

Social Assistance in Central and Eastern Europe: Features and Characteristics



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Non-technical summary

Going back to the English Poor Law of 1601, means-tested public assistance programs constitute probably the oldest type of state social intervention in the modern era. Unlike Western Europe where public transfers to the poor have long been a feature of the social policy landscape, means-tested cash benefits were relatively unknown in the Eastern and Central parts of Europe until the last few decades. During the communist rule, no comprehensive public program to address economic hardship existed as social protection was achieved through integration into production, not outside it. After some policy experimentation during the 90s, all of the eight countries included in this study have established classic general guaranteed minimum income schemes.

This paper provides a detailed description of program features in eight Central and East European countries in the first half of the 2000s. Five program characteristics are examined, i.e. expenditure, entitlement rules, benefit levels, centralization of administration, and the provision of additional services. Aggregate expenditure has been low throughout the region, both in absolute and in relative terms with expenditure levels falling between 2003 and 2007. Mirroring expenditure levels, benefits are equally low. Amounts are often based on budgetary considerations rather than on actual needs, while inflation acts as a mechanism to cut benefit levels. Nevertheless, benefits for large families can exceed the statutory minimum wage. In some cases, more generous support is made available for ‘deserving’ categories such as the disabled or lone parents.

Work and income tests must be passed to gain access in all countries while only in some instances are asset-tests used. While some social protection benefits such as child allowances are often disregarded, marginal tax rates on earnings are usually 100%. None of the eight countries has a program that is completely decentralized. At a minimum, a general benefit level is set nationally, albeit its payment is not fully guaranteed everywhere. Lastly, receipt of social assistance benefits automatically grants access to health benefits where these benefits are not already universal. Some countries explicitly take into account housing when establishing benefits. Yet, nowhere are these benefit components large enough to fully cover housing costs.

Countries having larger benefits also have more permissive entitlement rules, make available additional services such as health-care or housing, and spend larger fractions of their GDP on this type of programs. These are also the countries with the lower relative poverty rates suggesting that generous income support for the poor is unfeasible if poverty is too widespread. Social assistance design may also be influenced by the size of the state’s redistributive effort. Thus, countries with more inclusive social insurance schemes tend to have more generous universal poverty relief and fewer categorical means-tested benefits. Previous poor relief experiences may also impact on the blueprint of the current social assistance program. Building on the case of Hungary, it may be hypothesized that a tradition of local charities favours the development of a decentralized support for the poor.

SOCIAL ASSISTANCE IN CENTRAL AND EASTERN EUROPE: FEATURES AND CHARACTERISTICS

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Abstract

This paper reviews the features of social assistance programs in Central and Eastern Europe in the mid 2000s along five dimensions, i.e. expenditure, entitlement rules, benefit levels, centralization of administration, and the provision of additional services. It finds that generally expenditure and benefit levels are low while there is some cross-national variation in the design of eligibility rules, administration and delivery and linkage to additional services. Countries having larger benefits also have more permissive entitlement rules, make available additional services such as health-care or housing, and spend larger fractions of their GDP on this type of programs.

Keywords: social assistance, Central and Eastern Europe, welfare state, program design

JEL: D31, H53, I38, I32

1 Introduction

Going back to the English Poor Law of 1601, means-tested public assistance programs constitute probably the oldest type of state social intervention in the modern era. Their initial objectives consisted much more in establishing efficient methods of social control rather than in preventing the harshest forms of material destitution. Built on the principles of local administration, local financing, lay discretion and partial loss of citizenship (Lodemel and Schulte 1992; Nelson 2004), and implementing the infamous workhouse test (Guibentif and Bouget 1997; Ditch 1999), Poor Law assistance severely disenfranchised and stigmatised those whom it was supposed to help. The nature, principles and functioning of the Poor Law made it into a very controversial tool of state intervention.

The pioneering and gradual expansion of social insurance programs started in the second half of the 19th century gradually diminished the need for a means-tested state-run public assistance scheme. Yet, even as social insurance became the prevalent form of ensuring income protection and security, some individuals were unable to comply with the required eligibility conditions and fell through the cracks. For them, needs-based social assistance constituted an entitlement of the last resort (Lodemel and Schulte 1992). Starting with the 1970's, concern grew in Western Europe about the inadequacy of social insurance to deal with mounting and resilient unemployment as well as new family forms (Ditch 1999). Even earlier than that, some countries (the United Kingdom in 1948, and Denmark, Germany and the Netherlands in the 1960's) introduced minimum income guarantees as a supplemental layer in their welfare state setup. Others soon followed (Belgium in the 1970's, Luxembourg, France and Spain in the 1980's). Partly reflecting an expansion of state responsibility and involvement during the Great Depression era, the United States established Aid to Families with Dependent Children, the federal means-tested public assistance program in 1935.

As the shift from an industrial to a service economy progressed, and as the traditional male breadwinner family model started to break up, tensions on the insurance system accumulated. Not only did insurance programs seem unable to protect the new poor, but they also entailed significant public expenses which started to look increasingly unsustainable in a context of slow growth, significant unemployment and aging. As a result, two tendencies may be observed after 1980 (Ditch 1999). On the one hand, eligibility conditions for some insurance programs, in particular unemployment insurance have been tightened, thus shifting recipients to means-tested programs. On the other hand, within social assistance, a renewed

emphasis on control and removing work disincentives gained ground. The number of social assistance recipients expanded substantially between 1980 and 1996 in all West European countries (Ditch 1999; Aust and Arriba 2005; van Berkel 2007), albeit in some countries it has dropped since (for example, in Sweden (Brännström and Stenberg 2007)).

Unlike insurance based security, social assistance constitutes a unilateral not a reciprocal type of transfer. In most countries, it is considered a ‘subjective’ right, with no legal entitlement to the benefit and with stringent, often stigmatizing and intrusive conditionality attached. Since the direct tie with employment is severed and since it is, as a rule, made available only to those individuals and families with insufficient resources, potential disincentives to take up paid employment represent a major concern.

Means-tested cash benefits were relatively unknown in the Eastern and Central parts of Europe until the last few decades. Being part of the German and Habsburg sphere of influence, Central Europe developed a strong tradition of state social insurance schemes built on the classic Bismarckian model. A well-established tradition of providing for the poor had developed in Central and Eastern Europe already in the latter half of the XIX-th /early XX-th century (Hering 2006; Schulte 2006). Originally born out of the private initiatives of religious and ethnic communities which sought to use social work as a tool to reaffirm their identities (Hering 2006), social work gradually became the province of local and central public authorities. As in Western Europe, poor relief aimed not only at providing support for the destitute but also to correct and control behaviour (Waaldijk 2006). Eligibility was often conditional on “deservingness” criteria such as willingness to work, “moral” behaviour, or membership in politically favoured groups such as veterans of national independence struggles.

Unlike social insurance programs, the advent of state socialism spelled major changes for relief. In fact, the basic principles of social insurance remained largely unaltered as the Soviet welfare state model was built around the link between employment and benefits. Conversely, social assistance did not fit very well into an employment based security model.

2 Safety Nets and Policies to Address Poverty under Communism

Understanding the content and role of social assistance programs under communism is impossible without a thorough consideration of the peculiar way the entire socialist social protection system was organized. As Michael Mandelbaum has put it, the communist welfare state did not have safety nets as it constituted itself one huge safety net (Mandelbaum 1997).

The the socialist ideological emphasis on the productive process brought about a unique vision on ensuring protection. Briefly put, the entire social protection realm was incorporated into the larger economic one. Social protection was to be achieved by integrating workers into the productive process, i.e. through the economy and not outside it (Manning 1992; Offe 1993). In practice this meant that social benefits were tightly linked to the workplace, thereby excluding those who did not hold a formal job. However, full employment, quasi-free public provision of services and heavy subsidization of basic goods were deemed to be sufficient to ensure that everybody's needs were satisfied. Additionally, under the pressure of a strong equalitarian ideology, more visible aspects of stratification, such as income or wealth were levelled off somewhat [For a detailed description of the communist welfare setup see (Deacon 1992; Barr 1994; Standing 1996; Connor 1997; Mandelbaum 1997; Hutton and Redmond 2000)].

In fact, in the USSR, early attempts to deal with material deprivation were largely confined to tampering with the wage policy (McAuley 1979). It was considered that raising the minimum wage would constitute the best way to deal with insufficient resources. Only later on, after it became obvious that family circumstances played a greater role in shaping economic need than actual wages, and that repeated increases of the minimum wage did not constitute an effective way of dealing with poverty, did the system of social transfers and benefits expand. Ingrained beliefs about the disincentive effects of decoupling work and material rewards partly explain the reluctance in going outside the productivist logic to ensure need satisfaction.

Despite the official discourse claiming poverty had been completely eradicated in the socialist society, vulnerability remained among those not integrated in the work-eligibility system, such as the elderly, the Roma or large families (Castle-Kanerova 1992; Millard 1992; Deacon 2000). Outside work, support was extended only to citizens who could not integrate due to accepted reasons, not to everyone in demonstrable need (McAuley 1979). Poverty was associated with a personal failure to integrate into the productivist logic and therefore it was viewed as stemming from an individual pathology rather than from a malfunctioning of the system (Sipos 1994; Atal 1999; Ringold and Andrews 1999).

In this context, a residualised and heavily social work oriented form of social assistance developed to deal with such “personal failures”. In most countries, pre-World War II charities and poor relief organizations were dismantled (Schulte 2006) and their functions transferred to local or enterprise authorities. In some cases, the heavy emphasis on dealing

with “deviant” behaviour led to the system becoming medicalised (see the case of Hungary, (Schulte 2006)).

In some rare instances, special “needs” justified public support outside the employment system, such as in the case of the disabled that were entitled to non-contributory pensions (Sipos and Ringold 2005). When no special “needs” were present, social assistance was largely equated with social work aimed at correcting “deviant” behaviour. As a consequence, assistance provisions were exceedingly fragmented, offered on a highly discretionary basis and stigmatizing for the recipients (Sipos 1994; Ringold and Andrews 1999; Sipos and Ringold 2005). Social assistance was far from constituting a right. On the contrary, there was no enforceability of claims (Offe 1993) as, in the majority of situations, decisions made by social workers could not be contested. Moreover, political discrimination often governed the allocation of benefits¹ (Castle-Kanerova 1992; Offe 1993; Schulte 2006).

The discretionary and ad-hoc features present in the administration and delivery of social assistance were mirrored by the arbitrariness and paternalism ingrained in the design of the benefits. In fact, the actual needs of welfare clients rarely constituted a concern. No systematic investigation of the clients’ needs or of the utility they derived from receiving the benefits was envisioned (Standing 1996; Sipos and Ringold 2005). Conversely, no mechanisms were put in place to allow recipients themselves to articulate needs from below (Deacon 2000).

From a more technical point of view, there was precious little administrative experience with targeting. Practically, there were no procedures in place to take into account variation in individual circumstances. Not only social assistance, but the entire social security system was largely based on categorical benefits (Barr 1996; Ringold and Andrews 1999), which meant that transfers were targeted at groups rather than individuals. This group based approach entailed two main disadvantages, at least when social assistance is concerned. On the one hand, a complex and fragmented array of benefits meant overlapping and duplication were relatively frequent, making administration extremely cumbersome and non-transparent (Ringold and Andrews 1999). On the other hand, some of these categorical benefits were actual privileges awarded to groups that were not necessarily more threatened by poverty, for instance war veterans (Ringold and Andrews 1999). Both features hindered the capacity of

¹ A well known example is the one in which benefits were not always available to orphans who had “suspect” parentage Castle-Kanerova, M. (1992). Social Policy in Czechoslovakia. The New Eastern Europe. Social Policy Past, Present and Future. B. Deacon. London, Sage Publications: 91-117.;

the existing social assistance provisions to play a significant role in tackling economic vulnerability.

