who do not receive housing subsidies. Third, the sample of 32 raion housing subsidy offices may not be representative of the population of all families receiving subsidies. And fourth, the sample of households answering the Quarterly Survey questionnaire may not be representative of the population as a whole.

<sup>3</sup> Estimated by multiplying the number of households by the average number of household members.

<sup>4</sup> The values selected for analysis were chosen because they represent about 50% of the poverty level (37 Hrn), the average pension (48 Hrn), a value between these two estimates (44 Hrn), and the official poverty level effective January 1, 1998 (73.7 hrn)

**Table 2: Number and Characteristics of Low-Income Households Receiving Housing Subsidies**

<i>Household Per capita Income</i>	<i>No. of households (and % of total)</i>	<i>No. of Individuals in households (% of total)</i>	<i>Average Number of household members</i>	<i>Pensioners and invalids per household</i>	<i>Children per household</i>	<i>Working Age Adults per household</i>	<i>Average per capita monthly income</i>
1. All households in sample	155,765 (100.0%)	382,581 (100.0%)	2.46	0.83	0.58	1.05	58.78
2. Households with per capita income below 37 Hrn	25,834 (16.6%)	84,783 (22.2%)	3.28	0.37	1.30	1.61	24.7
3. Households with per capita income below 44 Hrn	41,799 (26.8%)	124,923 (32.7%)	2.99	0.55	1.06	1.38	29.72
4. Households with per capita income below 48 Hrn	49,799 (32.0%)	146,200 (38.2%)	2.94	0.60	1.00	1.34	32.09
5. Households with per capita income below 73.7 Hrn	117,307 (75.3%)	292,500 (76.5%)	2.49	0.86	0.64	0.99	45.89

In view of the importance that is given to estimates of poverty by policymakers and for estimating the budgetary costs of targeted assistance programs, this issue should be subject to further research.

## 2.2 CHARACTERISTICS OF VERY LOW INCOME HOUSEHOLDS AMONG HOUSEHOLDS RECEIVING HOUSING SUBSIDIES

Poor households – those with the lowest per capita income among all households receiving housing subsidies – differ from the typical households receiving subsidies in their size and composition (see Table 1 below). Households with per capita incomes below 37 Hrn per month, for example:

- are larger than the average household receiving housing subsidies -- with 3.28 members compared with only 2.46 for all households receiving subsidies;
- are less likely to include a pensioner or invalid -- averaging 0.37 pensioners per household compared with 0.83 for all households receiving subsidies);
- are more than twice as likely to include a child -- averaging 1.30 children per household compared with 0.58 for all households; and
- are more likely to include a working age adult -- averaging 1.61 working age adults per household compared with 1.05 for all households.

Among households receiving housing subsidies, therefore, the poorest are those with low-income working age adults (many of whom presumably unemployed) and more children. The detailed characteristics of these low-income households are shown in Tables A - D in the final attachment to this paper. These tables show how many low-income families (those with per capita incomes below 37 Hrn, 44 Hrn, 48 Hrn, and 73.7 Hrn respectively) there are with 1, 2, and 3+ working age adults, 1, 2, and 3+ children, and 1, 2, and 3+ pensioners.

### 3. PENSIONERS AND POVERTY

#### 3.1 PARTICIPATION OF PENSIONERS IN HOUSING SUBSIDY PROGRAM

Sixty two percent of all families receiving housing subsidies include at least one pensioner (data on families including pensioners from the database are summarized in Attachments 2, 3, and 4 to this report). The average pension in 1997 was only 49.9 Hrn/month – far below the poverty level of 73.7 Hrn/month established by the Supreme Rada.<sup>5</sup> But not all pensioners – even those receiving low pensions – live in poverty. Neither is the level of a pensioner's pension benefits a good predictor of the level of income of the household in which the pensioner lives. Poverty is best measured by the per capita income of whole families. Thus, pensioners who live in families in which there are many wage earners should not be considered as living below the poverty level – however small their pension. On the other hand, a pensioner receiving an above average pension may be responsible for looking after young children or a non-earning working age adult. This pensioner should be considered as living below the poverty level, even if they receive a relatively high pension.

