

Low take-up of social benefits and what local municipalities think about it in Hungary

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RESEARCH ARTICLE

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ABSTRACT

The study examines how local municipalities evaluate the current aid system. It focuses on Borsod-Abaúj-Zemplén County, Hungary, which has long been affected by poverty and the related social and economic problems to a degree that exceeds the national average. The paper focuses on the low take-up of social benefits, an issue that risks missing the main purpose of the welfare system. The chosen county has a special position because of two reasons. On the one hand, it includes many small villages where the representatives of the municipalities “know” every inhabitant. On the other hand, moonlighting is widespread in small villages. Due to these specificities, I conducted a survey in 2022 and 2023, asking representatives from 33 local municipalities of small villages for their opinions on the low take-up of social benefits. I approached 19 mayors, and 12 other representatives who possess expertise on the subject. According to the survey results, municipalities believed that horizontal efficiency was not achieved, and it is mainly due to disturbances on the demand side. The main cause of non-take-up is the stigmatizing nature of support. Secondly, people perceive information costs as a deterrent to making claims. The third main obstacle to application was the complexity of the application process. Therefore, improving the targeting process is necessary to boost the take-up rate. The research results are relevant for policymakers, researchers, and service providers.

KEYWORDS

welfare system, take-up rate, horizontal efficiency, local municipalities in Borsod-Abaúj-Zemplén County, Hungary

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INTRODUCTION

While there has long been debate about the optimal extent of the role of the state in providing social benefits to the poor, it is undeniable that the state's assistance is necessary. State assistance most often aims to alleviate poverty through means-tested social benefits. Even if many kinds of social benefits aim at improving the living standards of the poor and disadvantaged population, an important challenge for these measures is the low take-up, implying that social benefits and services do not reach all individuals for whom they have been designed (Warin, 2006). The non-take-up of social benefits and services means a major challenge to the effectiveness and the validity of the welfare systems worldwide. It hinders the reduction of individuals' vulnerability to socio-economic changes and the development of their potential to adapt to these changes (Daly, 2002). A considerable rate of non-take-up risks missing the main purpose of the welfare system. It threatens the poverty-reducing ability of the aid system and contributes to unjustified differences among the eligible individuals. Moreover, a considerable non-take-up rate causes delayed health care, educational attainment, and an unsafe environment for children (Fuchs, 2007; Hernanz et al., 2004; Dubois and Ludwinek, 2014; Janssens and Mechelen, 2022).

Many studies (Bouckaert and Schokkaert, 2011; Eurofound, 2015; Baumberg, 2016; Fuchs et al., 2020; Janssens et al., 2021; Goederné et al., 2022; Marc et al., 2022) have focused on examining the non-take-up of social benefits in Western European countries. Less attention has been paid to this problem in the Central and Eastern European (CEE) countries. In most of these countries, including Hungary, the problem has been interpreted in terms of “good targeting,” which implies that there is a concern about eliminating beneficiaries who are not eligible for the welfare system. The issue of eligible individuals who are not beneficiaries has received less attention (Warin, 2006). The evaluation of the aid system is crucially important in areas with higher poverty rates and where more people need external support to make ends meet. That is why the current study focuses on Borsod-Abaúj-Zemplén County in Hungary, which has long been affected by poverty and the related social and economic problems to a degree that exceeds the national and the European average (Keller et al., 2016; Siposné Nándori, 2021; Hajdú et al., 2022).