Among the programs that were put in place, two deserve perhaps further consideration. Some authors maintain that family benefits acted, de facto, as an effective safety net due to their high relative value combined with a flat wage distribution and a low level of individual earnings (Sipos 1994). The strong negative correlation between the number of children in a household and its income also made family allowances pro-poor (Milanovic 1993). However, family benefits were more often than not part of the social insurance system, i.e. access to benefits was obtained through employment. Benefits were sometimes available only starting with the second child and were offered for relatively short periods. To illustrate, in the USSR, child allowances were normally extended only until the child's fifth birthday or until the child's twelfth birthday in the case of single mothers (McAuley 1979).

Starting with the latter half of the 1960's, pro-natalist concerns prompted the availability of special benefits to families with three or more children. In some cases (for instance, in the USSR), these transfers were made available on a means-test basis (McAuley 1979). Such benefits were relatively well targeted² since large families were also more likely to have a precarious economic position. Birth grants constituted additional benefits that disproportionately profited large families in a vulnerable economic position. Czechoslovakia offered rent rebates and low interest loans that were linked to the number of children in the family (Heitlinger 1979).

A growing awareness of the conflicting demands imposed on women by their productive and reproductive roles led to a development of legislation to address the issue. Originally, Marxism asserted that the liberation of women entailed the complete socialization of housework. However, as little progress was made on this front, and as quality child-care was very expensive³, a gradual shift occurred favouring the support of women's domestic and reproductive role in the home rather than their socialization. The most common answer to this problem consisted of (up to three years) paid maternity and parental leaves. Initially put forward only for employed women, some countries such as Hungary or Czechoslovakia

² It should be noted that such targeting was implicit; that is to the extent that the demographic characteristics of the beneficiary group were associated with low income, the transfer was redistributive; it did not aim though initially at vertical redistribution.

³ In Czechoslovakia, where relatively high-quality child care existed, it was estimated that each nursery place cost around 30% of average earnings Heitlinger, A. (1979). Women and State Socialism. Sex Inequality in the Soviet Union and Czechoslovakia. London, Macmillan Press Ltd.

eventually extended the scheme to housewives, albeit on less generous terms (Heitlinger 1979; Haney 2002). In effect, this benefit amounted to a carer's wage and most often benefited poorly educated, low skilled, deprived women. However, this arrangement was not present throughout the entire Eastern bloc. In fact, countries like Poland or the USSR lacked a system of paid parental leave altogether⁴. Mothers having a large number of children could be entitled to special pensions or a reduced contribution record such as in Czechoslovakia or the USSR (Yanowitch 1977; Heitlinger 1979; Machonin 1996).

The other peculiarity of the communist social protection net was its over-reliance on residential care for various categories of vulnerable people, such as the elderly, the disabled and orphans (Sipos and Ringold 2005). This type of service tended both to lack quality and to be relatively expensive. Apart from being forced to endure poor living conditions, residents of this type of institutions were also cut-off from the rest of society. Practically, they were isolated with dim perspectives of long-term community integration (Ringold and Andrews 1999).

Although the above observations are generally valid for the entire East-European communist bloc, considerable variation existed among countries both in registered poverty levels and in the institutional mechanisms put in place to address poverty related issues. For example, Bulgaria provided special assistance to pregnant women who had not received higher education or who had not been in employment in the last six months (Deacon and Vidinova 1992). The aid consisted of the maternity benefit at the minimum wage rate being payable for longer periods. In-kind provision (food, clothes etc.) was often preferred over cash. Administration lay with the local authorities. Decisions could be contested by appealing to a higher administrative authority but not to an independent tribunal.

In Poland, not only the local councils had responsibilities in providing for the less well-off but also the enterprises. The latter were to play a role especially in providing for their needy employees (Millard 1992). Social workers enjoyed a large discretion margin in providing benefits both for the "needy" and for the disabled.

In Hungary, the system underwent far-reaching transformations after the 60's (Szalai and Orosz 1992). A shift occurred in the composition of social policy that favoured cash transfers over social services. As a result, cash benefits acquired a bigger share in overall

⁴ The USSR did introduce in 1974 a means-tested family supplement that was awarded to qualifying families until the child turned eight;

household consumption but access and quality of important social services visibly deteriorated.

Although fairly developed by present day standards, socialist welfare states lacked an institutionalized mechanism to effectively tackle poverty. As a matter of fact, the poverty issue was given little prominence as the socialist strategy focused on ex-ante solutions that were supposed to prevent all households from falling into a state of economic precariousness. Existing benefits and transfers while often representing a substantial portion of a household's budget⁵, were, as a rule, not designed to equalize incomes or to prevent material destitution. On the contrary, especially cash benefits were strongly and positively correlated with income, acting as wage supplements rather than redistributive elements. Some universal benefits, such as family allowances, care grants, free access to social services such as health-care and education, by virtue of their implicit targeting towards lower income groups, did act as a last resort safety net in supporting individuals in vulnerable economic positions. Yet, no social program was deliberately aimed at mitigating material need. Still, although officially not recognized as such, poverty emerged, in most CEE countries, as a growingly worrisome issue during the economic crisis which preceded the collapse of the regime (Atal 1999).

3 Social Assistance Schemes during the 1990s

Research on Central and East European safety nets is rather piecemeal and inconclusive. Indeed, up to the moment, there have been few attempts to build up a comprehensive cross-country comparative compilation of social assistance program features. Equally, very little is known about the effectiveness of implemented schemes in alleviating poverty. Much of the literature concerning social assistance was rather preoccupied with recommending its reform rather than rigorously analyzing what the existing provisions actually accomplished [one notable exception is (Milanovic 2000)]. On the one hand, drawing on neo-liberal arguments relating to expenditure containment and work disincentives, one strand of studies emphasised (one might say excessively) targeting as the main dimension of social assistance at which improvement efforts should be directed (Sipos 1994; Barr 2002; Fox 2003; Sipos and Ringold 2005; Ringold, Kasek et al. 2007). On the other hand, in opposition to the neoliberal camp, another type of research focused on social rights rather than on cost reduction. As a result, it stressed the negative outcomes that might

⁵ McAuley estimated that in the USSR, between 1960 and 1970, social consumption, i.e. cash and in-kind transfers represented, on average, 25-28% of the total income of a family McAuley, A. (1979). Economic Welfare in the Soviet Union. Poverty, Living Standards and Inequality. Madison, The University of Wisconsin Press.;

stem from the tightening of eligibility rules and the use of inflation to implicitly reduce benefits (Standing 1996; Atal 1999). While providing useful insights both into the demands faced by social assistance systems and into some of their possible shortcomings, these studies fell short of actually gauging the impact of social transfers on living standards. Nor did they succeed in comparing systematically schemes in a cross-country or cross-temporal perspective. Arguments were either based on a normative discourse or derived primarily from economic theory. Little empirical evidence was mustered to support the claims put forward (one notable exception will be discussed further on).

Yet, a review of scholarly work dedicated to the topic of social security in the post-communist area yields several interesting findings regarding the main stages in the construction and development of social assistance schemes in Central and Eastern Europe. Much like the entire social protection system, social assistance programs have experienced considerable flux. Since being introduced for the first time, they have undergone substantial modifications in almost every important aspect. In the following section, I provide a brief overview of the knowledge gathered so far.

3.1 Characteristics

Early social assistance schemes in Central and Eastern Europe differed from their Western counterparts in several important respects. The differentiation supposedly was due to the much smaller financial and administrative resources that post-communist countries had at their disposal. Essentially, three distinguishing features have been identified in the literature (Sipos 1994; Milanovic 1995; Barr 2002). Firstly, the aim of benefits is not to eliminate poverty but rather to relieve it, i.e. not the entire poverty gap is filled. Secondly, benefits in kind form a much bigger part of the package on offer. Thirdly, low income by itself is not enough to ensure eligibility. Due to difficulties and unreliability of means-testing, indicator targeting becomes an important substitute. By now however, all Central and East European countries have introduced minimum guaranteed income schemes, following West European practices. The process of becoming a member of the European Union may have also played a homogenization role (Sissenich 2007). While no European hard law on social programs exists, the Council's recommendation from 1992 encourages the introduction of universal minimum guaranteed income schemes that top up resources when income falls below a threshold deemed necessary for leading a decent and dignified life (Guibentif and Bouget 1997; Heikkilä and Keskitalo 2001).

By and large, social assistance schemes have not formed an important pillar of the broader social protection system. These programs have generally reached small shares of the population and have constituted only a tiny fraction in overall social expenditure (Fox 2003). Together with unemployment insurance, social assistance constituted 10% of social expenditure in Poland in the mid-1990s (Rutkowski 1998), while social assistance payments in 1996 in Hungary totalled 3.3% of cash transfers (Lelkes 2000). Table 1 and Table 2 provide an overview of spending on minimum income guarantee programs, as well as of percent of the population covered, in several CEE countries from 1999 to 2004.

Table 1 Spending on minimum guaranteed income programs (as % of GDP)

	1999	2000	2001	2002	2003	2004
Czech Republic	0.38	0.45	0.42	0.45	0.48	0.46
Estonia	0.41	0.34	0.34	0.30	0.26	0.17
Latvia	0.03	0.02	0.02	0.02	0.04	0.05
Lithuania	0.17	0.19	0.18	0.17	0.17	0.11
Poland	0.40	0.38	0.38	0.44	0.41	0.19
Slovakia	1.13	1.11	1.13	1.04	0.75	0.48
Slovenia	0.22	0.22	0.24	0.31	0.44	0.48

Source: (Ringold, Kasek et al. 2007)

Table 2 Receipt of minimum income guarantee programs (% of population receiving benefits)

	1999	2000	2001	2002	2003	2004
Czech Republic	--	--	--	--	4.0	3.6
Estonia	5.9	4.8	5.2	5.1	3.8	2.5
Hungary	0.3	0.5	0.9	1.2	1.4	--
Latvia	2.2	2.6	2.7	2.9	2.9	3.2
Lithuania	2.9	3.3	3.4	3.4	3.4	2.4
Poland	4.2	4.2	3.6	1.7	1.5	--
Slovakia	5.5	5.9	6.0	6.0	5.2	3.3
Slovenia	1.6	1.6	1.7	1.9	2.4	2.7

(Ringold, Kasek et al. 2007)

It must be said at this point that the need for social assistance programs might be decreased by the existence of “functional equivalents”, i.e. mechanisms of providing income to those unable to access the formal labour market. Some of these equivalents are of economic nature. For example, the sizeable unofficial economy developed during late socialism and early transition has often been claimed to provide an alternative to

unemployment (Greskovits 1998). Alternatively, economic migration to the West may offer another strategy to secure an income flow. Aside undocumented labour or migration, needy individuals may be channelled towards other social programs. Instead of relying on a general means-tested scheme, a redistributive system may resort to an array of programs designed to serve well-defined categories ranging from disabled, older people, care-takers, parents or unemployed. Establishment of such categorical transfers in principle diminishes the need for targeted social assistance, as deprived individuals are eligible for other types of benefits.