Therefore, it is inappropriate to use data on the number of people receiving pensions below a certain level (for example, the poverty level) as a guide to how many pensioners are living at or below the poverty level. For this, it is necessary to measure aggregate household income and use it to calculate per capita incomes of family members.

Among pensioners in housing subsidy households, 38.2 percent live alone (see Table 2). This compares with overall household composition data that show that 18.2 percent of all households are made up of single people. A further 34.7 percent of pensioners live in families that consist only of pensioners – i.e. with no dependent children or working age adults present. And 15.2 percent of pensioners live in families consisting of pensioners and working age adults, with no children. Only 3.8 percent of pensioners live in families consisting only of pensioners and children (although, as expected, these are the poorest families). And 12.5 percent of pensioners in eligible households live in households that also include working age adults and children. These are the second poorest group -- defined in terms of per capita income. Among the working age adults receiving subsidies, more than half -- 59.4 percent -- are women. This reflects the special problems faced by single mothers either in finding work, organizing childcare, or in receiving alimony.

#### 3.2 PER CAPITA INCOMES OF HOUSEHOLDS INCLUDING PENSIONERS

From the large sample of families receiving housing subsidies, we are able to compare pensions and other incomes of pensioners living in families receiving housing subsidies with average pensions and average incomes of people in Ukraine. Table 3, below, summarizes the important income characteristics of different types of households receiving housing subsidies (see also Attachment 5).

The data show that, among Ukraine's poorest families, those with the lowest per capita income are those with children present – not families consisting only of pensioners. Pensioners living alone, or with other pensioners, or with working age adults and no children, are in households with higher per capita income than the average household receiving subsidies and higher than households with children present. This is not merely an artifact of the statistical sample: households granted housing subsidies during 1997 were larger than those granted subsidies in earlier years and included more children and have higher household incomes.

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<sup>5</sup> The average monthly pension in Ukraine in 1997 was 49 Hrn/month – about \$24. This information was provided by the Pension Fund of Ukraine. The average housing subsidy received by households including pensioners is 36 Hrn/month.

**Table 3: Distribution of Pensioners Among Families Receiving Housing Subsidies and Per Capita Incomes According to household Composition**

<i>Family Characteristics</i>	<i>Percent of All Households</i>	<i>Percent of Households with Pensioners*</i>	<i>Per Capita Income (Hrn/Month)</i>
All families receiving subsidies	100	100	57.22
Pensioners living alone	25.7	41.5	59.29
2+ pensioners (no others)	13.9	22.6	61.70
Pensioners + working age adults	10.1	16.3	70.03
Pensioners and children (no working adults)	2.3	3.7	48.41
Pensioners with adults + children	9.9	16.0	49.96

Source: Attachment 2

\* Totals may not add to 100 because of rounding.

Do pensioners living in households with housing subsidies receive lower pensions than other pensioners? The answer is no -- in fact the opposite. In February 1997, the average pension, nationwide, was 48.6 Hrn/month. Pensioners living in households receiving housing subsidies were granted an average pension of 50.3 Hrn/month (see Attachment 3). Therefore, a policy to raise the lowest pensions will not be effectively targeted to help pensioners living in the poorest circumstances.

About two out of three pensioners in households receiving housing subsidies reported no other income sources -- see Table 4. About one-ninth were working and enjoyed incomes far higher than other pensioners -- although their monthly pensions were lower than pensioners who received only pensions.

**Table 4: Sources of Income of Pensioners Living in Households Receiving Housing Subsidies**

<i>Income Sources Reported by Pensioner</i>	<i>Percent of Pensioners</i>	<i>Average Monthly Pension</i>	<i>Average Total Monthly Money Income</i>
Pension as the only source of income	67.1	51.9	51.90
Money income from work	10.9	44.8	134.30
Income from sources other than wages and pensions	19.0	49.1	58.4

Source: Attachment 4

## **4. HOUSEHOLDS WITH CHILDREN AND POVERTY**

### **4.1 PARTICIPATION OF HOUSEHOLDS WITH CHILDREN IN THE HOUSING SUBSIDY PROGRAM**

Of the households receiving housing subsidies, 38.6 percent have at least one child present. These are, on average, the poorest households. Overall, a lower share of households receiving housing subsidies includes children than in the population as a whole. But a higher percentage of households with children receiving housing subsidies have three or more children than in the population as a whole.