The study is of particular relevance for the research on the functioning of the aid system because it focuses on the effectiveness of social benefit policies in a CEE country. Additionally, this study will offer information regarding Act CXXXIII of 2015 on the amendment of certain social and child protection laws, the most recent modification since the birth of Act III of Social Governance and Social Benefits in 1993 (Mózer et al., 2015). The current research examines the take-up of social benefits in Hungary for the first time since its inception. Besides focusing on Hungary in Central and Eastern Europe, another novelty of the current paper is its methodology. There have been several ways to measure the non-take-up of social benefits in mainstream economics. Many researchers (like Janssens et al., 2021; Baumberg, 2016; Godémé et al., 2022) have conducted representative surveys of low-income households, separating the participants into eligible and non-eligible individuals and examining whether they are recipients of benefits or not. Others used secondary data like EU-SILC (Fuchs, 2007) or Statistics New Zealand's Integrated Data Infrastructure (Chapple-Hyslop, 2021). Marc et al. (2022) represents a third approach to analysis. In addition to reviewing the literature, they conducted interviews with actors who possessed expertise on the subject. For collecting my data, I chose settlements that exhibit the specificities of the particular county, namely widespread moonlighting and the large number of small villages where representatives of local municipalities “know” everybody.

I followed the methods used by Marc et al. (2022) and approached the representatives of local municipalities and asked them to fill in a survey.

The paper aims to explore the difference between the number of eligible individuals and the number of actual beneficiaries in the chosen villages and if there are beneficiaries who are not eligible and eligible individuals who are not beneficiaries. In addition to the account of the figures, I also want to explore the main factors contributing to the non-take-up of social benefits.

The paper is part of a bigger project that will include polling a representative sample of people in Borsod-Abaúj-Zemplén County, Hungary, about their income and eligibility so that the overall take-up rate can be identified.

SOCIAL BENEFITS AND THE SOCIAL BENEFITS SYSTEM

Titmuss (1991) distinguished three types of social benefits: community, corporate, and benefits provided from taxes. Ferge (2017) supplemented them with private, association, and church donations, and with free gifts. The study deals with what Titmuss calls benefits provided from taxes. Social benefits (also known as subsidies, public aid, or social supports) are defined as “a social transfer provided to individuals in need, financed by taxes, which is divided based on the examination of sources” (Tausz, 2017, p. 310). The aid social system is “the ultimate possibility to alleviate poverty for those who cannot meet their needs from market income, and for whom other institutions of the aid system cannot provide the minimum income to ensure subsistence” (Tausz, 2017, p. 310). Social benefits refer to help provided to the individuals in need that contributes to the ability of the beneficiaries to live an “autonomous, independent, and full life” (Czibere and Mester, 2020, p. 434). However, it is important to note that social benefits are not suitable for eradicating poverty. Instead, they can be interpreted as symptomatic treatments, which help endure and survive the vulnerable situation.

The most important argument in favor of the aid system is economic efficiency (Balogh and R. Fedor, 2014). If the system can significantly improve the poor’s living conditions and provide meaningful help, it is considered efficient. The other important argument is concerned with effectiveness. The aid system is considered effective if all those in need receive social benefits (Ferge, 2008). Effectiveness can be horizontal, when benefits reach each poor person, and vertical, when only the poor individuals are subsidized, and no one receives benefits without needing them (Barr, 2009). Horizontal effectiveness is calculated according to the following formula by Goedemé et al. (2022, p. 10):

$$1 - \frac{\text{number of individuals receiving the benefit in the reference population}}{\text{number of the reference population}}$$

The reference population is defined as the group of individuals being economically vulnerable (measured as having a low income level or a low living standard).

The measurement of vertical effectiveness involves leakage (Goedemé et al., 2022, p. 10):

$$\frac{\text{number of individuals outside of the reference population receiving a benefit}}{\text{number of individuals receiving a benefit}}$$

To represent the three possible configurations of horizontal and vertical effectiveness, I have drawn up Fig. 1, drawing on Krémer’s (2009) and Balogh and R. Fedor’s (2014) definitions. In a

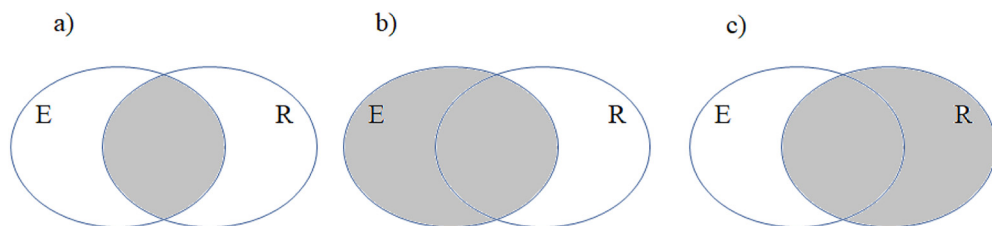


Fig. 1. Vertical and horizontal effectiveness

E: eligible individuals, R: recipients of social benefits, white: empty set, grey: non-empty set

(a) Vertical and horizontal effectiveness is achieved simultaneously.