On the one hand, use of a categorical instead of a general system may have carried the advantage of better targeting. As accurate income data has been notoriously difficult to obtain, social categories more likely to find themselves in a precarious material situation, such as single parents, large families or the disabled were more easily identifiable. On the other hand, such fragmentation of the system may breed “holes” and inequities between various social groups. Materially deprived individuals, who do not fit either of the categories, fall through the safety net. Moreover, a segmented system, where various categories are separated into distinct programs may contribute to the idea that some groups are more “deserving” than others and thus generate stigmatization.

Indeed, judging by the extent of social assistance both as financial effort and as proportion of the population covered, this type of scheme played a minor role in redistribution in Central and Eastern Europe. More often, the benefit system was designed to serve various social groups through distinct programs. However, often, part or all of the benefits targeted at a given category, were subjected to income-tests (for example child benefits in the Czech Republic, Poland and Hungary, maternity benefit in Hungary, unemployment allowances in various countries, minimum social pensions etc.). Therefore, income testing, although not asset testing, has been combined with a group membership as a principle of entitlement. To a significant degree, the categorical system has been maintained alongside the general system, once the minimum guaranteed income schemes have been introduced (see Table 5 in the next section).

Residential care, a major element of the communist social assistance setup, gained in frequency of use during the first transition years especially in the case of the disabled and that of children (Ringold and Andrews 1999). The expansion in the utilization of residential care occurred despite previous chronic problems of poor quality and high expenditure.

In their early years, social assistance schemes faced also numerous problems in implementation, such as missing data, missing benefits, gaps in coverage and non-receipt of

entitlement, a shortage of qualified and motivated social workers etc., making “poverty relief patchy throughout the region” (Barr 1996). In particular, monitoring procedures needed for the evaluation and improvement of existing programs were largely missing (Ringold and Andrews 1999). Consequently, precious little was known about the characteristics, needs and evolution of welfare clients. Since then, significant improvements have been made in terms of modernizing information systems, including financial and property assets in eligibility rules, increasing the role of social workers to provide outreach services and reforming administrative procedures (Fox 2003; Ringold, Kasek et al. 2007).

Despite these general trends, safety nets in Central and Eastern Europe have by no means followed a unique design pattern. Substantial country variation exists in several aspects such as the importance that is to be given to means-testing as opposed to universal or contributory benefits, share of the population that is covered, generosity and complementary measures associated to the income support. First of all, some countries decided to submit previously universal benefits (such as child allowances or maternity benefits) to income-tests (as in the case of the Czech Republic, Hungary and Poland). Secondly, inflation has often been used by governments to adjust various benefit levels, social assistance included. Whereas initially generous, benefit amounts declined dramatically as governments failed to price-index them. For example, from 1991 to 1997, the official subsistence minimum declined in real terms by 88% in Lithuania and 69% in Bulgaria (Ringold and Andrews 1999). Indeed, as a general trend, social assistance benefits were more often set according to budgetary concerns rather than on the basis of a subsistence basket. Nonetheless, average benefits were markedly higher in some countries compared to others (See Table 3).

Table 3 Average yearly social assistance benefits (in \$ PPP)

		Poland 2004	584
Estonia-2003	421	Latvia 2002	50
Estonia-2004	467	Latvia 2004	47
Hungary-2000	317	Lithuania 2000	324
Hungary-2004	426	Lithuania 2004	214
Poland 2000	472	Slovenia 2003	690

Source: (Ringold, Kasek et al. 2007)

Thirdly, the importance given to in-kind benefits in the larger assistance package varied. Some countries made part of these benefits available to larger sections of the

population by administering them separately and by allowing higher income thresholds than in the case of social assistance support (for example, Romania and Bulgaria). The bulk of in-kind benefits consisted of subsidies to cover rising housing and utilities costs, especially during the winter⁶. Other in-kind provision consisted of free school meals, free or subsidized public transportation, free medical services etc. (Ringold and Andrews 1999).

Finally, two issues merit further discussion as they have been the centre of heated controversies, not only in the context of the post-communist transition but also in the framework of research on the West European welfare states, i.e. decentralization and work incentives. In the case of the former, two opposing views have been formulated. The first one argued in favour of decentralization on the account that local authorities have better information at their disposal to identify the “truly” poor. The other view singled out two negative externalities in the form of “welfare migration” (recipients migrating where benefits are higher) and cost-explosion if funding remains essentially at the central level (Sipos 1994; Barr 2002). Note that although pointing to different directions, both positions assigned cost containment and “efficiency” as a primary goal.

Central and East European countries opted for different levels of decentralization of their social assistance schemes. The issue of decentralization regards several dimensions, namely administration and delivery, financing and decision-making about rules governing eligibility and minimum amounts to be awarded. As far as the first two aspects are concerned, local authorities are generally the ones charged with the task. On the other hand, financing and decision-making have been less likely to become solely the responsibility of local authorities. Hungary is the only state that has chosen to initially completely decentralize both financial and decision-making responsibilities. While national guidelines do exist, Hungarian local authorities are free to set both the amount and the duration of the benefit, while at the same time bearing the entire burden for its financing (Lelkes 2000). In-between, the majority of countries preferred to set national mandatory regulations regarding minimum levels, leaving local authorities the possibility to discretionally augment them. Simultaneously, some central budget financial support is provided.

Decentralization of poor-relief has often proceeded in an ad-hoc manner as both the central government and enterprises attempted to pass some of their previous social responsibilities onto unprepared local governments (Ringold and Andrews 1999; Deacon

⁶ Bulgaria introduced in 1995 a targeted winter benefit, while Romania adopted a lifeline tariff so as to protect the economically vulnerable Ringold, D. and E. S. Andrews (1999). Safety Nets in Transition Economies: Toward a

2000; Reuterswärd 2003). The result has been that social assistance programs have been left unfunded in the poorest municipalities, while in the richer ones, benefits have been available to a wider segment of the population. Lack of funds and low institutional capacity at the local level translated into use of ad-hoc eligibility criteria as a way of rationing scarce resources (Ringold, Kasek et al. 2007). Geographical inequalities have led some countries to partly recentralize their schemes (for example, Romania, Bulgaria and Latvia) (Ringold and Andrews 1999; Ringold, Kasek et al. 2007). Moreover, evidence so far suggests that decentralization is far from improving targeting⁷.

The second theme that has been a central concern to many studies of social assistance schemes is the issue of work incentives and the so called “welfare dependency” culture. In particular, too generous benefits were seen as deterring clients from entering formal employment. A number of remedies have been proposed to address this danger (Ringold and Andrews 1999; Barr 2002; Sipos and Ringold 2005; Ringold, Kasek et al. 2007). First, keeping benefits low and limiting entitlement duration had the role of making paid work financially more attractive. Generally, benefits offered through social assistance programs have been low compared to minimum wages throughout Central and Eastern Europe (See Table 4). This however has not proved to be the answer for long-term unemployment. Furthermore, there is a huge problem with adequacy as minimum wages tended to be low as well.

Table 4. Social Assistance Benefits and Minimum Wages

	EE	HU	LV	LT	PL	SI
Average received SA benefit as % of minimum wage-2003/4	15	10	2	7	14	10

Source: (Ringold, Kasek et al. 2007)

Second, as a way to prevent misuse, an increased policing of the willingness to work was recommended. Again, this recommendation has been put into practice. Presently, all social assistance schemes in CEE link benefit receipt by a formal connection with the employment office. In most cases, recipients are required to accept job offers or training

Reform Strategy. Social Protection Discussion Papers. Washington D.C., World Bank.;

⁷ Despite having the most decentralized social assistance scheme among the Baltics, Latvia experiences leakage levels of over 80% Ringold, D., L. Kasek, et al. (2007). Social Assistance in Central Europe and the Baltic States. Washington D.C, World Bank.

programs that have been presented to them⁸. Third, the taxes and social security contributions have been seen as detrimental to employment take-up. Together with relative low wage-benefit differentials, high taxation increases the marginal effective tax rate of labour earnings, creating a so-called unemployment trap (Ringold, Kasek et al. 2007). This phenomenon is typical in countries with wide wage distributions and low minimum wages. As, in the last decade, Central and East European countries experienced both a significant widening of the wage distribution and the persistence of relatively low minimum wages, in-work benefits have been advocated as a way to tackle possible emerging poverty traps and, more generally, the problem of the working poor (Ringold, Kasek et al. 2007). In fact, some countries have already followed this advice. Estonia has introduced in-work benefits, while Slovenia and Hungary have benefits that taper off gradually as income from employment increases.

The interest in work (dis)incentives incorporated in social assistance schemes in Central and East European countries was partly motivated by their increased role in providing resources for the unemployed. For example, a study based on Hungarian data from 2006 revealed that more unemployed people received social assistance than unemployment insurance (Lelkes 2006). Similar patterns were and continue to be common throughout the region. Two factors have contributed to the high number of unemployed on social assistance rolls, namely a persistence of long-term unemployment and a tightening of the eligibility and duration rules of unemployment insurance programs (Boeri and Edwards 1998; Boeri and Terrell 2002). Rapid exhaustion of unemployment insurance benefits has meant that the burden of income support has quickly been taken over by social assistance. Although social (or unemployment) assistance was often preferred on financial and incentive grounds, moving from unemployment insurance to means-tested benefits has actually increased replacement rates in some countries⁹ for households that had many children and a non-working spouse (Boeri and Edwards 1998). As a consequence, the early shift from unemployment compensation to social assistance not only failed to economize on spending but brought in a plethora of administrative problems, ranging from expensive and inaccurate

⁸ In Slovenia, recipients must prove that they have actively been seeking work or participated in an active labour market program *before* they qualify for benefits while in Estonia unemployed members that are not registered at the employment office are not counted when calculating the benefits Ibid.;

⁹ In Romania and Slovakia, the shift from unemployment benefits to social assistance increased the benefits received by couples with a non-working spouse (especially if the couple also had many) after six months after the loss of the previous job Boeri, T. and S. Edwards (1998). "Long-term unemployment and short-term unemployment benefits: The changing nature of non-employment subsidies in Central and Eastern Europe." *Empirical Economics* 23(1-2): 31-54.

targeting to distortions stemming from decentralized social spending (Boeri and Edwards 1998).

3.2 Impact on Inequality

There is plenty of controversy regarding the extent to which Central and East European Countries have been able to put in place an effective safety net during their political and economic transition. Some have argued that the “social safety net has helped to mitigate the negative effects of transition on income inequality, especially for the most vulnerable portions of the population” (Roland 2002). On the contrary, others have claimed that insufficient social reform left behind a too complex mix of benefits, “neither fish nor fowl”, which failed to reach those most in need (Ringold and Andrews 1999). Heavy reliance on categorical benefits together with weak institutional coordination, unclear division of tasks between agencies and ministries, lack of flexibility and over-bureaucratic institutions were maintained to be the factors responsible for the establishment of a system that duplicated benefits for some groups while leaving others completely unprotected. Instead, a new system in which social assistance programs, especially guaranteed minimum income schemes, would be given significantly more weight was claimed to be much more effective in providing a basic but unswerving safety net.

In one of his studies, Milanovic (Milanovic 2000) compared the basic governing rules of social assistance schemes and their impact on poverty (defined in terms of the national poverty line) in four countries: Bulgaria, Hungary, Estonia and Poland. Drawing on variation in poverty level, coverage and relative benefit importance for poor households, Milanovic established a three-class typology. It distinguishes between concentrated (reduced coverage, high relative benefit), dispersed (high coverage, small relative value of the benefit) and irrelevant (reduced coverage and small benefit) systems. However, using effectiveness (poverty gap closed for the lowest decile), efficiency (share of transfers disbursed to the lowest decile) and relative effectiveness (effectiveness divided by spending on social assistance as % of social protection) as evaluating criteria failed to yield any consistent pattern linking program type to achieved results. Other attempts to determine the effects of social assistance schemes on the region’s poverty levels and intensity resulted in small impact estimates (Fox 2003; Ringold, Kasek et al. 2007).

