

ECONOMIC CRISIS AND THE IMPORTANCE OF SOCIAL TRANSFERS IN REDUCING POVERTY IN CROATIA, WITH ATTENTION TO WOMEN

Abstract

Scientific and political discussions in the world often quarrel about the efficiency of welfare programmes realised primarily through social transfers because it is stated that the welfare system contains a seed of corruption, primarily disincentive for work. Although Croatia has relatively high social expenditures (about 26% of GDP), many are of the opinion that they are not sufficiently effective in the reduction of inequality and poverty. The current social protection system in Croatia is a mix of old and new programs that are continuously being reformed in response to changing social needs and opportunities to provide social transfers or services more efficiently. Some of these programs were inherited from the socialist period, such as pensions and family benefits. Other programs have been added since, such as maintenance allowance, which were initiated during the 1990s to meet the needs of a market economy, and needs-based social assistance programmes. The analyses have shown that expenditures inside the large programmes (pensions) are less strongly oriented towards the poor, while those programmes on which fewer financial resources are spent (welfare benefits) are directed more strongly to the impoverished. But a better insight into the effectiveness of transfers will be given by a comparative analysis, through which we can compare the effectiveness of the Croatian transfer system with the transfer systems of developed and transitional countries.

In the paper after introduction remarks, theoretical framework on social transfers is provided. Economic growth and poverty indicators are explained in Section 2, while Section 3 is dedicated to the trend of total social costs in Croatia. International comparisons and analysis of social transfer efficiency in Croatia are given in Section 4. Section 5 is devoted to conclusion and recommendations with priority of better adjustment of social transfers towards most vulnerable groups, particularly women. For Croatia a comparison between the standard at-risk-of-poverty rate and the at-risk-of-poverty rate before social transfers shows that the exclusion of social transfers caused the increase in the percentage of persons at the risk of poverty from the 21.1% standard rate to the 30.7% rate. If both social transfers and pensions were excluded from the income, the at-risk-of-poverty rate reached 46.7%. Thanks to pensions and other social transfers, the poverty rate reduction in Croatia of 25.6 percentage points is smaller than the EU27 average 27.3 percentage points.

Market forces alone can never be relied on to produce a fair or equitable society. The state must be committed to the reduction of poverty and inequality, and in order to do so, it must maintain a transparent and equitable system of social protection that relies on a foundation of universal coverage and non-discrimination. Social transfers are, in their essential nature, a public responsibility, and are typically provided through public institutions. A wide range of choices and combinations exists regarding the set of financing instruments, the design of benefit entitlements, and administrative arrangements.

Key words: social transfer, poverty, Croatia, social policy