

EVALUATION OF THE SOCIAL BENEFITS SYSTEM IN THE VIEW OF POVERTY IN AN UNDERPRIVILEGED AREA OF HUNGARY

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This study evaluates the social benefits system in Borsod-Abaúj-Zemplén County, Hungary, focusing on its effectiveness in addressing poverty. The research highlights the ongoing debate regarding the optimal extent and conditions of social benefits, particularly in areas with high poverty rates. Utilizing interviews with local municipal representatives, the study investigates how perceptions of the social benefits system are influenced by poverty rates and the rural-urban poverty gap. Findings reveal no significant differences in evaluations between rural and urban municipalities in most of the examined aspects, although higher poverty rates correlate with perceptions of welfare dependency and cost reduction. The research underscores the complexity of social support systems and their limited capacity to alleviate poverty, suggesting that while they provide necessary assistance, they often fail to address the root causes of impoverishment.

Keywords: social benefits system, poverty rate, rural-urban poverty gap, Hungary

Introduction

There is a widespread agreement that helping the needy and impoverished is essential. However, there has long been debate about how to help the poor. Trainings, employment policy tools, and social benefits are some of the most common ways to alleviate poverty. They can all contribute to the independent and full lives of the eligible individuals. The need for social benefits is indisputable. However, experts have argued about their optimal extent, the optimal number of recipients, and the conditions for providing benefits.

Given that poverty is a more severe problem in the northeastern part of Hungary, the study focuses on examining the efficiency of the welfare system in Borsod-Abaúj-Zemplén County, a county in the Northern Hungarian region.

In mainstream economics, there are several ways to examine the functioning of the system of social benefits. Many researchers (like Baumberg, 2016; Janssens et al., 2021; Godemé et al., 2022) conducted a representative survey of low-income households. Some other researchers utilized secondary data sources such as EU-SILC (Fuchs, 2007) or Statistics New Zealand's Integrated Data Infrastructure (Chapple-Hyslop, 2021). Marc et al. (2022) delineates a third analytical approach that encompasses interviewing subject-matter experts. Considering the specific features of the studied county, including prevalent moonlighting and the numerous small villages where local municipal representatives are well-acquainted with the community, I opted to employ the methodologies utilized by Marc et al. (2022) and conducted interviews with local municipal representatives due to their expertise on the topic.

The novelty of the research lies in its focus not only on the municipal evaluation of the social benefits system, but also on how it is influenced by the extent of poverty. I examined whether municipal evaluation of the system of social benefits depends on the extent of poverty. When poverty levels rise, local municipal representatives may think differently about the system of social benefits. I also examine whether the municipal evaluation of the aid system accurately reflects the "rural-urban poverty gap."

Definitions of poverty

There is not a single definition of poverty that is acknowledged by everyone. Researchers and policymakers have concentrated on quantifying poverty to formulate measures for its eradication. Objective poverty concepts (Figure 1) encompass absolute, relative, and political definitions. Absolute definitions of poverty posit that the fundamental material requirements of humans are relatively consistent throughout different times and locations. Individuals who cannot fulfill these demands are deemed impoverished. The World Bank employs absolute poverty thresholds to facilitate comparisons of poverty across various nations. Relative poverty notions characterize poverty as existing beneath a specific relative poverty threshold. Individuals may be deemed impoverished if their income levels fall below a specific societal average poverty threshold. The concept of relative poverty can define the poverty line as an income threshold beneath which a certain part (one tenth or one fifth) of the population resides (Hegedűs and Monostori, 2005). The definitions of political poverty concentrate on the segment of the population eligible for social benefits. Besides objective poverty concepts, subjective definition of poverty can be distinguished that considers that poverty is not solely determined by income levels but also influenced by individuals' views and opinions (Guadagno et al., 2013). Subjective poverty can be defined in two ways. It pertains to individuals whom society deems impoverished. Besides, it can be characterized by aggregating individuals' perceptions of their status within the system of inequalities (Spéder, 2002).

