

*Study 8/2022*

---

# Poverty and Social Benefits in Socially Excluded Localities<sup>2</sup>

JUNE 2022

MIROSLAVA FEDERIČOVÁ, KLÁRA KALÍŠKOVÁ, LUCIE ZAPLETALOVÁ

---

## Summary

- This study presents a unique analysis of the living conditions of individuals and households in socially excluded localities (SELs) in terms of their income and exposure to poverty, compared to the average population. Special attention is paid to the receipt of social benefits and their effectiveness in reducing poverty. The analysis is based on unique data from living conditions in a socially excluded localities survey (SEL-SILC), conducted in 2020 by the Agency for Social Inclusion of the Czech Ministry of Regional Development, and from data from the Living Conditions Survey (EU-SILC) conducted by the Czech Statistical Office in 2020.
- On average, SEL households have more members than do average households, and their average age is lower, mainly due to the lesser share of pensioner households in SELs. The population of SELs also has a significantly lower level of education. The percentage of people living in SELs without a high school diploma is 85%, compared to 40% in the general population. Households located in SELs are up to 4 times more likely to experience unemployment and economic inactivity than are average households.
- As a result of their overall significantly lower educational attainment and economic activity, the equivalised net market income of SEL households is about 33% lower than that of the general population. Large differences between the two populations persist even when pensions, social benefits, and other cash income are added to SEL employment income. For example, 10% of SEL households have zero disposable income, while there are no households with zero disposable income in the general population.

---

<sup>2</sup> This study represents the authors' own views and not the official position of the Economics Institute of the Czech Academy of Sciences nor the Charles University Center for Economic Research and Graduate Education (CERGE). The authors would like to thank Daniel Münich and Roman Matoušek for their valuable comments and advice for improving the study, and to a number of colleagues for helpful comments on working versions of the calculations and text. Any remaining errors are the authors' own.

This study was created within the project "Mapping the effects of the economic crisis and optimizing the systems of taxes, benefits, executions and insolvencies to mitigate its adverse effects" (No. TLO4000332), which was co-financed by the Technology Agency of the Czech Republic. The study was also supported by the Czech Academy of Sciences as a part of Strategy AV21.

- Our analysis shows that the Czech social system targets people at risk of poverty well. 94% of households at risk of poverty in the SEL and 73% living in the general population are entitled to at least one social benefit. Of the households in the general population and in the SEL that are not at risk of poverty, just under a quarter of households are entitled to some social benefit. These are primarily sickness and family benefits, which do not target poverty reduction, but are either compulsory insurance benefits or benefits aimed to support families.
- While in the general population, the median household is above the poverty line even based on only their own net market income, in SEL households overall, average median income falls below the poverty line even when all social income received by households is included in calculations. The median SEL household would only move above the poverty line if it were receiving all of the social benefits to which it is entitled.
- The share of households below the poverty line in SELs when social benefits are not included in the calculation is 56.5%. Thanks to the receipt of social benefits, this percentage falls to less than 52%. If households received all the social benefits to which they are entitled, SEL households at risk of poverty would be reduced to 45.6%. Some households have such low incomes that even full benefits do not lift them above the poverty line, but do bring them significantly closer to it. Although some social benefits are ineffective at reducing the risk of poverty, they can significantly reduce the so-called poverty gap, i.e., the degree to which their income falls below the poverty line.
- Low take-up of benefits by eligible households is a problem in both the general population and in SELs. The largest gap between eligibility and receipt exists for housing benefits, which has the greatest potential to reduce the at-risk-of-poverty rate. In SELs, about half of households should be eligible for housing benefits, but only 12% of households report receiving it. Large differences between receipt and entitlement also exist for assistance in material need benefits and child benefits.
- Clarifying and addressing the reasons some available social benefits are underused and thus fail to play their potential role in reducing poverty among low-income households should be a social policy priority. However, studies on this topic are still lacking in the Czech Republic.