Although the socialist system has often been criticised as unable to tackle problems of poverty as its role was to give everyone a stake and harness political support for the regime

rather than redistribute (Barr 1996; Rutkowski 1998), its main features have been preserved with little alteration during the 1990's. This has come as a surprise to many students of post-89 public policy in Eastern Europe, especially given the dominance of the neo-liberal discourse within domestic and international (IMF, World Bank) policy circles. Especially economists, but also sociologists argued that targeting is preferable on two grounds¹⁰. First, it reduces public expenditure and hence fosters economic growth and second it is more equitable since a larger share of resources goes to the neediest. Despite the popularity of these arguments, targeting has been used on a startlingly small scale. Several reasons have been put forward in an attempt to justify this finding. Firstly, the previous residual nature of social assistance programs and the stigma generally associated with poverty relief has been deemed to lower political support for this type of means-tested and generally, targeted, schemes (Ringold and Andrews 1999). However, means-tested benefits are rarely benefiting from wide popular support, irrespective of the communist experience. More generally, there is a targeting-taxability trade-off in which tax payers are less reticent to pay for universal benefits (Deacon 2000). Hence, this is a problem that social assistance schemes in all democratic societies must confront.

Secondly, some authors have noted that in a context of overall declining living standards, targeting becomes more difficult to implement (Ringold and Andrews 1999; Fox 2003). As economic reforms were gradually implemented, the large majority of the population suffered real income losses and felt entitled to claim some sort of compensation. As a result, attention was focused on transition shock, while concerns with the welfare of the poorest stratum were less prominent.

Thirdly, despite being hailed as very egalitarian, the socialist social protection system contained numerous privileges, not just for the nomenklatura but also for various social categories that were considered particularly "valuable" for the regime. Some occupational groups benefited from advantageous conditions regarding pay, sickness insurance and retirement. Such categorical privileges proved to be very resilient to reform (Ringold and Andrews 1999). Usually, groups benefiting from special terms were also more able to organize politically to defend their interests. Re-channelling resources from these groups towards social assistance clients has been politically unattractive.

¹⁰ For a broader discussion, see Haney, L. (2002). Inventing the Needy. Gender and the Politics of Welfare in Hungary. Berkeley University of California Press.

Finally, technical issues might also be responsible for the marginal role of social assistance schemes in Central and East European Countries (Ringold and Andrews 1999; Fox 2003). In particular, targeting is known to require substantial administrative capabilities that were largely absent in the early years of transition. High informalization and lack of indicators strongly correlated with poverty further compounded the difficulty of targeting (Fox 2003). Instead of experimenting with new programs, countries largely preferred to rely on the already tested institution of social insurance.

4 Characteristics of Social Assistance Schemes in Central and Eastern Europe between 2004-2007

The preceding section has cast a bird's eye on the main findings in the literature on social assistance in Central and Eastern Europe. The following subsection is dedicated to an in-depth and comparative examination of program characteristics. It will attempt to accurately answer both the question of who gets how much under what conditions and that of how much resources are devoted to how many recipients.

Much of the scholarly research on social programs has taken the financial point of view as its main focus. Country comparisons of social spending have probably been much more frequent and detailed than investigations of other constitutive elements of the social protection setup. Following this tradition, although not resuming to it, I start by presenting data on social assistance expenditure, based on data released by Eurostat.

Expenditure and number of clients are only one side of the coin. They reveal the size of a program but expose little about its inner mechanisms. Who and under what conditions gets a share of the redistributed pie is just as important as how much and how many. Put differently, social assistance programs like all redistributive mechanisms work with certain rules. In the following, I take a closer look at key characteristics of the social assistance setup and their cross-country variation in eight Central and East European states that comprise the core of this study. In doing so I draw heavily on information relating to social assistance programs made available via the Mutual Information System on Social Protection on EU Member States and the EEA (MISSOC). To supplement gaps in MISSOC, I also use the information provided in the country chapters of the OECD's 2007 Benefits and Wages (OECD 2007), as well as in the Social Protection in the Candidate Countries series ((GGV) 2003).

First of all, some general data regarding the programs is presented. This includes information on the timing of introduction and of major changes, as well as on additional

benefits offered alongside the main benefit to social assistance recipients. Secondly, I use EUROSTAT provided macro data to build a picture of the amounts of resources devoted to social assistance. Thirdly, I discuss the tests on which eligibility is based, namely the means test and the work test. Fourthly, the generosity of the system is examined. Last but not least, I take a closer look at the (de)centralization of the programs and linked additional services.

4.1 General Information

By the end of the 1990's, all countries in the Central and East European bloc have established minimum income guarantee schemes for their residents. The introduction of this form of public assistance took place as early as 1990 in countries such as Poland or Lithuania and as late as 1995 in Romania and Latvia or Estonia (See Table 5 on the year of the introduction of social assistance in each country, as well as on the year of major reforms of the system). All of them share a number of common characteristics, largely replicating the basic model of minimum guaranteed income programs found in Western Europe. First, they represent a last resort type of public aid, meaning that all other personal resources, entitlement to other types of benefits and sometimes even family support have to be exhausted before accessing the benefit. Second, individual resources are assessed usually both in terms of income and in terms of assets. The exact assessment procedure however varies (a more thorough discussion of income and asset test is found in subsection 1.4.3 below). Third, in addition to a means-test, claimants have to undergo a so called work test. All able bodied adults (some exemptions are granted for single parents with very young children) must be working, or searching for work and available to take up the first employment opportunity. Fourth, benefits are normally available for an unlimited time period as long as the qualifying conditions are satisfied. Fifth, the entitlement is not individual, but family or household based. If other family or household members have enough resources to pull a claimant above the poverty line, the granting of the benefit is not warranted. Finally, benefits are normally financed from general taxation, although the exact central-local mix may differ from one country to another.

To be sure the introduction of social assistance was mainly linked to the alarming spread of a new phenomenon, namely long-term unemployment. Jobseekers that exhausted their entitlement to unemployment compensation were left without any kind of income replacement. Yet, some countries chose to ignore this problem until the mid 90's. Furthermore, social assistance was often not introduced as a wide-casted net. That is, instead

of having a general scheme to cover all cases where income fell below a certain threshold, many countries chose to introduce an array of income-tested or means-tested transfers that incorporated also categorical features in their entitlement conditions. The elderly, single parents, care-takers, disabled persons and the unemployed often had separate schemes run for them. Thus, fragmentation of the income support system ensued.

Table 5 Overview of Social Assistance Schemes in CEE

	Year SA first introduced	Major changes	Additional benefits
CZ	1991 (1988)	2006- change to two tier system; rules for setting the benefit amount changed	Housing support.
EE	1995	Benefits adjusted in 2005 and 2007	Housing expenses deducted before establishing entitlement. 2002-local municipalities must provide emergency SA= food, clothes, shelter. Municipalities required to provide social housing
HU	1992 (1979)	1997-regular social benefit for unemployed (UA) introduced; previously SA-only local; 2006-reform changing the way the benefit is computed; temporary work no longer barred (but income included in income test)	Home maintenance support provided by the local authorities; higher income threshold than SA, but income and asset test.
LV	1995	2003-minimum amount set nationally; local authorities may grant additional benefits	Rent and utility allowance (national amount very low but municipality may top it up). Free school meals. Allowance for care and for upbringing of children.
LT	1990	1993-radical reduction of the value of the basket of goods; food expenditure	Allowance for single pensioners. Compensation for heating, hot and cold water- funded by the local budget. Free school meals. Free school transportation. Maternity benefit for non-insured

	Year SA first introduced	Major changes	Additional benefits
		increased from 46% to 70% of basket's value	female students- paid from the central budget.
PL	1990 (1973)	1996-introduction of price-indexation	Housing allowance- paid by the local government
SK	1993	1998-new fully fledged law on SA	Housing benefit. Benefits for the disabled.
SI	1992	2001- important increase in the level of SA; benefit reaches 60% of AW for 2 adults and 2 children; 2007- stricter work search requirements	Rent allowance (up to 25% basic amount of min income). Attendance supplement for the disabled.

Source: ((GVG) 2003; (GVG) 2003; (GVG) 2003); MISSCEECII Tables and MISSCEEO Tables;

In addition to the main benefit, additional assistance was available to recipients, mainly in the form of support with housing and with the payment of utilities. Six out of eight countries have implemented a separate transfer aimed to help those on low-income to pay for their housing. Usually, this benefit is not strictly linked to the receipt of social assistance. Instead, it is available to larger strata of the population as the income thresholds determining entitlement are often higher than those for the regular monthly benefit. Nevertheless, the amount of the benefit is usually low, well below average rent levels. In some cases, local authorities are required to provide social housing. However, this requirement is seldom fulfilled as the demand for social housing vastly exceeds the supply.

As part of the liberalization process, governments gradually reduced or eliminated energy subsidies. The withdrawal seriously impacted on general household welfare, especially in the cold season when the heating bill could absorb a large share of the household income. To partly offset the losses, one country (See Table 5) has introduced energy/utility benefits targeted at the lower-income households. Just as with housing support, the benefit was generally made available on a larger scale than the basic social assistance monthly benefit.

4.2 Expenditure on Social Assistance Programs

One angle from which one can analyze a social policy consists of the public resources devoted to it. This subpart presents expenditure data on social assistance programs. Ideally, precise figures on minimum income support, as well as related benefits, expenditure would be presented. The figures represent expenditure on means-tested¹¹ benefits under the social exclusion function of social protection. Two kinds of statistics are presented, social assistance expenditure as percentage of the GDP and as percentage of the total social expenditure bill (See Table 6).

Table 6 Expenditure on total means-tested benefits in Central and Eastern Europe

	Expenditure means-tested benefits as % GDP				Expenditure on means-tested benefits as % social protection benefits				Expenditure on means-tested benefits as PPP/inhabitant			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
CZ	0.4	0.4	0.4	0.1	2.18	2.06	2.04	0.60	66.2	64.9	67.3	21.6
EE	0.1	0.1	0.1	<0.1	0.93	0.79	0.49	0.40	14.8	13.6	9.2	8.5
HU	0.1	0.1	0.1	0.1	0.34	0.38	0.37	0.35	9.4	11.7	12.2	11.9
LV	0.1	<0.1	<0.1	<0.1	0.43	0.37	0.25	0.18	5.1	4.8	3.7	2.7
LT	0.3	0.2	0.1	0.1	2.14	1.32	1.11	0.92	30	20.1	18.7	19.2
PL	0.1	0.3	0.2	0.2	0.75	1.81	0.89	0.87	16.1	40.2	20.9	20.8
SK	0.5	0.5	0.5	0.5	2.80	2.99	3.22	2.94	57.2	64.4	75.9	75.7
SI	0.5	0.5	0.4	0.3	2.25	2.23	1.85	1.65	96	99	84.9	76.6

Source: Eurostat ESSPROS Database (Eurostat 2008);

All eight countries spend relatively little on means-tested benefits designed to prevent exclusion, both in absolute and in relative terms. The highest spenders are the Slovak Republic, Slovenia and the Czech Republic, where around 0-4-0.5% of GDP is spent on this type of transfer. Lithuania and Poland are in a somewhat intermediary position, while the remaining countries, especially Latvia and Estonia spend very little resources, on average less than 1% of GDP. In a similar vein, reliance on public assistance within the wider welfare setup is very low. Sometimes less than 0.5% of the social expenditure budget goes towards financing means-tested assistance. The highest spenders devote around 2-3% of their social protection budget to finance this type of residual benefit. Not surprisingly, countries that are

¹¹ Only direct cash or near-cash payments (ex: housing allowances) are counted; other benefits as access to public services such as health-care or education is not included.

willing to spend more on social assistance programs are also keen on making these programs into important items within the overall social protection system¹².