The "rural-urban poverty gap"

There is abundant research that focuses on the rural-urban spatial differences in poverty and social exclusion, and on describing the "rural-urban poverty gap". It implies that rural poverty rates are usually higher compared to urban rates. The highest poverty rates can be found in remote rural areas, while urban poverty is also higher in the core cities than in the suburb area (Mosley and Miller, 2006; Summers et al., 2003; Miller and Weber, 2003; Vera-Toscano et al., 2022). Piwowar and Dzikuć (2020) found that rural residents in Hungary are most affected by the issue of the risk of poverty. They concluded that in social policy actions must be taken to reduce the risk of social exclusion, especially in rural areas.

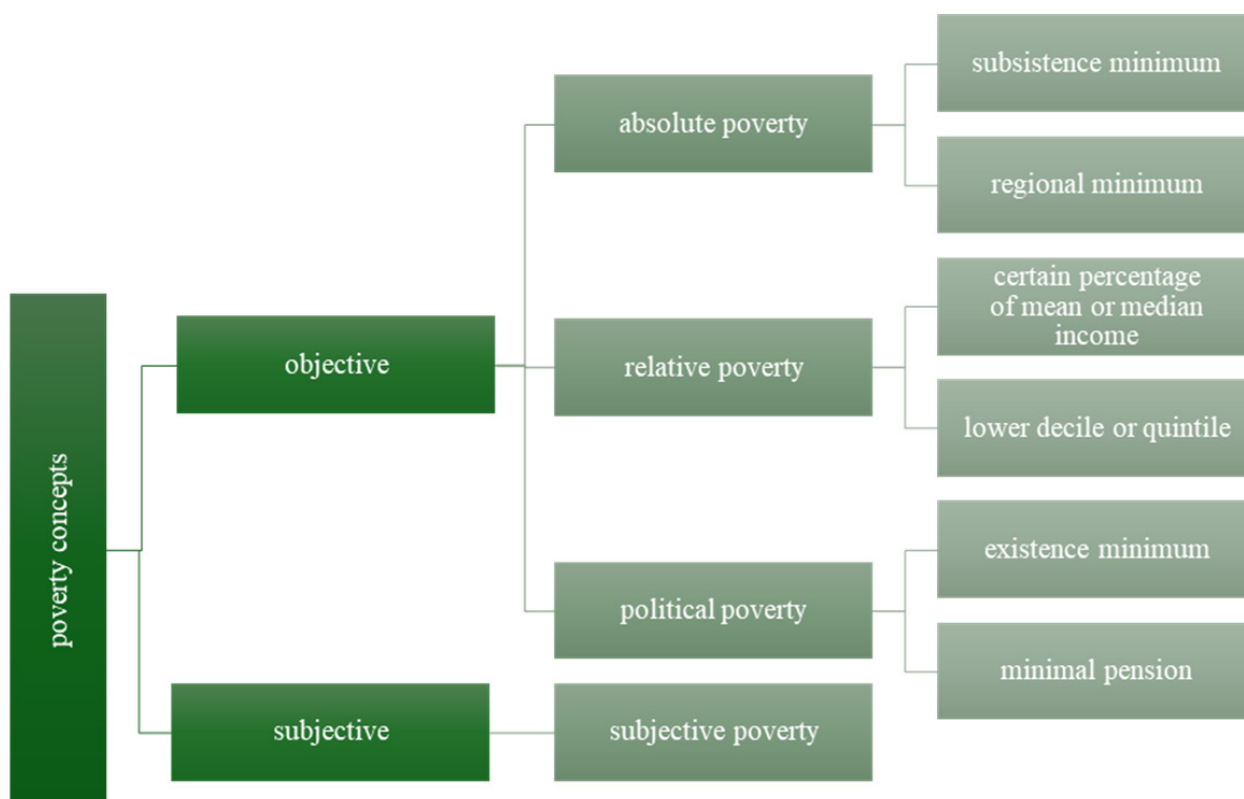


Figure 1 Main poverty concepts

Source: own compilation based on Spéder (2002) p. 52

There are several explanations for the “rural-urban poverty gap”. By examining “left behind places”, Pike et al. (2023) concluded that the process of peripheralization, the industrial structure of local economies, and the social and demographic characteristics of the local population are the main reasons for the rural-urban difference. Vera-Toscano et al. (2022) examined the “rural-urban poverty gap” in England and found that housing tenure (home ownership correlates with higher protection against poverty), labor market precarity (seasonal work and inactivity), and welfare reforms and austerity cuts (that were more severe in the poorest areas) were the key factors.