(b) Only vertical effectiveness is achieved.

(c) Only horizontal effectiveness is achieved.

perfectly functioning aid system, vertical and horizontal effectiveness are achieved at the same time, which implies that each eligible individual receives benefits, and none of those who are not in need receive any (Case (a) in Fig. 1). It means that set E and set R fully coincide, and no one falls outside of the intersection of the two sets. We can, however, detect system disturbances, also known as targeting errors, when social benefits do not have any appreciable effect on the living conditions of the beneficiary. The term “deadweight” typically describes situations in which efficiency is not achieved (Case (b) in Fig. 1). In such cases, there are individuals who do not receive social benefits although they are eligible. The term “low take-up” or “low access rate” typically describes situations where horizontal effectiveness is not achieved. Finally, there can be individuals who receive social benefits even if they are not eligible. These cases, also known as “spoilers” or “wasted expenditure,” indicate a failure to achieve vertical effectiveness (Case (c) in Fig. 1).

Effectiveness is important to reach. Its disturbances can result in a certain number of poor individuals being unsubsidized or the unnecessary spending of public funds, as well as high additional costs in the case of individuals not in need (Krémer, 2009). When social benefits are not universal and only eligible individuals get them, the state can make savings; therefore, a higher amount of benefits can be provided to one beneficiary, or costs can be saved at the macro level (Zombori, 1997).

To reach horizontal effectiveness, it is important to quantify its disturbances and to find their main reasons. The disturbances of horizontal effectiveness can be described with the take-up rate. According to Goedemé et al. (2022, p. 10), it can be calculated as follows:

$$\frac{\text{number of beneficiaries who are also eligible}}{\text{total number of eligible individuals}}$$

Several international and domestic studies have indicated that the take-up rate is usually lower than 100% (Ko and Moffitt, 2022). It implies that the aid system is not efficient horizontally (de Bruijn et al., 2022). Hernanz et al. (2004) revealed that the take-up rate in the OECD countries is usually between 40% and 80%, typically with a large standard deviation. They argue that this may be due to either supply or demand reasons. Disturbances on the demand side include cases when a certain part of eligible individuals do not apply for support, while problems on the

supply side can occur when the state administration incorrectly rejects the application of eligible individuals (Firle and Szabó, 2007).

On the demand side, disturbances can stem from four sources. The first case involves foreseeable benefits (promoting factors) of applying for support: the higher the amount of support, the more likely the eligible individuals will apply for it. Individuals consider the foreseeable benefits smaller if they have other financial resources (like working on the black market or receiving help from family or friends) or if they think their financial difficulties are only temporary (Firle and Szabó, 2007). In Hungary, the foreseeable benefits are difficult to quantify due to the extensive black market, which is especially typical among low-paid physical jobs (Warin, 2006). The second issue concerns the foreseeable costs (detering factors) associated with applying for support, where monetary costs (such as travel expenses) constitute only a small portion. The so-called transaction costs, also known as process costs or application costs (like the time and energy invested in applying for support, such as standing in line, administering, collecting, and filling out the necessary documents), make up most of it. The third one is the specific form of social and psychological cost. It refers to the humiliating or stigmatizing nature of the supports, which is very difficult to measure and quantify (Currie, 2003; Firle and Szabó, 2007; Janssens et al., 2021). Stigma was long viewed as necessary to discourage excessive claims (Besley and Coate, 1992; Baumberg, 2016), but most of the experts have seen it as a cause of non-take-up recently. Reciprocity norms give rise to stigma, which varies in intensity based on judgments of “deservingness” (Baumberg, 2016). Social and psychological costs also include weakening of family ties, loss of self-esteem, and loss of social status (Janssens et al., 2021). Finally, there is the cost of available information (Janssens et al., 2021), which entails whether the eligible individuals are aware of the support, the conditions of the application, and their eligibility (Moffitt, 1983; Firle and Szabó, 2007). Janssens et al. (2021) call this information cost.