In addition to the low level of expenditure, another striking finding emerging from Table 6 is the (sometimes very sharp) downward trend in spending. With the exception of Slovakia, all countries have reduced the amounts they spend on social assistance, both as a percentage of their GDP and as a share of the overall social expenditure. The drop is particularly steep in the Czech Republic, after the 2007 reform. While this result may reflect a declining need for this type of benefit as the economy grows and living standards rise, it could just as well be the result of social expenditure cuts, either explicitly, or implicitly, by failing to adjust upwards benefits and eligibility thresholds.

Finally, to illustrate the fact that varying country wealth levels allow for very different amounts of resources, the last column of Table 6 present social assistance expenditure as Purchasing Power Parities per inhabitant. Obviously, richer states dispose of significantly more financial sources to tap on, in order to finance social assistance schemes. What is indeed rather startling, there are huge discrepancies between some countries pointing out the very unequal levels of economic development present in Central and Eastern Europe, despite the shared communist experience.

Table 7 Break-down of expenditure on means-tested transfers in CEE (in PPP Euros per inhabitant)

	CZ	EE	HU	LV	LT	PL	SK	SI
Means-tested cash benefits								
2004	65.6	14.8	5.2	5	13.1	7.1	57.2	94.8
2005	64.3	13.6	6.5	4.4	10	29.7	64.4	99
2006	66.8	9.2	7	3.4	10.9	8.4	75.9	84.9
2007	21.3	8.5	5.3	2.4	10.6	8.5	75.7	76.6
Income support (means-tested)¹³								
2004	53.2	14.8	2.3	4.8	12.1	5.6	57.2	94.5
2005	50.2	13.6	3.5	4.2	8.7	6.1	64.4	98.6
2006	46.2	9.2	4.10	3.2	7.3	6.5	75.9	84.4
2007	19.6	8.5	2.8	2.3	8.1	6.9	75.7	76.1
Benefits in kind (means-tested)								

¹² Another explanation might be that various social programs compete for the same resources (although social assistance is financed through general taxation while insurance-based benefits are financed through contributions which are collected into a separate and independent fund). Thus, expenditure on one type of program squeezes resources for the remaining schemes;

¹³ Income support encompassed periodic cash payments to households with insufficient resources; means-tested cash benefits are a slightly wider category. In addition to income support, they include lump-sum, emergency and other forms of irregular cash support; see http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-11-014/EN/KS-RA-11-014-EN.PDF.

	CZ	EE	HU	LV	LT	PL	SK	SI
2004	0.6	NA	4.2	0.2	16.8	8.9	NA	1.2
2005	0.6	NA	5.2	0.4	10.1	10.5	NA	NA
2006	0.6	NA	5.3	0.3	7.8	12.5	NA	NA
2007	0.2	NA	6.6	0.3	8.6	12.3	NA	NA
Accommodation (means-tested)								
2004	NA	NA	NA	NA	NA	0.2	NA	1.2
2005	NA	NA	NA	NA	NA	0.2	NA	NA
2006	NA	NA	NA	NA	NA	0.2	NA	NA
2007	NA	NA	NA	NA	NA	0.2	NA	NA

Note: NA-data not available.

Source: Eurostat ESSPROSS Database (Eurostat 2008)

Because many types of benefits may be lumped together under the heading of social exclusion not elsewhere classified, Table 7 displays expenditure figures on some of the four subcategories, i.e. means tested-cash benefits, means-tested income support, means-tested benefits in kind and means-tested expenditure on accommodation. Unfortunately, for the latter two categories data is very scant, as figures are missing for most countries. In any case, comparing figures in Table 6 and Table 7, it is easily observable that generally, means-tested assistance designed to combat social exclusion is awarded in cash, and that income support is its most important element. This is a pattern that holds for all countries, albeit noticeable variations exist. For example, means-tested income support is the only component of means-tested cash assistance in Estonia, while it amounts to only half on means-tested cash benefits expenditure in Hungary. In the latter case, the expenditure patterns suggest the existence of important categorical or tied means-tested support (for further evidence on this, see section 1.4.4 on benefits).

4.3 Entitlement: Means Tests and Work Tests

By definition, social assistance is awarded subsequent to a means test. The means test may consist of an income test, an asset test or both. All of the eight CEE countries have an income test as part of the process of determining entitlement. However, the types of revenue that are taken into consideration may differ. In effect, only two countries, namely Latvia and Poland do not disregard any type of income when establishing eligibility. All six remaining countries have some type of income exemptions. Generally speaking, incidental income, as well as some types of social transfers, notably those connected to disability and to children tends not be included in the income test (see Table 8). The Czech and Slovak Republic go farthest, by disregarding some portion of earnings, as well as several types of cash transfers together with non-regular income.

Table 8 Determining eligibility: means tests and work tests (2004-2008)

	Income test	Asset test	Work test	Unit of testing
CZ	Income from gainful activities and from capital; social security benefits and all recurrent income; non-regular income exempted; since 2005, 50% of the care benefit exempted; since 2007 30% of earnings and 20% of sickness/unemployment benefits disregarded	Not until 2007; after 2007 property considered in establishing eligibility	Registration with the labour office and willingness to work; should actively search for work; since 2005-different definition of 'suitable' work applicable to those unemployed for 12+ months; since 2007-benefit reduced to subsistence benefit if not enough work effort	Household/ Single person
EE	Taxable income, pensions, social security benefits; Not included in the test: lump sum payment, benefits for the disabled + child allowances and supplementary benefit (since 2003), housing allowances within limits, allowances for families with 3+ children; since 2006-student loans, transportation benefit & accommodation benefit for the unemployed also exempted	No	Registration with the labour office. Did not refuse repeatedly a job offer. Did not refuse to participate in a rehabilitation program. Sanctions at the discretion of the local authority. Since 2005-case management.	Household; parents, grandparents and other persons living in the same household may be required to extend payments before public support kicks in
HU	Array of categorical benefits, many established locally; some allowances connected to disability are usually disregarded; housing	Usually, yes but eligibility conditions vary with the local government	From 1999-income replacement for the unemployed linked to participation in public work programs (workfare)	Usually household (more discretionary)

	Income test	Asset test	Work test	Unit of testing
	allowance disregarded (until 2006) benefit is only cummulable with up to 90 days of temporary work; no benefit payable for the days worked; since 2006- after taking up work, benefit paid for an additional 3 months at 50% rate and another 3 months at 25% rate.			
LV	All types of income considered. Partial payment of a benefit for 3 months after taking up work (at 75%, 50% and 25% rate)	Yes, but savings up to 200LV and property up to 3000LV allowed.	Registration with the labour office. Must accept suitable work or training. Must co-operate and give full information and accept rehabilitation. In case of refusal, household benefit is reduced by the part of the person who has refused; since 2005-benefit may not be received for more than 9 months/ year	Immediate family/ household members; must claim alimony or support from the absent parent; resources of the extended family may be taken into consideration
LT	All income. Exception: extraordinary grants, special allowances and alimonies	Must not have a farm larger than 3.5 ha. Must not own an establishment;	Registration with the labour office. Must accept job offers, participation in training or public works. Refusal may lead to suspension or withdrawal of the benefit; Work test does not apply if taking care of a child<3 or three children<16 or of	Individual or Family

	Income test	Asset test	Work test	Unit of testing
PL	All income considered.	No explicit test but wide discretion of local authorities to establish whether a person is 'needy'	nursing a disabled person Registration with the labour office. Availability for work, training or socio-professional integration Did not refuse job unjustifiably No work-test for care-giver of a handicapped child	Family/ single person
SK	All income. Exception: birth grants and death grants; in 2004-25% of earnings and 25% of old age benefit, (since 2005)-25% of maternity benefit, child benefits, scholarships, some benefits for the unemployed & incidental income up to 2* subsistence minimum, community help disregarded	No	Registration at the labour office and willingness to work, train, retrain and accept community work to receive the higher amount (SA for objective reasons/ allowance)m	Household=applicant+ spouse + dependent children
SI	Earnings, inheritances, gifts; 6 exceptions: child benefits, scholarships, alimony, benefits for the disabled and benefits for assistance and care-giving;	Yes, but assets valued at maximum 24 minimum wages allowed. Benefit may be reduced if social worker considers assets are enough for maintaining minimum living standards	Must sign and observe a contract with the Centre for Social Work. No entitlement if voluntarily unemployed. Must accept activation before receiving benefit. 2006-Tightening of job search requirements	Family (spouse/cohabitant children and parents and grandchildren if in the care of the applicant); obligations extend to children, stepparents and parents

Source: ((GVG) 2003; (GVG) 2003; (GVG) 2003); MISSCEECII Tables, MISSOC Tables and MISSCEEO Tables;

Until very recently, no CEE country allowed for earnings disregards either when establishing the initial eligibility status or when maintaining it. However, following developments taking place both in Western Europe (Ditch 1999; Heikkilä and Keskitalo 2001) and especially in the US, earnings disregards have been introduced in the Czech and Slovak Republics whereas gradual benefit tapers are present in the Hungarian and the Latvian schemes. Such measures have been used extensively in the American context, but also in large European countries such as Germany or France as a way to diminish the financial disincentives associated with moving from benefit receipt into employment. Both earnings disregards and benefit taper-off zones have the advantage of temporarily lowering the withdrawal rate when earnings increase. However, the latter do discriminate between low-income working households who have not entered the program and those who have. As a result of their earnings disregards, the Czech and Slovak Republics have an effective marginal tax rate of 70% and 75% respectively. In the other two countries, the effective marginal tax rate is lowered only temporarily-for three months in Latvia and for six in Hungary. After the grace period, the effective marginal tax rate reaches 100%, irrespective of actual earnings. In the remaining four countries, the immediate withdrawal of one euro of benefit for each euro of earnings, translates into an effective marginal tax rate of 100% immediately after taking up employment.

In addition to the income test, another way of gauging a household's resources is the use of an asset test. Carrying out asset tests may bring two advantages. On the one hand, income is much more fluctuating than wealth. As a result, an asset test is better suited to capture the long-term material well-being of a household¹⁴. On the other hand, in economies where a large share of the activity takes place underground, asset tests may be a much more reliable tool than income tests.

Before discussing country asset tests in more detail, a caveat is in order. Unlike income tests, there is substantial uncertainty surrounding asset tests. This is partly due to inaccurate and fuzzy data and partly due to the fact that asset tests may be ill-defined in the national legislation itself. Certainly, asset-tests seem to be more amenable to discretionary assessment, partly due to the difficulty in specifying the treatment of many types of different

¹⁴ On the advantages of using wealth instead of income to assess poverty, see Shapiro, T. M. (2001). The Importance of Assets. Assets for the Poor: The Benefits of Spreading Asset Ownership. T. M. Shapiro and E. N. Wolff. New York, Russell Sage Foundation: 11-33, Sherraden, M. (2001). Asset-Building Policy and Programs for the Poor. Assets for the Poor: The Benefits of Spreading Asset Ownership. T. M. Shapiro and E. N. Wolff. New York, Russell Sage Foundation: 302-333, Carter, M. R. and C. B. Barrett (2006). "The Economics of Poverty Traps and Persistent Poverty: An Asset-Based Approach." Journal of Development Studies 42(2): 178-199.

assets that may serve different purposes. This is a case in point particularly for the CEE region, where experience with administrative targeting is lacking and where instruments for assigning value to assets are underdeveloped. Thus, all asset-test related data should be interpreted with caution.

