Impact of Social Assistance schemes throughout Europe
A cross-national analysis of 26 countries

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The Problem

• Social assistance - relatively understudied section of the welfare state
• Explicit purpose - prevent or reduce poverty

• How successful have European schemes been in achieving their goal?
• How does the East compare to the West?
Previous research

- Regime types (Eardley, Bradshaw et al. 1996; Gough, Bradshaw et al. 1997; Gough 2001) - too many types; largely descriptive
- Link SA features to poverty and inequality outcomes - (Holsch and Kraus 2004; Kuivalainen 2005; Holsch and Kraus 2006) - few firm conclusions
- Economist work on CEE - assessment criteria - poverty reduction replaced by targeting
- Milanovic (2000) - classification of SA in CEE - but no link between type of SA and effectiveness/efficiency outcomes
- Generally - SA small part of social protection (West + East)
Data and Methods

• 2005 wave of EU-SILC
• 8 CEE countries, 15 Old Member States, CY, NO, IS
• Social assistance = social exclusion not elsewhere classified + means-tested housing allowance
• Poverty threshold = 60% median income
• 17 performance indicators computed - 3 areas
  – Extensiveness/ generosity
  – Effectiveness
  – Efficiency
Poverty lines
Poverty outcomes
Extensiveness/ Generosity

% receiving SA
Spending/ total nat poverty gap
Benefit as % hh income
Extensiveness/ Generosity

• Social assistance – small population served & small expenditure relative to needs
• Little to moderate impact on recipients’ finances
• Country divergence clearly visible:
  – Some poorer countries (Spain, Poland, Baltic states) → very little resources made available in comparison with needs
  – Generosity- not necessarily associated with affluence: Czech Republic, Slovenia, Slovak Republic- better performance than most West European countries
Effectiveness I

[Bar chart showing effectiveness metrics for different countries represented by various bars with labels for coverage, targeted spending/nat pov gap, % reduction headcount, and % reduction gap.]
Effectiveness II
Effectiveness

- Overall: low impact on poverty
  - Only partly due to low coverage
  - Spending/ poor low or very low in some countries
  - Possible “creaming”

- Czech Republic, Slovenia, France, UK, Sweden, Netherlands: relatively more effective

- Italy, Spain, Baltics, Portugal & Greece: schemes irrelevant for poverty reduction
Efficiency
Efficiency

• Generally- efficiency low- more resources directed at the non-poor than at the poor
• Less country variation than in effectiveness
• Countries spending less- not necessarily more efficient
• Richer countries may spend less (in absolute terms)- for similar results
• Less efficient countries- more likely to “cream”
Conclusions

• General low impact of SA schemes on poverty
  – Low resources spent on this type of program
  – Inability to reach the poor

• Worst performers- poorer than average but no clear correlation between affluence and efficacy

• Targeting- no relation between coverage and leakage → efficiency of means-testing depends more on implementation than on stringency of test

• No East-West division → newer programs & weaker administrative capacity in the East cannot explain underperformance