In addition to the classification of factors affecting take-up as supply or demand factors, they are also possible to categorize based on three levels of social structure: at the client level, at the administration level, and at the policy design level (van Oorschott, 1996). Janssens and Mechele (2022) added social context as a fourth level to van Oorschott’s classification, including peer effects (information provided by peers can affect whether to participate in social programs or not) and the possibility to reduce information costs.

Take-up rate is difficult to measure. First, acquiring data can create difficulties both for the number of recipients and for the number of eligible persons. Eligibility can be calculated by asking questions about the income level and about other criteria (like family structure, age, or labor market position). In addition to income level, the amount of deductions from the gross income level is also important to know. Program administrators also decide who is eligible, as some provisions are based on discretion (Ko and Moffitt, 2022). Therefore, we can only estimate the take-up rate.

THE AID SYSTEM IN HUNGARY AFTER THE REGIME CHANGE

A milestone in the Hungarian aid system was the regime change in 1990, which generated not only political but also economic and social changes. As a result, both unemployment and inflation increased suddenly and dramatically, which drastically pushed up poverty and income inequality (Andorka, 2006). Andorka and Spéder (1996) estimated that after 1989, at least

two-thirds of the population was impoverished, while only about 10% experienced an increase in their real income level. As a result, the poverty rate reached as high as about 30–35% in 1995 (compared to its estimated 10% in the 1980s), and income inequalities increased from their previous level, similar to Scandinavian countries in the 1980s, to a level that became similar to Western European countries by 1995. The *Act III of 1993 on Social Governance and Social Benefits* was passed to help the increasing number of people living in poverty and social exclusion. Before 1993, government and ministerial decrees determined the scope of social benefits, the conditions of eligibility, and the amount that could be spent on them (Monostori, 1998). Based on the principle of subsidiarity, the act basically entrusted the organization and provision of social benefits to local municipalities. In this system, the state solely assumed responsibility for financing and framework regulation (Czibere and Mester, 2020). Three types of support could be distinguished at the time: income replacement allowance or supplemental subsidies, which were untied; benefits that ensured satisfaction of needs were for limited use; and temporary aid.

At the beginning of the 1990s, unemployed people were the primary target group of the aid system (Monostori, 2001). Ferge (2008) argues that the idea of giving local governments more freedom was revolutionary and could be considered a response to the over-centralization that existed before the regime change. However, she also contends that the idea was introduced too quickly and without enough thought, which caused huge differences in benefits available across local governments.

The aid system has undergone several modifications since 1993. In the second half of the 1990s, the state and the local municipalities were still responsible for the aid system; however, more and more types of social benefits came to be regulated centrally as a “re-centralization” began (Monostori, 2001, p. 358). An amendment was necessary because, due to the uneven powers of local municipalities, the aid systems of the settlements were different, and there was no state administration adjustment over them either (Krizsai and Tóthné Csatlós, 2018). For example, in 1998, per capita GDP was only 694 thousand HUF in Borsod-Abaúj-Zemplén county, while it was 1,918 thousand HUF in Budapest and 1,261 thousand HUF in Fejér county, the most developed county after Budapest (HCSO database). For this reason, the aid system was modified in 1996 and 1997 to reduce the importance of discretion and ensure that most of the benefits became normative. This meant that the municipalities could not exercise discretion in determining the beneficiaries and the amount of support. As the country approached the turn of the millennium, the primary target group of the aid system shifted from unemployed people to families with children, which means that more kinds of support were available for families than before, while the number of types of support provided for unemployed people decreased (Monostori, 2001).