Bruder and Unal (2017) focused on the rural-urban differences in the causes of poverty and explained them with more working opportunities, more possibilities for earning higher income, for accessing adequate health care and education in urban areas, while the living environment is often less safe and less healthy, and the social network is less protective in urban areas.

Municipal evaluation of the social support system

Krizsai and Tóthné Csatlós (2015) examined the system of social benefits in Nyíregyházi District, Hungary. Even if this district is not situated in Borsod-Abaúj-Zemplén County, the findings of this research work are relevant for the current research because Nyíregyházi District also has high poverty rates compared to the national average. In addition to conducting a panel survey about the beneficiaries’ quality of life, they interviewed experts in the social benefits system within the district. They found that the system of social benefits cannot alleviate poverty. It can only provide symptomatic treatment. They also found that personal contacts play a crucial role in providing the necessary information to individuals in need, enabling them to file in application.

Árva and Bogárdi (2022) examined the opinion of local municipalities in Ózd and its surroundings, a district in Borsod-Abaúj-Zemplén County.

They concluded that local social workers advocate for stricter conditions for social benefits. Moreover, reintegrating beneficiaries into the labor market necessitates organizing trainings, mandating the public work program, and establishing a time limit for social benefit entitlement.

The current paper focuses on Borsod-Abaúj-Zemplén County, Hungary and examines whether the extent of poverty, and the rural-urban poverty gap have an effect on the municipal evaluation on the system of social benefits.

Materials and Methods

In the second part of 2022, I interviewed local municipalities in Borsod-Abaúj-Zemplén County, Hungary regarding their opinions. I reached out to each local municipality via the internet and telephone. Thirty municipalities responded to my inquiries. The limited number of settlements in the sample means that the research findings do not reflect the views of all municipalities in the County.

The sample comprises seven small settlements, each with less than 500 inhabitants, while the largest interviewed settlement is Ózd, with a population of 33,608. The Mayor, the social administrator, or the head of the Mayor’s office predominantly responded to the inquiries in the majority of the settlements involved in the survey.

I identified 11 statements (three potential advantages and eight potential disadvantages) regarding the social benefits system, and local municipalities indicated their level of agreement or disagreement on an agree-disagree scale.

I examined if the local municipality’s evaluation of the system of social benefits was influenced by the percentage of those in need. My hypothesis states that the perception of the system is affected by the ratio of impoverished individuals residing in the specified settlement. To evaluate this hypothesis,

the poverty rate must be calculated. Due to the unavailability of absolute and relative poverty data at the settlement and district levels, I employ the definition of political poverty (Spéder, 2002) and define poverty based on the percentage of individuals receiving the “benefit for people suffering from health problems or taking care for a child,” a form of means-tested social support (previously referred to as regular social assistance). The statistics are accessible at the district level in the Hungarian Central Statistical Office (HCSO) database; therefore, I allocate the poverty data of the corresponding district to the settlements. I categorize the districts into four groups based on the proportion of individuals receiving this support (refer to Figure 2).

The level of agreement with statements about the system of social benefits (strongly disagree, disagree, agree, strongly agree) can be interpreted as a variable measured on an ordinal scale. The Kruskal-Wallis test, analogous to ANOVA for ordinal scale variables, is employed to compare groups formed based on the proportion of individuals requiring assistance (Varga, 2007).

To test the rural-urban differences in the evaluation of the system of social benefits, the sample is divided into the categories of “villages” and “towns”. The sample includes nine villages and 21 towns. The Mann-Whitney test is used in the SPSS program to test the rural-urban poverty gap in the evaluation of the system of social benefits, i.e., to test the stochastic homogeneity.