In the 32 sample raions, households receiving subsidies included 90,122 children below the age of 16 years. Among housing subsidy households with children, 57.3 percent have only one child, 35.7 percent have two children, 4.4 percent have three children, and 0.7 percent have four or more children.

The poorest households receiving housing subsidies are those made up of a single parent with more than one child (see Table 5). While the average per capita monthly household income of all households receiving

subsidies was 58.78 Hrn, the average per capita income of single parents with two children was only 34.30 Hrn and for a single parent with three children only 25.63 Hrn. Households with both parents (and with pensioners as well) and children are relatively better off and those with only 1 child have per capita income higher than average.

#### 4.2 DATA FROM TARGETED CHILD CARE ASSISTANCE PROGRAM

This section reviews data available from the only other major targeted social assistance program in Ukraine -- the program of childcare assistance. There is one other source of information about poor families -- those families receiving child care allowances. If household per capita income averaged less than 37 Hrn during the previous quarter (which includes many families with single parents), the family is entitled to a benefit of 6.70 Hrn per month per child (under 16 years old). Additional assistance is available to families with per capita income of less than 37 Hrn if they have more than 2 children: families with 3 children receive 10.50 Hrn if a parent is working and 9 Hrn if the parent is non-working (146,800 families receive this assistance). Families with 4 or more children receive 19 Hrn if a parent is working and 20.90 Hrn if the parent is non-working (75,300 families receive this assistance).

**Table 5: Per Capita Income Among Households Receiving Housing Subsidies and Per Capita Incomes According to Household Composition**

<i>Family Structure</i>	<i>Percent of All Households</i>	<i>Percent of All Households with Children</i>	<i>Per Capita Monthly Income (Hrn)</i>
11 households receiving subsidies	100	100	58.78
1 child and 2 work age adults	12.0	18.0	60.55
1 child and 1 work age adult	7.1	10.61	46.45
2 children and 1 work age adult	6.1	4.6	34.30
2 children and 2 work age adults	27.0	20.2	48.96
3 children and 1 work age adult	1.0	0.5	25.63
4+ children and 1 work age adult	0.28	0.1	18.56
1 child and 1 pensioner	1.8	2.7	53.01
1 child and 2+ pensioners	0.9	1.4	49.39
2+ children and 1+ pensioners	2.61	1.8	43.84
1 child and 2+ work age adults and 2+ pensioners	1.1	1.7	56.02
2 children and 1 work age adult and 1 pensioner	3.61	2.7	43.08

Source: Attachment 5.

According to statistics provided by the Ministry of Labor and Social Policy, in January 1998, a total of 3,447,951 families receive childcare assistance. Of these, 74% receive the assistance from the place of work of a parent and 26% from local offices of the Ministry of Labor and Social Policy because the parent or parents caring for the children was/were unemployed.

At some time during 1998, the GOU intends to transfer the responsibility for distributing all childcare benefits from enterprises to the local offices of the Ministry of Labor and Social Policy. This will cause a ten-fold increase in the number of families applying to these offices for targeted childcare assistance.

There are four important differences between the housing subsidy program and the targeted child care assistance program in establishing eligibility:

- First, the programs use different definitions of “family.” The housing subsidy program provides benefits to households -- all residents of the single home in which the children live. The targeted child family assistance program counts as family only the parents with children (individuals under the age of 18).
- Second, the housing subsidy program counts as eligible all households that pay more than 15 percent of their income for housing and communal services. Child care assistance program counts as eligible all families with per capita monthly income below 37 Hrn.
- Third, the housing subsidy program determines eligibility by measuring income during the three months prior to application. Child care assistance program counts income during the last complete calendar quarter before eligibility.
- And fourth, households receiving housing subsidies have supplied local housing subsidy offices with detailed documentation of income from all sources. Families receiving targeted childcare assistance were verified as eligible by employers reviewing only the family’s income from the place of employment.