The next change in the aid system occurred in 2005 with the intention of making it more transparent (Mózer et al., 2015). when making decisions about certain benefits (such as regular social benefits, old-age allowances, and care allowances), the power was transferred from the local municipalities to the head of the mayor’s office acting in accordance with state administration, while for other types of benefits, such as housing allowances or out-of-work benefits, decisions could still be made at local municipalities (Krizsai and Tóthné Csatlós, 2018). The modifications allowed for local decision-making about benefit eligibility in a more reliable manner, taking subsidiarity into account. The aim of the modification was to enhance the

fairness and transparency of the aid system as well as prevent any misuse of social benefits (Krizsai and Tóthné Csatlós, 2018).

In the 2010s, with the start of the current Fidesz-Christian Democratic regime, the aid system was changed several times, in 2012, 2013, and 2015. The changes to the 1993 Act included the establishment of district offices and the transfer of cases to those offices that previously belonged under the control of the mayor's office (Krizsai and Tóthné Csatlós, 2018). *Magyarország Kormány* (2012) defines two basic principles of the aid system: incentives to work and the reduction of the amount of the different social supports to the minimum level for those who do not meet the legal conditions. With the 2013 amendment, the districts—previously known as subregions that serve as the second-level divisions of Hungary after counties—along with local municipalities, gained a significant role (Árvai and Bogárdi, 2022). The so-called income compensation subsidies (such as old age allowances or care allowances) could be claimed from the district offices, while the expenditure compensation subsidies (such as one-time support, regular pharmaceutical subsidies, home maintenance support, or debt management services) could be claimed from the local municipalities (Krizsai and Tóthné Csatlós, 2018).

The change in the aid system in 2015 by accepting *Act CXXXIII of 2015* on the amendment of certain social and child protection laws intended to make it more transparent (Mózer et al., 2015). The modification aimed to clearly separate the tasks of the state and local municipalities. From 2015 on, the so-called municipal support system, a new type of social benefit, was introduced, replacing the former types of expenditure compensation subsidies (Krizsai and Tóthné Csatlós, 2018).

METHODOLOGY

I conducted a survey and applied a purposeful sampling to get the opinions of local municipalities in Borsod-Abaúj-Zemplén County, Hungary, at the end of 2022 and at the beginning of 2023. I contacted the mayors of each local municipality both online and by phone, asking them to either fill out my survey, which I had designed and sent electronically, or to have any of their colleagues who are experts in the field complete the survey instead.

There have been several survey methods used to measure non-take-up of social benefits. If it is not feasible to conduct a statistically representative survey designed to estimate non-take-up because it is costly and takes a lot of time, the easiest solution is to use existing surveys. In this case, the survey used needs to include questions about the income of the individuals or appropriate NGOs' annual reports (Warin, 2006). Microsimulation models can use secondary data to estimate take-up rates (Fuchs, 2007). When analyzing take-up rates in Austria, Fuchs (2007), for example, concluded that the use of secondary data induced several problems. Concentrating only on low-income households reduces the sample size considerably and makes the sample of low-income households less representative. Moreover, the widely used EU-SILC dataset contains no information on assets, and self-reported information on income levels (like information on self-employment and on capital income) is often not reliable. Marc et al. (2022) employed a third method of data collection: in addition to conducting a literature review, they consulted local decision-makers to gather their opinions as these individuals have expertise on the subject. The aim of the interviews was to obtain their views on the issue of non-take-up, to make them recommend further relevant literature works, and to recommend further experts in the field.

Conducting a survey for the current study was not feasible for me due to its time and financial requirements. However, I could not rely on using data derived from existing surveys in Borsod-Abaúj-Zemplén County for two reasons. This county includes many small villages. According to the 2022 Census data, 94% of the localities have less than 2,000 inhabitants (<https://nepszamlalas2022.ksh.hu/adatbazis/>). Another contributing factor is the prevalence of moonlighting. Individuals with no declarable income and involved in poorly paid jobs in the black labor market cannot hand in a means test because the administration in local municipalities of small villages “knows” everybody, and they could accuse the applicant of fraud. Therefore, their incomes remain hidden, making it impossible to precisely calculate the number of eligible individuals (Warin, 2006). It makes the analysis of non-take-up in Borsod-Abaúj-Zemplén County, Hungary, extremely difficult. Therefore, I decided to conduct an ad hoc survey on a representative sample and turn to the local decision makers.