Results and discussion

The assessment of the system of social benefits based on the proportion of the poor is carried out with Kruskal-Wallis test. The null hypothesis of the test states that the opinion of the local municipalities about the social benefits system is independent of the proportion of people entitled to benefits in the given district. The results of the Kruskal-Wallis test (the last two columns of Table 1) show that there is no significant difference among the opinions of local municipalities for most of the statements. Significant differences can only be found in two cases. Based on the average and the standard deviation values for both statements, the opinions of municipalities were not uniform either. Cost reduction is considered an advantage mainly by settlements with a higher poverty rate. Similarly, the impact of poverty creating welfare dependency is especially realized by settlements with a higher poverty rate.

The null hypothesis of Mann-Whitney test states that the municipal evaluation of the system of social benefits is not different for rural and urban areas. The results of the test (Table 2) show that there is no significant differences between rural and urban areas in the evaluation of the system of social benefits.

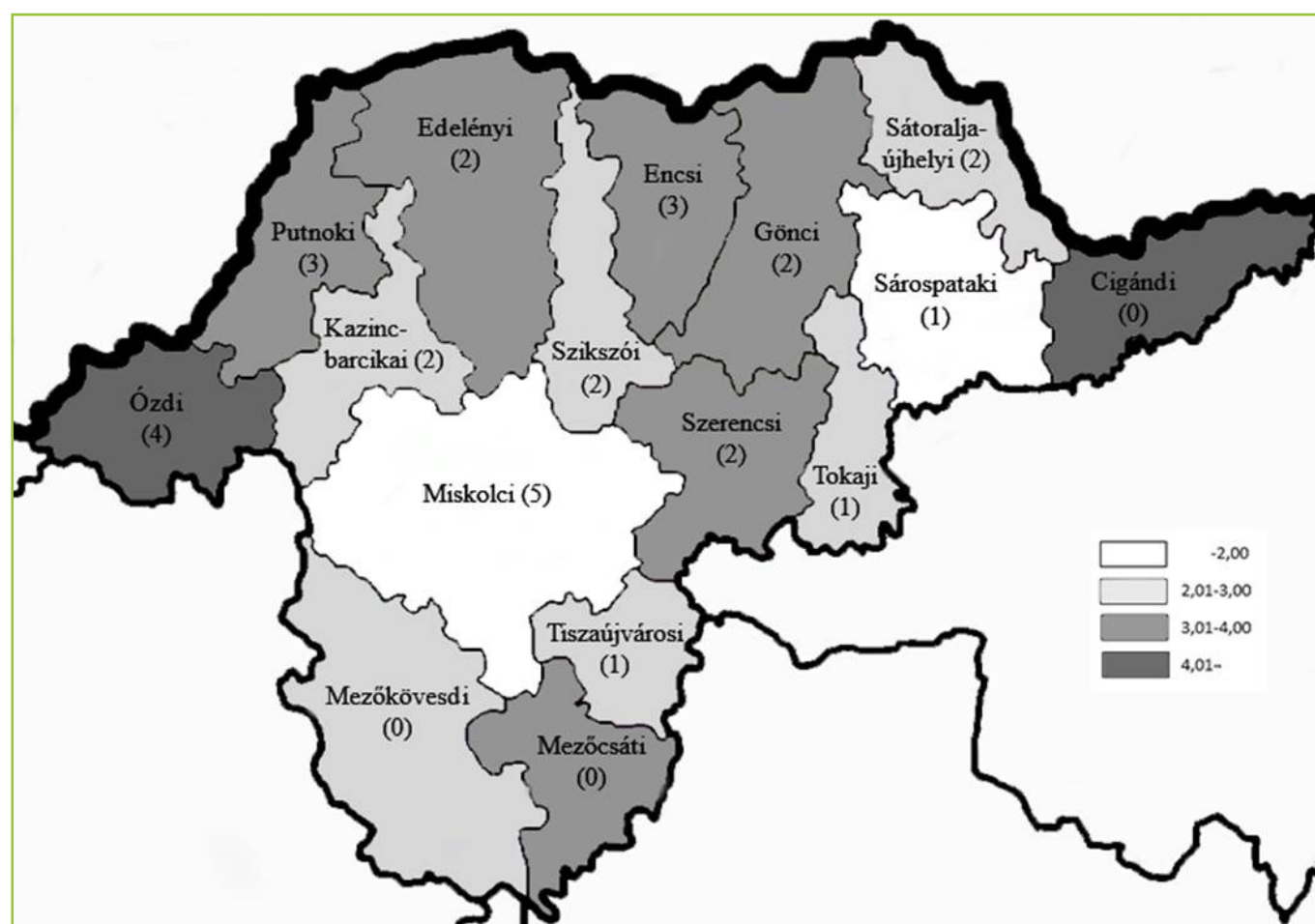


Figure 2 Distribution of the municipalities that participated in the survey among the districts of Borsod-Abaúj-Zemplén Count

Source: own compilation

Table 1 Municipal evaluation of the advantages and disadvantages of the aid system

	Mean (standard deviation)	Kruskal-Wallis test	Sig.
Advantages			
The aid system is rather useful than harmful in helping the deprived persons	3.033 (0.809)	1.930	0.587
An advantage of the aid system is that higher amount of benefit can be paid to one person since only the deprived persons are entitled to it	2.167 (1.020)	2.527	0.470
An advantage of the aid system is its cost saving nature since only the deprived persons are entitled to it	2.500 (1.106)	9.278	0.026*
Disadvantages			
The aid system decreases willingness to work	2.967 (1.098)	7.579	0.056
The aid system creates welfare dependency (the deprived persons can get used to "living for free")	2.700 (1.088)	10.431	0.015*
Taxpayers often consider the aid system unfair	3.433 (0.626)	1.851	0.604
The aid system cannot be an effective help in poverty alleviation	3.533 (0.681)	5.400	0.145
The aid system cannot eliminate the cause of impoverishment. Instead, it only provides symptomatic treatment	3.733 (0.521)	0.865	0.834
The aid system is often humiliating for the beneficiaries	2.367 (0.999)	2.051	0.562
The functioning of the aid system raises many technical difficulties (such as how much should the amount of social benefit be, who should be eligible, under what conditions)	3.233 (0.817)	3.888	0.274
