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Impact of Social Assistance Schemes in Central and Eastern Europe

This paper draws on the 2005 wave of the EU-SILC to carry out an analysis of the impact and effectiveness of social assistance in eight Central and East European Countries present in the dataset. In doing so, it takes advantage of two crucial characteristics that are unique to the EUSILC study. Firstly, this survey represents the only cross-national study that includes a significant number of Central and East European Countries. As such, it allows for the conducting of comparisons of countries in the CEE region in a manner that has not been possible before.

Secondly, by collecting detailed information on the sources of household income, it represents an invaluable opportunity to explore in depth the impact and effectiveness of government cash transfers. In particular, it permits the investigation of programs such as social assistance that are strongly discretionary and largely locally administered for which otherwise reliable data on a national scale is difficult to obtain.

The analysis starts by reviewing some descriptive indicators of social assistance schemes in the eight countries included in the study. These indicators include percentage of the population receiving benefits, average disbursed benefit, groups more likely to receive transfers. It then moves on to constructing a series of seven indicators gauging the impact that the schemes actually make on poverty levels and profiles, namely targeting performance (coverage and leakage), percentage of the poor lifted above the poverty line by the benefit, portion of the poverty gap that is closed and concentration of benefit disbursement to the very poor. The first two indicators are computed both for the entire population and for the group of benefit recipients separately.

Results show that both the share of the population receiving benefits and average disbursed payments are low. Moreover, targeting performance is very poor with high errors both on the exclusion and on the inclusion sides. Some countries such as Hungary or Latvia also display possible “creaming” effects. The impact of social assistance schemes on the poverty headcount index and on the poverty gap are both modest, although substantial country variation exists with the Czech Republic, Slovakia and Slovenia being the best performers.