The local knowledge of the officials of the small localities is an advantage. They can provide valuable and reliable information on the group of eligible individuals and recipients. I decided to approach them. I constructed an online survey and sent its link to the mayors’ email addresses in each local municipality of the county as an attachment to an email that explains the purpose of my research (namely, getting to know the mayors’ or other local experts’ opinions about the effectiveness of the aid system). If nobody from a local municipality filled out the survey in the upcoming one month, I called them on the phone to negotiate their participation in the survey. If it was necessary, I resent them the link to the questionnaire. In the questionnaire, I asked the number of people in the settlement and the informants’ positions, and not their names, to ensure anonymity. With the help of the survey conducted between October 2022 and February 2023, the study examines how the mayors of the settlements or other local government officials judge the current aid system. I evaluate the opinion of the representatives working in different positions in aggregate. The questions of the survey with their English translation can be found in the [appendix](#).

A total of 33 municipality representatives of small villages with less than 2,000 inhabitants (19 mayors, 5 heads of the mayor’s office, 2 social administrators, and 7 other workers) answered my questions (Table 1). Given the small number of the settlements in the sample, the results of the research do not represent the opinions of all municipalities in the county.

First, I wanted to test whether the number of recipients and the number of eligible individuals is the same or not (Goedemé et al., 2022; Fuchs, 2007; Baumberg, 2016). Therefore, I asked the following two questions:

- (1) *What is your estimate of the proportion of eligible individuals in your village? (E)*
- (2) *What is your estimate of the proportion of recipients of social support in your village? (R)*

Table 1. Distribution of the settlements in the sample based on population size

Population size category	0-499	500-999	1000-1499	1500-1999
Number of settlements in the sample	13	9	3	8

Source: own compilation.

Using the answers to these questions, I calculated the deviation between the number of beneficiaries and the number of eligible individuals with the help of the following equation:

$$\frac{R - E}{E} * 100$$

The indicator shows the difference in percentage between the number of recipients of social benefits (R) and the number of eligible individuals (E). A positive value indicates that there are more people eligible for benefits than those who are in need. In the case of a negative value, there are people who would need external help but are not recipients.

In addition to questions about the disturbances of vertical and horizontal effectiveness, I asked the informants what factors they thought could be contributing to the non-take-up of social benefits in their village.

- (3) *Do you think there are eligible people in your settlement who are not recipients just because they do not apply for social support?*
- (4) *If so, what do you think are the factors contributing to the non-take-up of social benefits?*

RESULTS AND DISCUSSION

Take-up in small villages in Borsod-Abaúj-Zemplén County, Hungary

The first two questions of the questionnaire are: (1) *What is your estimate of the proportion of eligible individuals in your village?* (2) *What is your estimate of the proportion of recipients of social support in your village?* All informants answered both questions; therefore, their distribution, based on the number of settlements in the different categories, is shown in Table 1.

The answers to these questions highlight that almost half (15 respondents out of the 33) of the municipalities reported no discrepancy between the proportion of eligible individuals and the proportion of recipients of social support. They considered the aid system effective (refer to case (a) in Fig. 1). However, 54% of them (18 out of 33) reported disturbances of vertical or horizontal effectiveness. Thirty-nine percent (13 out of 33) reported that only vertical effectiveness was achieved (refer to case (b) in Fig. 1) implying that the number of recipients is lower than the number of eligible individuals; therefore, the take-up rate is inadequate. Fifteen percent (5 out of 33 respondents) reported that only horizontal effectiveness was achieved (refer to case (b) in Fig. 1) implying that more people were entitled to benefits than eligible. The frequency distribution of the differences between the number of recipients of social benefits and the number of eligible individuals is presented in Fig. 2. The high peak indicates that the mode of the deviations between the proportion of eligible individuals and the proportion of recipients is zero.