Because of these differences in eligibility and administration, there are probably many families/households that receive only one type of benefit – housing subsidies or targeted child care assistance – even though it is expected that poor families with children would receive both types of assistance.

#### 4.3 OVERLAP IN PARTICIPATION IN HOUSING SUBSIDY PROGRAM AND TARGETED CHILD CARE ASSISTANCE

To assess the differences between the population of people receiving targeted childcare assistance and housing subsidies, PADCO has examined databases of the two programs in Zavodsky Raion, the largest raion in the City of Mikolaiv. Mikolaiv is the only oblast that has transferred the lists of families receiving childcare assistance from enterprises to local offices of social protection – under a pilot program approved by the Cabinet of Ministers. The data are summarized in Table 6 and show those families receiving childcare assistance and households receiving housing subsidies differ in three ways.

1. The average household receiving housing subsidies included 0.6 more people than the average family receiving childcare assistance in Zavodsky Raion;
2. Household per capita income in Zavodsky Raion is 8.13 Hrn/month higher than average family per capita income; and
3. The number of households receiving housing subsidies (7,238) is double the number of families receiving targeted child care assistance (3,456); of the families receiving targeted child care assistance, 1,000 (29%) also receive housing subsidies.

These conclusions are based on certain assumptions. Because GosKomStat has not published recent estimates of the population and number of families in the raion, it has been necessary to make rough estimates of many of the data. These are explained in footnotes to Table 6.

The results indicate that only 18% of all the families estimated to have children in the raion receive child care assistance – indicating that other families that may be eligible do not consider the benefits worth applying for. This indicates that the rate of poverty among families with children – the share of families poor enough to bother to apply for child care assistance – is similar to the rate of poverty estimated from housing subsidy data.

Of the 3,456 poor families receiving childcare assistance, about 1,000 (29 percent) were also receiving housing subsidies. This would seem to indicate that there are many low-income families that do not receive housing subsidies. However, because of the differences in enrollment procedures between the targeted child care assistance program and the housing subsidy program, it is impossible, at this time, to know whether these families have low incomes or why they have chosen not to enroll in the housing subsidy program. When data on families receiving childcare allowances is available on computer for the entire Mikolaiv Oblast, PADCO will conduct a more detailed study to answer these questions.

**Table 6: Numbers of Recipients of Targeted Childcare Assistance and Housing Subsidies in Zavodsky Raion, City of Mikolaiv, May 1998**

Estimated total population of Zavodsky Raion, 1998*	121,800
Estimated number of families in Zavodsky Raion in 1998*	38,700
Estimated number of families with children in Zavodsky Raion in 1998*	18,650
Reported number of families receiving child care benefits**	3,456
Number of families receiving targeted assistance for children under 16 years old in database:**	1,600
Number of households receiving housing subsidies in database:**	17,970
Number of households receiving housing subsidies including households with children:**	7,243
Estimated number of families receiving both housing subsidy and targeted childcare***	1,000

Source: PADCO.

\* Estimates are based on assuming that the population of the raion has changed by the same percentage as the nation between 1989 and 1998 and that the average family size and the number of families with children in the raion are the same as for the nation as a whole.

\*\* Reported numbers are from the two databases assembled by the raion office of social protection.

\*\*\* Estimated by matching the two databases. Matching is not possible in several cases are missing addresses or names are misspelled.

## ATTACHMENT 1: THE HOUSING SUBSIDY PROGRAM OF UKRAINE

### 1.1 BACKGROUND

In 1994, Ukraine faced an acute financial crisis. After independence in August 1991, it had resisted making reforms in its obsolete and increasingly indebted economy. It had run up huge debts by continuing to pipe in most of its oil and gas from Russia and Turkmenistan at vastly increased prices. The budget deficit had reached 10 percent of GDP and the policy of printing money rather than cutting spending had caused runaway inflation.