Of the eight CEE countries present in the study, only two (Estonia and the Slovak Republic) do not clearly define the existence of an asset testing as part of their means test (See Table 8). Additionally, an asset test has been explicitly introduced in the Czech Republic only in 2007. Of the remaining five countries, only Slovenia has very clear asset disregards. Latvia and Lithuania also exempt some possessions, although it is less clear how the implementation of the asset test is carried out in practice how the definition of the asset test changed in time. Finally, Hungary and Poland do not explicitly stipulate any asset disregards, although in practice, it is likely that consumer durables or homes are not entirely subject to the asset test.

The murky nature of asset test is not stemming from vague legislation only. Even when asset-tests are explicitly called for in legislation, their enforcement cannot be taken for granted. For example, in a study of European minimum income schemes, Guibentif and Bouget (1997) conclude that the application of asset tests is seldom consistent within a country.

On top of passing a means test, potential clients may also have to demonstrate that their material deprivation is not due to a personal choice. In practice, this amounts to passing a work test. Albeit not new as a policy instrument, work tests accompanied by significant sanctions have gained increasing attention. There is very little empirical evidence showing the work disincentives of social assistance in Central and Eastern Europe. Early studies have focused on calculating replacement rates relative to the average or the minimum wage (Boeri and Edwards 1998; Ham, Svejnar et al. 1998). Yet, comprehensive longitudinal studies of unemployment duration of recipients and non-recipients are lacking. Still, Western arguments about program driven unemployment traps have often been taken over, especially in light of high replacement rates relative to minimum wages. As a result, work tests seem to have gradually gained in importance and visibility¹⁵ (MISSOC 2006; MISSOC 2007; MISSOC 2008). Unlike in Western Europe, this development has not taken place in a context of rising

¹⁵ This development may have been aided by policy reports of the EU that emphasized work disincentives see REPORTS;

welfare rolls and mounting expenditure. On the contrary, work-tests have gained prominence in an era of sustained economic growth and falling unemployment rates¹⁶.

Each of the eight social assistance programs includes a work test for the able bodied, albeit some exceptions are made for parents of small children or for single parents lacking child-rearing support¹⁷. In its lightest form, the work test consists of registration with the employment office. Indeed, this prerequisite is present as an eligibility condition in all eight schemes. In addition to formal registration as an unemployed, recipient able-bodied adults may have to submit to several “activation” measures. These may either emphasize increasing employability and opportunity, such as taking up training and requalification, undergoing therapy or addressing health and personal issues or they may take the form of increased pressure and control, for instance, the obligation to take up any available job offer, providing evidence of job search or even the compulsion to participate in public or community works. This last condition, willingness to participate in public works, may be considered the most stringent and the possibly the most stigmatizing (workfare). Two countries, Hungary and Lithuania, link eligibility for social assistance benefits to availability to participate in public works (See Table 8). Sanctions in case of failure to satisfy work/job search conditions also vary. At one extreme, the entire household benefit may be suspended or withdrawn in case one member’s job search efforts are deemed unsatisfactory in Lithuania, Estonia or Hungary. At the other end, a minimum benefit is awarded to needy households irrespective of the work-test in the Czech and Slovak Republics¹⁸. In between, Latvia only suspends the part of the benefit that is awarded to the person deemed as failing the work test. Finally, Slovenia does not make social assistance available to the voluntarily unemployed.

Just as in the case of asset tests, the application of the work test may be highly variable and dependent on the social worker’s discretion. For example, even if refusal of a job is stipulated to trigger cuts or suspension of the benefit, such a rule may be ignored by the social workers charged with its application¹⁹.

¹⁶ Indeed, during early transition when budget considerations were looming large, spending reduction has usually been achieved by reducing benefits or by making benefit receipt conditional of budgetary conditions, rather than by using work tests.

¹⁷ It should be noted that some countries, while not exempting certain categories for work-tests in social assistance programs, actually make available categorical benefits (such as care-giver benefits) that do not have work or job search requirements.

¹⁸ If the test is passed, a higher amount is awarded.

¹⁹ Disregard or lax enforcement of this rule has been found in a study of the German social assistance Guibentif, P. and D. Bouget (1997). Minimum Income Policies in the European Union. Lisbon, União das Mutualidades Portuguesas.

Lastly, generally speaking, all eight countries base the means-test and hence the entitlement on the resources of the household or the nuclear family. In Latvia, carers must claim alimony from the absent parent before becoming eligible to receive the benefit. Resources of the extended family may be considered in Estonia, Latvia and Slovenia. However, maintenance obligations are not clearly defined, and it is unclear to what extent these claims are actually enforced or even enforceable²⁰.

To summarize, three differentiation criteria may be observed when analysing entitlement rules in Central and Eastern Europe. While differences in the application of the income test are more straightforward, asset and work tests are usually only vaguely defined and, in all likelihood, inconsistently applied. Vague, imprecise or contradictory eligibility criteria are not unique to CEE countries. On the contrary, such features have emerged in the study of Western social assistance schemes, where they have been blamed for high leakage rates (Guibentif and Bouget 1997).

4.4 Benefits

The amount of the benefit encompasses the quantity of resources that the state is willing to provide to those who cannot support themselves. The principle on which the determination of this amount rests and the indexation mechanism incorporated in the scheme play an important role in determining the size of available aid. More specifically, countries that determine the benefit level in a purely administrative way, instead of basing it on a minimum basket of goods and services, tend to have lower benefit levels. Similarly, social assistance programs that lack a clear indexation mechanism have lower benefit levels as well. Administrative discretion tends to be heavily influenced by budgetary considerations. Both lack of indexation and discretionary setting of the benefits are used as savings generator devices. As a result, fewer resources are redistributed through this type of programs (for a description of indexation, principles of determination and benefit levels see Table 9).

Table 9 Benefit level and determination in social assistance programs in the early 2000s

Country	Determination of minimum amount	Indexation	Monthly benefit amounts for single person	Relation between amounts (equivalence scales)
CZ	Minimum basket	Regular	4100 CZK	Single adult=1

²⁰ Such obligations exist in Belgium, France, Luxembourg and Germany, although it is not always clear to what extent they are actually implemented Lodemel, I. and B. Schulte (1992). *Social Assistance: A Part of Social Security or the Poor Law in New Disguise? Reforms in Central and Eastern Europe. Beveridge 50 years after.* Y. E. I. o. S. Security. Leuven, Acco Leuven/ Amersfoort: 515-543.

Country	Determination of minimum amount	Indexation	Monthly benefit amounts for single person	Relation between amounts (equivalence scales)
	of goods	indexation, as soon as the cost of living increases by 5%	(160,23 EUR) 27,3%AW	Child<6= 0.73 Child 6-10=0.81 Child 10-15=0.96 Child 15-26=1.06 Household amounts: 1 person=1 2 persons=1,3 3/4 persons=1,6 5+ persons=1,8 Since 2007-new rules: Single adult=1.09 First adult=1 Other adult=0.9 Child <6=0.55 Child 6-15=0.68 Child 15-26=0.78 + housing costs First person=1 Every subsequent=0.8
EE	Set by Parliament	No regular indexation; at the discretion of the government	500 EEK (32 EUR) 8,1%AW	Regular social benefit: per capita (until 2006) Since 2006: First person=1 Every subsequent adult=0.9 Child (first 2)=0.8 Child (3 rd +)=0.7 Single parent bonus=0.2 Disability bonus=0.2
HU	Set by the local authority/ min pension	Regular social benefit-linked to the min pension which is indexed annually Other benefits-indexation at the discretion of local authorities	Regular social benefit: 14070 HUF (57,5 EUR) 11,5%AW Other benefits: determined by local authorities	Regular social benefit: per capita (until 2006) Since 2006: First person=1 Every subsequent adult=0.9 Child (first 2)=0.8 Child (3 rd +)=0.7 Single parent bonus=0.2 Disability bonus=0.2
LV	Set by local authority until 2003; 2003-set by central government	No regular indexation; at the discretion of the government	21 LVL (37,5 EUR) 13%AW	Per capita
LT	Minimum basket of goods	No regular indexation; at the discretion of the government	121,5 Litass (38 EUR) 11,9%AW	Per capita
PL	% of min pension	Price indexed since 1996	447 PLN (126,27 EUR) 21,3%	First person= 1(1,1-single person) Subsequent adult=0.7

Country	Determination of minimum amount	Indexation	Monthly benefit amounts for single person	Relation between amounts (equivalence scales)
SK	Set by the Parliament, but based on minimum basket of goods	Regular price indexation at least once a year/ as soon as cost of living increases by 10%	3490 SKK (1895 SKK if subjective reasons) (83 EUR) 25,8% AW	Child (<15)=0.5 First adult=1 Subsequent adult=0.7 Child= 0.5
SI	Set by the government	Regular price indexation- 1 per year	37934 SIT (175 EUR) 16,1% AW	First person=1 Subsequent adult=0.7 Child=0.3

Note: AW=average wage; taken from ILO Laborstat database; figures for 2002;
Source:((GVG) 2003; (GVG) 2003; (GVG) 2003); MISSCEECII Tables and MISSCEEO Tables;

Estonia, Latvia and Slovenia establish the basic benefit rates administratively. The remaining countries, at least theoretically, rely on calculations of a minimum basket of goods when setting the basic rate. The Baltic States are the only ones not to have implemented to date a regular mechanism of updating benefits with inflation. Local, discretionary benefits are also raised in an ad-hoc manner. In fact, inflation erosion constitutes a significant way of cutting benefits. For example, in Estonia, the basic rate has not been raised at all between 1996 and 2006, resulting in one of the most meagre benefits in the region, before being slightly raised in 2006.

Just by taking a quick look it is easy to realize that social assistance benefits are very small in 2002, insignificant in some cases. Although amounts in purchasing power parities would have been somewhat higher than those in Euro, it is clear that transfers are meagre by any standard. Looking at benefits for single persons, the most generous are by far Slovenia and the Czech Republic (see Table 9). Poland and Slovakia also disburse somewhat higher benefits. The rest of the countries offer only very limited resources through their social assistance schemes, usually around or below 50 Euros for a single person. Benefits may become more generous as the family includes a higher number of children. Yet, the amounts of the benefit are obviously well below subsistence level. More recent data (for the 2004-2007 period) on benefit levels point towards similar results (Table 10). The largest transfers are registered in Slovenia, the Czech and Slovak Republics, whereas benefit levels are lowest in the three Baltic states.

Social assistance transfers rose in all eight countries between 2004 and 2007. However, the growth pattern has been unequal. Whereas countries with regular indexation in place (and larger benefits, as a rule) experience slow but steady growth, benefit increases have been much more erratic, but also more abrupt in the Baltic States and, to a lesser extent in Poland.

Finally, it is worth noting that despite the fact that broad country clusters on benefit generosity hold regardless of which type of household is concerned, finer grained comparisons of countries in the same group are not robust to a change in household characteristics. This is due to the fact that very different equivalence scales may be used (see Table 9 and Table 10). In fact, the country with the most generous single person benefit, namely Slovenia, also has the most conservative equivalence scales. Pre-2006 Hungary, as well as Lithuania and Latvia, all operate per capita rules in determining the household benefit, thus giving all household members the same weight. Such a system disregards any economies of scale resulting from living in the same household and advantages large families over single persons. The Czech Republic, Hungary after 2006, Estonia and the Slovak Republic all give children consumption weights very similar to those of the adults, thereby making their social assistance programs relatively more attractive to families with many children. On the other hand, three countries, i.e. Latvia, Poland and Hungary since 2007 operate family caps. Poland is relatively unique in operating a very low cap that applies to small and large families alike.