Reasons for the low take-up

As was highlighted in Section 5.1, 39% of the involved municipal representatives believed that horizontal effectiveness was not achieved and therefore the take-up rate was inadequate. Question 3 (*Do you think there are eligible people in your settlement who are not recipients just because they do not apply for social support?*) examined the presence of disturbances on the demand side.

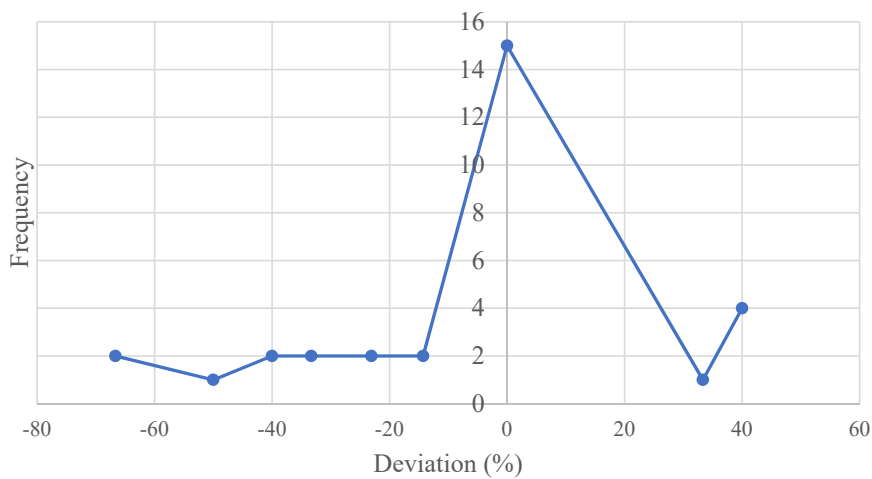


Fig. 2. Histogram of the percentage difference between the number of recipients of social benefits and the number of eligible individuals, based on the responses of local municipality representatives
Source: own compilation.

Sixty-four percent of respondents (21 out of 33) thought eligible individuals did not receive support because they did not apply. It implies that the majority of low take-up is due to disturbances on the demand side.

Question 4 (*If so, what do you think are the factors contributing to the non-take-up of social benefits?*) dealt with the reasons for the low take-up of benefits.

Twenty respondents answered this open-ended question out of the 33 municipality representatives participating in the research. Their distribution based on the number of inhabitants in the given village is shown in Table 2.

There were several reasons mentioned by the participants for the non-take-up of social benefits, with one informant mentioning two reasons. The distribution of the answers is presented in Fig. 3. Most respondents (9 out of 20) thought that those who did not seek outside help were ashamed of their poverty and tried to fix their issues alone. One fifth of the municipality representatives who participated in the survey (4 out of 20) believed that the reason potential beneficiaries did not ask for help was their lack of knowledge about social benefits. Twenty percent of the participants (4 out of 20) identified the complexity of the application process as the main obstacle to applying for benefits. As additional problems, participants mentioned

Table 2. Distribution of the settlements answering question 4 based on population size

Population size category	0-499	500-999	1000-1499	1500-1999	Total
Number of settlements in the sample answering question 4	5	7	2	6	20

Source: own compilation.