With the winter heating season imminent, Ukraine turned to the International Monetary Fund to borrow enough to keep Russia from turning off the energy supplies. But the IMF demanded reforms as the condition for granting credit. On October 20, 1994, an accord between the IMF and Ukraine was announced. Under the agreement, Ukraine received a standby credit of up to \$1.7 billion, to be paid in four tranches if Ukraine met a series of conditions – known by the IMF neologism as “conditionalities.” For its part, the Government of Ukraine promised price deregulation (including rapid increases in the prices for housing and communal services) as well as accelerated privatization, reduced deficits, monetary discipline, and other changes. The Government scheduled a series of utility price hikes that would lead to monthly housing payments that would cover 80 percent of cost within less than one year. Although the schedule proved overambitious -- 80 percent cost recovery was actually attained reached in August 1996 rather than on the target date of September 1995 -- Ukraine eventually managed increases faster than other members of the former Soviet Union did.

The Government and the IMF were notably silent on whether Ukrainian families could afford the scheduled increases and what could be done for those that could not. The IMF's unofficial position was that because there was a lot of hidden income in Ukraine, most families could probably pay. But families without hidden incomes would soon face monthly bills requiring them to pay 60 percent or more of their income on housing and communal services. Many pensioners, invalids, and single mothers could barely buy enough food, even at subsidized prices. The typical three-member family lucky enough to live in a three-room apartment (about 500 square feet), would have had to pay in excess of \$30 per month – nearly half their average monthly income at the time. Single pensioners in big apartments would have been asked for monthly payments in excess of their monthly state pension just to keep the lights on and the gas stove alight.

The Cabinet of Ministers issued a hasty patchwork of decrees intended to help families cope with higher prices: state enterprises were ordered to give out wage supplements and the state promised pension supplements. But enterprises and national ministries lacked money and administrative structures to honor these promises. Three months later, when the housing subsidy program replaced these measures, no money had been paid under these programs to assist families.

### 1.2 BEGINNING THE HOUSING SUBSIDY PROGRAM

When monthly payments were raised to 20 percent of costs -- retroactively effective to October 1, 1994 -- a cadre of socialist and communist deputies from the Supreme Rada called on the population not to pay the increases. The Cabinet hastily abolished all penalties on paying late. Arrears soared. But the issue of how families could pay for housing became mute by Christmas 1994. Currency emissions issued each fall to pay for the diminishing harvests and to prop up state enterprises had rekindled inflation. The new high prices for housing shrank in real terms until households were paying no more than before price reform. The same Cabinet Decree that raised prices for water, heat, and electricity had also freed prices of many foodstuffs. Food prices were free to follow inflation while tariffs for housing and communal services could be adjusted only by Cabinet decree.

Ukraine received the first tranche of its IMF loan and used most of it to pay Russia enough to ensure

adequate fuel for the winter. But it was no nearer solving its deepening financial and economic problems. With the IMF ensuring its conditionalities were obeyed, First Vice Prime Minister V. M. Pynzenyk asked USAID to help design a way of targeting assistance to low-income families that would allow housing sector price reforms to continue. In January 1995, USAID contracted with PADCO, a private consulting company that had been working in Ukraine for two years on housing and communal service pricing issues, to provide this help. The goal of the new project was to develop a means-tested social assistance program – the first in Ukraine -- for poor families to protect them from the full impacts of rising monthly payments for housing and utilities.

Within a few weeks, on February 4, 1995, a new Cabinet Decree was drafted and issued, creating a housing subsidy program to assist low-income families. Less than three months later, on May 3, 750 offices were opened throughout Ukraine to receive applications from families. The housing subsidy is not a cash benefit. It is a discount on monthly payments equal to the difference between 20% of income (then, only 15% of income) and actual payments (within the standardized amount of space for the family size). Housing maintenance organizations and utilities were to be paid directly by local governments to compensate for these subsidies. Families are eligible, whether tenants or homeowners. Rural families facing annual payments for liquid gas and solid fuel for heating (within the standardized amount of space for the family size) in excess of 20% of annual family income can also apply.

The first subsidies were granted within a few days of the offices being opened. Before offices opened, the USAID/PADCO project had designed, printed, and distributed more than a million copies each of the six standard forms needed by local offices. By the end of 1996, one and a half years after subsidy offices first opened their doors, about 4 million of Ukraine's 17.1 million families were receiving assistance monthly to help pay monthly utility payments or to assist in purchasing annual heating fuel supplies.