Table 10: Monthly benefit amounts in CEE between 2004 and 2007(in Euros)*

	2004	2005	2006	2007
CZ	Single/first person-71+ 55 Other adults-71+71(2 persons) Child-58-75 depending on age+ 88/91 (3-4 hh members) Single parent-child part of benefit increased to 61-79 Social allowance paid to care-givers	Single/first person-78+64 Other adult-78+83(2 persons) Child-57-82 depending on age +83-116 (3 to 5 persons) Single parent-child part of benefit increased to 60-86; special care allowance if child<4(7 if handicapped) Social allowance paid to care-givers	Single/first person-83+70 Other adult-83+91(2 persons) Child-60-87 depending on age +112-121 (3-5 persons) Single parent-child part of benefit increased 63-90 Social allowance paid to low-income care-takers	Single person-114 First adult-104 Other adult-94 Child-58-92 depending on age Subsistence min-73 Social allowance paid to low-income families with children Single parent-social allowance for care purposes increased 1.17 times
EE	First/Single adult-32 Other adults-26 Child-26 Discretionary additional benefits granted by the municipalities	Firs/single adult-48 Other adult-38 Child-38 Special benefit for survivors of a non-contributory benefit recipient Discretionary allowances granted by municipalities	First/single adult-48 Other adult-38 Child-38 Single parent bonus-13 Special benefit for survivors of a non-contributory benefit recipients Discretionary allowances granted by municipalities	First/single adult-58 Other adult-46 Child-46 Single parent bonus-13 Special benefit for survivors of a non-contributory benefit recipients Discretionary allowances granted by municipalities
HU	Single person-71 Other adult-71 Child-71 Additional benefits: child-care allowance, benefit for families raising 3+ children; discretionary benefits granted by the municipalities	Single person-80 Other adult-80 Child-80 Single parent-special care benefit, child care allowance + benefit for 3+ children Additional benefits: child protection benefit & irregular child benefit	Single person-82 Other adult-82 Child-82 Single parent-child-care allowance and extra benefit if 3+ children	Single person=91 Other adult=82 Child-64-73, depending on birth order Single parent bonus-16 Disability bonus-16 Maximum family benefit-212 Single parent-special care allowance + extra benefit if

	2004	2005	2006	2007
		Many specific benefits: temporary, debt-management, transportation, funeral, home renting, + other emergency and support schemes organised by municipalities		3+ children
LV	First/single adult-28 Other adults-28 Child-28 Max. Benefit=161 Discretionary additional benefits granted by the municipalities	First/single person-30 Other adult-30 Child-30 Max. Benefit= 151 Discretionary benefits granted by the municipalities	First/single adult-34 Other adult-34 Child-34 Max. Benefit-194 Discretionary benefits granted by municipalities	First/single person-39 Other adult-39 Child-39 Max benefit-193 Extra benefit for raising a child<1 or more children<2 Discretionary benefits granted by municipalities
LT	First/Single adult-35 Other adult-35 Child- 35	First/single adult-39 Other adult-39 Child-39	First/single adult-40 Other adult-40 Child-40	First/single person-53 Other adult-53 Child-53
PL	Single person-66 Max. Family Benefit-87 Emergency one-time benefits awarded regardless of income	Single person-78 Max family benefit-103 Special Needs Allowance for one-off purchases if demonstrable need	Single person-108 Max family benefit-108 Special Needs Allowance for one-off purchases if demonstrable need	Single person-109 Max family benefit-109 Special Needs Allowance for one-off purchases if demonstrable need
SK	First/single person-104 Other adult-73 Child-47 Special benefits for the disabled	Single/first adult-118 Other adult-83 Child-54 Subsistence minimum-40 (for single person) Additional benefits: lump sum for certain types of expenses up to 3*subsistence min	Single/first adult-125 Other adult-87 Child-57 Subsistence minimum-41 (for singles) Single parent-extra allowance if child<31 weeks, subsidies for employment & care	Single/first adult-145 Other adult-101 Child- 66 Subsistence min-48 (for singles) Single parent-higher wage subsidies if hiring single parent with child<10 or 3+

	2004	2005	2006	2007
		Health-care allowance, housing disability/care-giver allowance	allowance Additional benefits: for pregnant women, lump sum for certain expenses up to 3*subsistence min, health-care, commuting to work, housing allowance, motivational allowance for children of low-income families, care allowance if child <3 (6 if chronically ill)	children Additional benefit-for pregnant women, for disabled persons, health-care allowance, housing allowance, transport to work, care allowance if caring for child<31 weeks; extra benefit if raising child<1
SI	First/single adult-191 Other adult-134 Child-57E Single parent bonus-57 Extra benefits for the disabled	First/single adult- 196 Other adult-137 Child-59E Single parent bonus-59 Extra benefits for the disabled	First/single adult-196 Other adult- 137 Child-59 Single parent bonus-59 Extra benefits for the disabled	First/single adult-205.57 Other adult-143.90 Child- 61.67 Single parent bonus-61.67 Extra benefits for the disabled

Note: Euro conversions are approximate; they use the exchange rate of the year for which the benefit amount is shown; benefit amounts relate to May 2004; January 2005; January 2006 and January 2007;

Source: MISSOC Database (Mutual Information System on Social Protection on EU Member States and the EEA (MISSOC) 2004; European Commission 2005; European Commission 2006; European Commission 2007; European Commission 2010), OECD (OECD 2007; OECD 2007)

Of the eight countries, only Hungary imposed a so-called wage rule ²¹ in 2007. Its social assistance scheme effectively limits the maximum amount a household might receive to the existing minimum wage. In the remaining countries however, in some cases, large families may expect to receive a benefit larger than the minimum wage. Such a possibility is all the more likely if the minimum wage is low, as is the case in the Baltic States. Basic rates may be supplemented by additional one-time or regular transfers. These payments are however usually made on a discretionary basis and, as such, are difficult to include in a cross-national study.

In addition to the standard benefits, many social assistance programs include a large array of “special” benefits that may be awarded to certain categories that are viewed as particularly deserving or particularly in need, such as the disabled (when benefits are awarded to them under the social assistance program) or single parents. The case of single parents is particularly interesting. This type of household is much more vulnerable to poverty due to the difficulties it has with simultaneously handling work and care responsibilities. As a result, more generous benefits for single parents may be justified on this ground. On the other hand, increasing out-of-work benefits for single parents may simply encourage them to exit the labour force, thereby reinforcing the precariousness of their situation. With the exception of Latvia, Lithuania and Poland, social assistance schemes award a single parent “bonus”. The benefit increase is relatively small (compared to what the received amount would have been in its absence) in the Czech and Slovak Republics, but substantial (in relative terms) in Slovenia, Hungary and Estonia. Finally, only the Slovak Republic has a provision aiming to help single parents return to wage employment.

Another type of “extra” benefits present in public assistance, are disbursements tied to particular expenditures (such as transport, health-care, special purchases etc.)²². Hungary and the Slovak Republic possess the largest number of such additional benefits relating to specific types of consumption. Lastly, benefits may be topped up entirely discretionarily by local or “emergency” payments. Arguably, such discretionary payments may be of great importance to the household receiving them. Regrettably however, their discretionary nature also makes them hardly amenable to study. Estonia, Latvia and Hungary all explicitly allow

²¹ Wage rules have been introduced as a result of concerns with making work pay; in practice, they mean that a minimum gap should be maintained between the disbursed benefit and the wage a low-skilled worker can expect to earn; an example of such a rule being introduced is Germany Ditch, J., J. Bradshaw, et al. (1997). Comparative Social Assistance. Localisation and Discretion. Aldershot, Ashgate.

²² A special type of tied benefit is represented by housing allowances; they will be analyzed in more detailed in section VI.6.

local municipalities to set up their own support systems to top up nationally defined minimum income payments.

Yet, despite the relative generosity of the equivalence scales, of the presence of indexation and, in some cases, of the delineation of the benefit based on a basket of goods, the most striking feature of CEE social assistance transfers remains the very low amount of the basic rates.

4.5 Central versus Local Administration

The organization of social assistance programs can be located on a central-local continuum. The division of responsibilities between central and local authorities concerns at least three axes, namely implementation, financing and decision-making. In principle, these three areas are independent of each other. In practice, usually they are linked.

On a very general level, Ditch et al. distinguish between three general models of devolving responsibilities to the lower levels of government, namely federalism, de-concentration²³ and decentralization (Ditch, Bradshaw et al. 1997). Each of the three models involves a different organization of delivery, financing and decision-making. Since all of the eight CEE countries included in the analysis are national unitary states, the federal archetype is not relevant in this context. De-concentration and decentralization based models are best distinguished on the implementation axis. On the grounds that local governments are better able to establish who the needy are, a majority of CEE countries have devolved the responsibility for the daily running of the program to municipalities, thus opting for decentralization. In fact, CEE countries have largely followed a wider penchant for decentralization promoted both by international organizations and by experts, as well as by trends in on-going reforms in Western Europe (Guibentif and Bouget 1997). Only three countries, i.e. the Poland, Slovakia and Slovenia, have retained a system where the local branches of the central administration are responsible for delivering benefits (see Table 11). The implementation system in Czech Republic, while theoretically relying on municipalities, in practice resembles the de-concentrated model.

Table 11 Centralization of social assistance programs in CEE countries

Country	Implementation	Financing	Decision making
CZ	District labour offices & Designated	Central budget	Central
	local		

²³ Deconcentration is a weaker form of decentralization whereby administration is carried out by the local branches of a central institution; it thus involves a fair amount of centralization.

Country	Implementation	Financing	Decision making
	municipalities on behalf of the state; one-off benefit administered by municipalities		
EE	Local government	Central budget for the basic amount; local budget for supplementary benefits	Minimum amount set nationally; local authorities may grant additional benefits of relax eligibility conditions
HU	Local government	Until 2004- 75% central 25% local Since 2004- 90% central and 10% local (100% central for the homeless)	Regular social benefit-amount set nationally Other SA benefits-usually set locally
LV	Local government	Mainly the local budget	Since 2003, the basic amount is set nationally; local authorities may grant additional benefits at their discretion
LT	Local government	Central/state budget	Central. Municipalities grant additional services.
PL	Local and regional offices of the Ministry of Economy, Labour and Social Policy & local government	State budget 20%; local budget- 80%	Central. However, social workers have wide discretion in establishing eligibility.
SK	Local branches of central administration (Ministry of Interior)	Until 2004- Central budget; Since 2004 – Central budget for the first 24 months of receipt and municipalities thereafter	Central
SI	Local branches of central agency (Centre for Social Work)	Central budget	Central

Note: When not indicated otherwise, information refers to the 2004-2007 period.

Source: ((GVG) 2003; (GVG) 2003; (GVG) 2003); MISSCEECII Tables and MISSCEEO Tables;(OECD 2007; European Commission 2010); (Levy and Morawski 2008).

More important than implementation are, however, financing and decision-making. Decentralization of these two functions tends to create strong regional imbalances in the treatment the clients get. More often than not, decentralization of financing and decision-

making is regressive, from a redistributive point of view, as better-off clients living in richer districts receive more comprehensive support than the neediest living in poor municipalities.