The aid system is unnecessary, as it is the duty of the deprived persons to take effort to help themselves	1.633 (0.765)	6.560	0.087

Source: own computation

* Significance at the 0.05 level

Table 2 Statistical tests for the differences in the municipal evaluation of the arguments for and against the aid system

	Mann-Whitney U	Sig
Advantages		
The aid system is rather useful than harmful in helping the deprived persons	88.500	0.937
An advantage of the aid system is that higher amount of benefit can be paid to one person since only the deprived persons are entitled to it	87.500	0.902
An advantage of the aid system is its cost saving nature since only the deprived persons are entitled to it	75.000	0.465
Disadvantages		
The aid system decreases willingness to work	59.000	0.114
The aid system creates welfare dependency (the deprived persons can get used to "living for free")	52.500	0.062
Taxpayers often consider the aid system unfair	69.000	0.268
The aid system cannot be an effective help in poverty alleviation	77.000	0.463
The aid system cannot eliminate the cause of impoverishment. Instead, it only provides symptomatic treatment	88.000	0.893
The aid system is often humiliating for the beneficiaries	62.000	0.168
The functioning of the aid system raises many technical difficulties (such as how much should the amount of social benefit be, who should be eligible, under what conditions)	62.500	0.149
The aid system is unnecessary, as it is the duty of the deprived persons to take effort to help themselves	81.500	0.658

Source: own computation

Conclusion

In contrast to the wide range of poverty literature that draws attention to the rural-urban poverty gap, there is no significant difference in the evaluation of the aid system between rural and urban areas. It might be so because big cities are not included in the analysis, Ózd being the biggest town participating in the survey with a population of 33,608.

The evaluation of the system of social benefits is not influenced by the poverty rate in the given settlement. The only exceptions are in regard to welfare dependency and cost reduction. Local municipalities with higher poverty rate are more likely to perceive the effect of the system of social benefits creating welfare dependency. They are more likely to believe that receiving supports often reduces individual efforts to escape from poverty. In addition, the settlements affected by higher poverty rate also agree to a significantly higher proportion of the cost reduction that can be achieved through the selective nature of the aid system.

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