Since that date, the number of families receiving assistance has slowly declined, as incomes reported by applicants grow (despite the absence of measurable economic recovery). Single parents and single pensioners make up a disproportionately large share of families participating in the program. By December 1997, the average per family subsidy was about 30 Hrn/month – equivalent to about 26% of the average family income of participating families. For single pensioners, the average housing subsidy was equivalent to an increase of pension benefits of 65%.

### **1.3 THE ACHIEVEMENTS OF THE HOUSING SUBSIDY PROGRAM**

The housing subsidy program has become widely accepted by the public and by elected leaders as an essential part of the Government's social assistance policy. In 1998, the program was in the process of being reshaped from a program providing housing subsidies into the foundation of Ukraine's new, means-tested, social assistance program that will provide both cash and in-kind benefits for poor families.

The program succeeded in supporting Ukraine's ambitious program of increasing the prices for housing and utilities. The Government has been able to increase the share paid by families from 4 percent in late 1994 to nearly 100% today (lack of accounting reform in the housing and communal services sector prevents an accurate assessment of the true rate of cost recovery). As a result, the Government net savings in 1997 from increasing housing and utility payments, even after paying for targeted housing subsidies to low-income families, were 2.4 billion Hrn. (or \$1.3 billion). In two and one half years, net savings to the budget has totaled more than \$2 billion. The projected savings for 1998 are for a further savings of over \$1 billion.

**NUMBER AND CHARACTERISTICS OF PARTICIPANTS IN HOUSING SUBSIDY PROGRAM  
(DECEMBER 1997, 32 RAIONS)**

	<i>Number</i>	<i>% of Total Number of People</i>
Total number of people in households receiving housing subsidies in December 1997	382,581	100.00
Wage-earners	150,133	39.24
Pensioners with no wage income	129,843	33.94
Students (with stipends only)	7,816	2.04
Persons without income	5,380	1.41
Children under 16 years	89,409	23.37
Total number of people in families enrolling in the housing subsidy program in December 1997	11,129	100.00
Wage-earners	4,937	44.36
Pensioners with no wage income	2,990	26.87
Students (with stipends only)	276	2.48
Persons without income	136	1.22
Children under 16 years	2,790	25.07

**Housing Subsidy Program Statistics for December 1997**

	<i>Number</i>
Number of household	155,765
Average number of persons per household	2.39
Average housing subsidy per household (Hrn./Month)	41.74
Average housing subsidy per household member (Hrn./Month)	16.99
Average household income (Hrn./Month)	140.54
Average household income per capita (Hrn./Month)	57.22
Average wage of working housing subsidy recipient (Hrn./Month)	94.45
Average pension (Hrn./Month)	51.36
Average cost of housing and communal services per household (Hrn./Month)	63.77
Cost of 1m <sup>2</sup> for 1-person household (Hrn./Month)	0.93
Cost of 1m <sup>2</sup> for 2-person household (Hrn./Month)	1.1