In practice, no country assigns local authorities total discretion in establishing the basic amount of the benefit. National level regulations regarding the minimum benefit amount have been established in all eight countries²⁴ (see Table 3.11). Regional variations may be introduced though through the granting of supplemental benefits. The three Baltic States explicitly provide leeway for local authorities to grant additional transfers on condition they are entirely financed from local budgets. Consequently, richer municipalities are often in a position of providing more generous benefits to their residents than poorer ones, where, theoretically, such additional benefits would be more necessary. Similarly, a plethora of locally set benefits for the needy is present in Hungary. Local authorities have complete authority over shaping both entitlement and the support awarded under these programs, although some of are partially funded from the state budget. Finally, local public assistance support is also noteworthy in the Slovak Republic.

Finally, a very important aspect of the central-local balance of responsibilities is the issue of financing. Central governments often opt for decentralization in an attempt to transfer some of the fiscal responsibility from the centre towards the municipalities. Yet, in the absence of an equalization mechanism co-ordinated from the centre, both equity and practical concerns arise. In the most extreme case, poorer localities may find themselves unable to pay out the mandated basic rates. Given these drawbacks, it is not surprising to find that a majority of countries finances the basic rate of the social assistance benefit from the state budget²⁵. Of the eight countries, only Latvia and Poland rely mainly on local budget financing to pay for public assistance benefits. However, local finances are also strongly consequential for the functioning of the program in the remaining two Baltic States, and Hungary. Hungary in particular has a large part of its support system for the needy run on a local basis and using local funds. The Slovak Republic is peculiar in that it funds centrally only the first 24 months of benefits, passing on the funding responsibility to municipalities thereafter. In practice, this means that funding for long-term recipients and the (very) long-term unemployed, is made dependent on local financial circumstances. These recipients are

²⁴ This has not always been the case; Hungary until 1997 and Latvia until 2003 did not have a nationally set minimum income guarantee that encompassed the unemployed.

²⁵ In fact, there earlier on, local budgets were much more relied on to pay for benefits (for example in Hungary or Poland); this is still the case in other countries in the region such as Romania; the central government always performed some kind of equalization; however, since funds were not earmarked but block-granted, municipalities themselves established funding priorities; social assistance programs rarely find themselves on the top of the list.

often the most vulnerable (unemployable, with social problems such as addiction, homelessness etc.), and the most in need of support. Smaller and poorer municipalities may lack the resources to effectively help them.

To sum up, most countries in the region administer their public assistance in a relatively centralized way. Still, clear differences emerge between countries such as Slovenia that rely almost exclusively on a central apparatus and Latvia or Hungary who put greater emphasis on the role of local authorities. At this point, it should be noted that some type of convergence in centralization patterns does seem to emerge, possibly reflecting a consensus for a middle ground. Thus, the countries that have had the most decentralized systems, i.e. Latvia and Hungary took steps to introduce centralizing features. Conversely, some countries that have started out with very centralized systems, namely the Czech and Slovak Republics, have given municipalities greater leeway in administering public assistance benefits.

4.6 Additional Services: Housing and Health-care

In addition to cash transfers, social assistance recipients are often entitled to additional support relating to particular types of expenses. Two, namely housing and health-care are reviewed in greater detail in this subsection. Aside from being areas of particular importance to human welfare, the two are worthy of special attention due to the large amount of resources a household consumes to satisfy its health and shelter needs. Paying for accommodation is often the single largest expenditure in a household's budget. Thus, housing benefits (or lack of thereof) play a crucial role in providing subsistence resources. Similarly, health-care services are usually expensive. Although existing legislation makes access to health-services relatively unproblematic for the majority of the population in all eight countries, social assistance recipients may face special barriers. In particular, where the health system is organized on insurance (rather than residency) principles, unemployed social assistance recipients do not pay health insurance contributions. Thus, unless special arrangements are made, they are excluded from health-care coverage.

Table 12 Social assistance associated rights: housing and health-care

Country	Housing	Health-care
CZ	Housing allowance: income test only; threshold higher than for SA (1.6*min income for the family); differential amount depending on the family income and on the subsistence minimum; actual	Health care is free of charge at the point of delivery for all residents.

Country	Housing	Health-care
EE	housing costs irrelevant No special housing benefit; some housing expenses deductible from assessable income before establishing eligibility	Only emergency care for uninsured persons is covered from the central budget. For other services, providers may require a letter of guarantee from the municipality.
HU	Home maintenance allowance: local benefit paid by municipalities; limit on the size and quality of the home + no income must be derived from it; guidelines on entitlement: if housing costs >20% household income/ income per family member <150% old age pension; local municipalities set the amount of the benefit, but it cannot be lower than a certain limit (2500HUF in 2004; non-SA recipients may qualify	Health care contributions are paid by the state on behalf of SA recipients.
LV	Separate municipality benefit; it is not mandatory for local authorities to establish/pay this benefit; financing entirely local, so benefit depends on available resources	Tax financed health-care system; access based on residency, not contributions
LT	No housing benefit, but special benefit reimbursing the costs of heating and water. Income test + size of housing test to qualify; non SA recipients may qualify	Health care contributions are paid by the state on behalf of SA recipients.
PL	No special support. Local municipalities are charged with running shelters for the homeless	Health care contributions are by the state on behalf of SA recipients.
SK	Housing allowance: fix sum payable only to social assistance recipients	Health care services are normally free of charge. Small health-care allowance granted for SA recipients.
SI	Housing allowance: maximum 25% of the basic SA rate if the recipient is paying rent; benefit cannot exceed the cost of rental in social housing units; only for SA recipients	Health-care contributions are paid for by the state on behalf of SA recipients.

Note: Information refers to the 2004-2007 period

Source: (European Commission 2005; European Commission 2006; European Commission 2007; European Commission 2010)

A detailed outline of both housing and health-care benefits applicable to social assistance recipients are presented in Table 12. Of the eight countries, only Estonia fails to cover in some way health-care services for social assistance recipients. The other seven CEE

states make provisions to insure public assistance clients have access to health-care, either based on their residence or based on contributions paid on their behalf by the state. In fact, even in Estonia, social assistance recipients are not excluded outright but face extra barriers that put them at risk of going without needed health care services. In any case, there is precious little variation in health-care access²⁶, perhaps reflecting a norm that nobody should have to live with unmet medical needs²⁷.

Providing for housing needs is much less uniform in the region. Poland, Estonia, and Lithuania have no special provisions to provide social assistance clients with accommodation. Latvia relies entirely on locally defined, managed and financed provision, which is likely to mean that many of the needy go without help in this area. Even among the four countries that did implement housing benefit, the Czech Republic, Hungary, the Slovak Republic and Slovenia, adequacy in relation to housing costs is often deficient. Most strikingly, no country has made provisions to cover real housing costs²⁸. In fact, in all four countries however, benefits are relatively low, varying between 10-60 Euros per month. Thus, existing housing benefits cannot be said to solve the housing problems of the poor. They might however help alleviate them. In the Czech Republic and in Hungary, housing benefits are available to a larger section of the population compared to minimum income support. On the contrary, in the Slovak Republic and Slovenia benefits are meant entirely for public assistance clients.

In short, health-care needs are provided for in all countries except Estonia, whereas housing provision is much scantier. Yet, housing terms may amount to a substantial amount compared to the basic benefit rate, thus potentially making an important contribution to the recipient households' welfare. Generally, countries with low levels of income support do not provide for special housing benefits. This is the case of the three Baltic States, as well as Poland. On the contrary, countries with more generous minimum income transfers, such as Slovenia, the Czech and Slovak Republics, and to a lesser extent Hungary, also make available extra support for housing needs. Therefore, housing benefits do not compensate for any basic benefit inadequacies, on the contrary. The cross-country difference in benefit generosity is larger once housing benefits are taken into account.

²⁶ Health care costs of social assistance recipients are not included in social assistance expenditure data.

²⁷ The actual operation of the health systems, and whether in practice they actually deliver quality care is an entirely different issue.

²⁸ This is the case for example in Sweden or in Germany.

4.7 Conclusion

Means-tested public assistance schemes have been put in place throughout Central and East European countries in the first half of the 1990's. Following their inauguration, they have been subject to numerous changes and adaptations until finally stabilizing around the minimum guaranteed income model. The lack of a well-established and developed means-tested program under socialism probably both encouraged policy experimentation and fluidity and relegated this type of benefit to a minor position within the wider social protection setup. In all eight countries, expenditure on social assistance benefits is very low while benefit amounts are often tiny in comparison with needs.

Means-test implementation is generally a demanding administrative task, all the more so when it falls upon a bureaucratic apparatus unaccustomed to such a procedure. A fairly complex three pronged entitlement test relying on income, assets and availability for work governs eligibility determination in all eight countries. Initially simple in design, programs have gradually incorporated more complex features, such as earnings disregards or a prolongation of benefit payments after benefit take-up. While mostly crude, such measures have been adopted in response to concerns about possible work disincentives created by the schemes²⁹. Other, more complex measures, such in-work benefits or detailed accounting of assets and customized activation trajectories characteristic of Western schemes, are often lacking. Ensuring that “work pays” is achieved in a majority of countries by providing social assistance recipients with very low benefits and linking them to public works.

Beyond the general commonalities, the eight social assistance programs display substantial divergence, especially in the size and generosity of the basic rates as well as in the mix of central and local responsibilities. Analyzing the differentiation among West European minimum income schemes, Lødemel and Shulte (1992) advance three possible explanations, namely culture, the extent of poverty and the historic development of social insurance. Similar factors may account for Central and East European variation. Firstly, a strong tradition of charity and local involvement in dealing with the poor is likely to bring about a more localized program. The tradition of big urban centres of setting up special programs to deal with poor women (Haney 2002) may have played a role in the establishment of the most decentralized social assistance scheme in the CEE region. Secondly, countries experiencing lower poverty levels, in principle, benefited from more time and resources in developing their public assistance safety nets. Indeed, the wealthiest countries, the Czech Republic and

Slovenia have both the most generous transfers and the most sophisticated programs. On the contrary, countries where poverty is relatively widespread such as Poland or the Baltics may have had to contend with meagre, more rudimentary schemes. Finally, despite of shrinking resources and escalating poverty rates, no country has made any decisive attempt to replace an insurance based welfare state with one heavily relying in targeting. Quite the opposite, new poverty problems have first and foremost been addressed through the existing social insurance programs. The size of the social assistance program can be hypothesized to have been influenced by the form of the social protection system under socialism. Countries that have developed systems orientated toward universalism and inclusion, such as Czechoslovakia and Slovenia (Inglot 2008) also tend to spend relatively more on means-tested cash assistance. Conversely, states such as Poland or the Baltic States that have had a relatively fragmented, unequal and hierarchical system in place tend to assign lower importance to public aid. The existence of well-entrenched privileged categories might discourage the setup of a relatively universalistic program such as social assistance, favouring instead separate channels of aid for these categories, such as for example, severance payments. Obviously, this proposition remains a hypothesis to be confirmed or disproved by empirical research.

If in Western Europe minimum guaranteed income programs have been transformed into a support system for the casual, low-paid worker for whom traditional unemployment insurance does not provide protection (Guibentif and Bouget 1997), in Central and Eastern Europe they play an even more residual role. Since benefits cannot alone guarantee subsistence, they probably supplement agricultural, family and grey economy incomes and child and large family benefits. No reliable estimate of the take-up rate has been put forward so far.

²⁹ It is also likely that CEE countries have emulated some of the innovations developed in the West.

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