## ATTACHMENT 2: INCOME OF PENSIONERS BY HOUSEHOLD COMPOSITION

Family Composition	Pensioners		Households with Pensioners		Average Total Household Monthly Income, Hrn	Average per Capita Monthly Income, Hrn
	Number	% of Total Pensioners	Number	% of Total Households with Pensioners		
Pensioner living alone	40008	31.07	40008	41.53	59.29	59.29
2 pensioners, no other household members	41054	31.88	20527	21.31	123.96	61.98
3+ pensioners, no other household members	3669	2.85	1203	1.25	178.76	58.61
Total pensioners living only with other pensioners	44723	34.73	21730	22.58	127.00	61.70
1 pensioner and 1 work age adult	8617	6.69	8617	8.94	143.77	71.89
1 pensioner and 2 work age adults	2623	2.04	2623	2.72	215.58	71.86
1 pensioner and 3+ work age adults	793	0.62	793	0.82	270.73	64.90
2 pensioners and 1 work age adult	5778	4.49	2889	3.00	207.35	69.12
2 pensioners and 2 work age adults	996	0.77	498	0.52	262.83	65.71
2 pensioners and 3+ work age adults	246	0.19	123	0.13	339.21	63.02
3+ pensioners and 1+ work age adults	577	0.45	187	0.19	264.19	59.88
Total pensioners living only with adults	19630	15.24	15730	16.33	180.55	70.03
Pensioners and 1 child	3361	2.61	2444	2.54	122.15	51.43
Pensioners and 2 children	1284	1.00	948	0.98	152.20	45.37
Pensioners and 3+ children	190	0.15	138	0.14	169.61	36.29
Total pensioners living only with children	4835	3.76	3530	3.66	132.08	48.21
1 pensioner, 1 child, 1 work age adult	3574	2.78	3574	3.71	160.43	53.48
1 pensioner, 1 child, 2 work age adults	2552	1.98	2552	2.65	225.07	56.27
1 pensioner, 1 child, 3+ work age adults	885	0.69	885	0.92	288.29	55.52
1 pensioners, 2+ children, 1+ work age adult	4370	3.39	4370	4.54	215.72	43.98
2 pensioners, 1 child, 1 work age adult	2348	1.82	1174	1.22	215.52	53.88
2 pensioners, 1 child, 2 work age adults	1546	1.20	773	0.80	286.16	57.23
2 pensioners, 1 child, 3+ work age adults	392	0.30	196	0.20	325.47	52.98
3 pensioners, 1 child, 1+ work age adults	420	0.33	139	0.14	296.46	53.94
2+ pensioners, 2+ children, 1+ work age adults	3492	2.71	1681	1.74	268.47	44.71
Total pensioners living with work age adults and children	19570	15.20	15344	15.93	220.03	49.96
TOTAL	128755	100.00	96342	100.00	122.63	58.34

**ATTACHMENT 3: DISTRIBUTIONS OF PENSIONERS BY AMOUNTS OF PENSIONS**

Total monthly pension (Hrn.)	0 - 35		35.01 - 40		40.01 - 45		45.01 - 50		50.01 - 55		55.01 - 60		60.01 - 65		65.01 +		Total		OTAL	Average Monthly Pension
	Count	%	Count	%	Count	%	%													
Pensioners with only pension as income source	1424	1.6	14536	16.8	5021	5.8	35241	40.8	2865	3.3	14208	16.4	2371	2.7	10795	12.5	86461	100.0	67.1	51.9
Pensioners with supplementary income from work	2080	14.8	1681	11.9	411	2.9	7114	50.5	444	3.2	595	4.2	92	0.7	1659	11.8	14076	100.0	10.9	44.8
Pensioners with income from other sources	466	1.9	6253	25.6	1747	7.1	8428	34.5	949	3.9	4317	17.7	431	1.8	1852	7.6	24443	100.0	19.0	49.1
Pensioners with income from work and other sources	775	20.4	509	13.4	128	3.4	1621	42.7	222	5.8	196	5.2	30	0.8	314	8.3	3795	100.0	2.9	41.5
<b>Total</b>	<b>4745</b>	<b>3.7</b>	<b>22979</b>	<b>17.8</b>	<b>7307</b>	<b>5.7</b>	<b>52404</b>	<b>40.7</b>	<b>4480</b>	<b>3.5</b>	<b>19316</b>	<b>15.0</b>	<b>2924</b>	<b>2.3</b>	<b>14620</b>	<b>11.4</b>	<b>128775</b>	<b>100.0</b>	<b>100.0</b>	<b>50.3</b>

**ATTACHMENT 4: NUMBER OF PENSIONERS WITH INCOME FROM DIFFERENT SOURCES**

Total monthly income (Hrn.)	0 - 35		35.01 - 40		40.01 - 45		45.01 - 50		50.01 - 55		55.01 - 60		60.01 - 65		65.01 +		Total		TOTAL	Average Monthly Income
	Count	%	Count	%	Count	%	%													
Pensioners with only pension as income source	1424	1.6	14536	16.8	5021	5.8	35241	40.8	2865	3.3	14208	16.4	2371	2.7	10795	12.5	86461	100.0	67.1	51.9
Pensioners with supplementary income from work	232	1.6	85	0.6	91	0.6	176	1.3	236	1.7	273	1.9	268	1.9	12715	90.3	14076	100.0	10.9	134.3
Pensioners with income from other sources	290	1.2	1217	5.0	2814	11.5	2570	10.5	4411	18.0	3974	16.3	3291	13.5	5876	24.0	24443	100.0	19.0	58.4
Pensioners with income from work and other sources	32	0.8	13	0.3	24	0.6	33	0.9	54	1.4	67	1.8	69	1.8	3503	92.3	3795	100.0	2.9	136.5
<b>Total</b>	<b>1978</b>	<b>1.5</b>	<b>15851</b>	<b>12.3</b>	<b>7950</b>	<b>6.2</b>	<b>38020</b>	<b>29.5</b>	<b>7566</b>	<b>5.9</b>	<b>18522</b>	<b>14.4</b>	<b>5999</b>	<b>4.7</b>	<b>32889</b>	<b>25.5</b>	<b>128775</b>	<b>100.0</b>	<b>100.0</b>	<b>64.7</b>

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### ATTACHMENT 5: INCOME OF HOUSEHOLDS WITH CHILDREN - BY HOUSEHOLD LIVING ARRANGEMENTS

Households Structure	Children		Households with Children		Average per Household Income	Average per Capita Monthly Income
	Number	% of Total # Children	Number	% of Total Households with Children		
1 child and 1 work age adult	6386	7.09	6386	10.61	92.90	46.45
1 child and 2 work age adults	10807	11.99	10807	17.96	181.65	60.55
1 child and 3 work age adults	4653	5.16	4653	7.73	236.86	59.22
1 child and 4+ work age adults	928	1.03	928	1.54	303.56	58.82
2 children and 1 work age adult	5478	6.08	2739	4.55	102.89	34.30
2 children and 2 work age adults	24340	27.01	12170	20.22	195.85	48.96
2 children and 3 work age adults	1940	2.15	970	1.61	229.87	45.97
2 children and 4+ work age adults	1766	0.85	383	0.64	312.23	50.14
3 children and 1 work age adult	894	0.99	298	0.50	102.50	25.63
3 children and 2 work age adults	3996	4.43	1332	2.21	193.63	38.73
3 children and 3 work age adults	369	0.41	123	0.20	232.20	38.70
3 children and 4+ work age adults	216	0.24	72	0.12	311.09	42.02
4 children and 1 work age adult	254	0.28	58	0.10	99.82	18.56
4 children and 2 work age adults	1508	1.45	282	0.47	190.65	28.71
4 children and 3 work age adults	247	0.27	51	0.08	205.53	26.21
4 children and 4+ work age adults	186	0.21	37	0.06	369.40	39.16
1 child and 1 pensioner	1633	1.81	1633	2.71	106.03	53.01
1 child and 2+ pensioners	811	0.90	811	1.35	154.62	49.39
2+ children and 1+ pensioners	2351	2.61	1086	1.80	154.41	43.84
1 child and 1 work age adult and 1 pensioner	3574	3.97	3574	5.94	160.43	53.48
1 child and 2+ work age adults and 1 pensioner	2437	3.81	3437	5.71	241.35	56.04
1 child and 1 work age adult and 2+ pensioners	1259	1.40	1259	2.09	219.51	53.95
1 child and 2+ work age adults and 2+ pensioners	1023	1.14	1023	1.70	298.05	56.02
2 children and 1 work age adult and 1 pensioner	3252	3.61	1626	2.70	172.32	43.08
2 children and 2 work age adults and 1 pensioner	3384	3.75	1692	2.81	232.43	46.49
2 children and 3+ work age adults and 1 pensioner	894	0.99	447	0.74	298.80	48.29
2 children, 1+ work age adults and 2+ pensioners	2876	3.19	1438	2.39	266.74	46.16
3 children, 1+ work age adults and 1+ pensioners	2828	3.14	848	1.41	239.86	37.06
<b>Total</b>	<b>90122</b>	<b>100.00</b>	<b>60189</b>	<b>100.00</b>	<b>186.32</b>	<b>50.51</b>