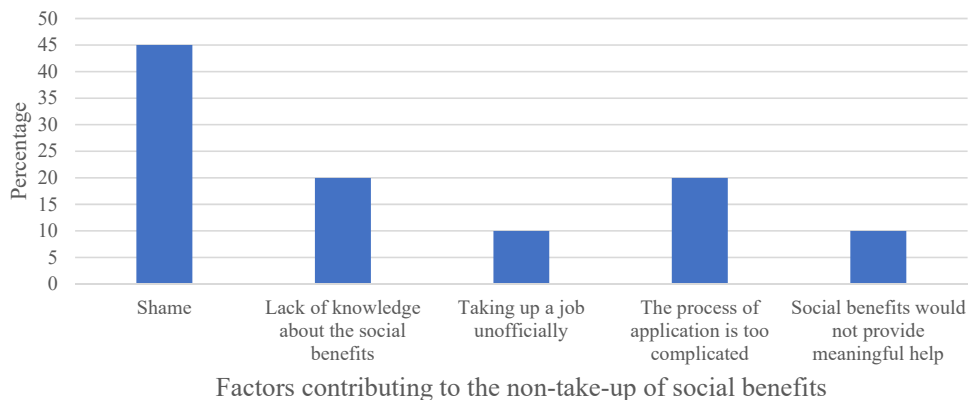


Fig. 3. Factors contributing to the non-take-up of social benefits, based on the responses of the representatives of the municipalities
Source: own compilation.

taking up a job unofficially (2 out of 20) and the fact that social benefits would not provide meaningful help (2 out of 20).

Discussion of the results

The paper examined the horizontal effectiveness of social benefits in an underdeveloped county of Hungary by asking 33 representatives of local municipalities with less than 2,000 inhabitants, who possess expertise on the subject, to explore what they think about the take-up rate of social benefits. Most of the municipality representatives believe that the take-up rate (the ratio of the number of recipients of a social program to the number of eligible units) is inadequate. This finding is in line with the findings of [Darvas and Mózer \(2004\)](#), who examined the family support system and concluded that it was not horizontally or vertically effective; therefore, it can only slightly alleviate poverty.

The research findings indicate that 54% (18 out of 33) of the representatives of participating small villages in Borsod-Abaúj-Zemplén county do not believe that either horizontal or vertical effectiveness are achieved, while 46% (15 out of 33) of the local officials said that the social benefits system is effective. In similar research, [Firle and Szabó \(2007\)](#) estimated the take-up rate of regular social assistance (the most important type of social benefit at the beginning of the 2000s) in Hungary to be 55–57%, which was higher than the available take-up rates for other Central and Eastern European countries within the same income category (30% for the Czech Republic, 32% for Lithuania, or 21% for Slovakia). Its value, however, was close to the estimates for Bulgaria ([Ko and Moffitt, 2022](#)). For Hungary, more recent estimations are not available.

39% of the municipality representatives said that there were eligible individuals in their village who were not recipients. They believed that this was mainly due to disturbances on the demand side. More specifically, they attributed this to the high social and psychological costs of the benefits (45%), to the fact that eligible individuals consider foreseeable benefits to be small (20%), to the lack of information (20%), and to the high transactional costs (20%).

The existence of the black market was considered an important factor contributing to the non-take-up of social benefits at the beginning of the 2000s in Hungary (Warin, 2006). Warin (2006) argued that widespread moonlighting discouraged many people from applying for benefits in small villages because local authorities, “knowing” everyone, would accuse them of cheating. Against this research result, taking up a job unofficially was mentioned only by 10% (2 out of 20) of the participants in the current research and was ranked 5 out of the five factors. Therefore, moonlighting can no longer be considered the main reason for the low take-up in these villages.

Warin (2006) mentioned ethnic origin as another important factor distorting access to social benefits. The Roma population, whose estimated ratio constitutes about 6–7% of the total population (Obádovics, 2022), forms one of the poorest groups in Hungary. The rate of persons at risk of poverty or social exclusion is 66.6% (Lakner, 2023) for the Roma people, while it is only 17.8% for the total population in Hungary (Eurostat). The Roma population has poor educational attainment, minimal labor market engagement, and significant exposure to social discrimination (Hegyi-Kéri and Horváth, 2017). Their geographic distribution is uneven. One of their highest concentrations can be found in Borsod-Abaúj-Zemplén county, where 18% of the total Romani population lives (<https://nepszamlalas2022.ksh.hu/adatbazis/>). Warin (2006) states that eligible Roma people are often excluded from many kinds of social benefits that could improve their living standards and quality of life. Even if a considerable part of the Roma population lives in deep poverty nowadays, the main reason for staying away from the welfare system seems not to be their ethnic origin.

My novel finding is that the stigma of social benefits is believed to be the main reason for eligible people’s reluctance to use them. It suggests that future modifications to the aid system are necessary to lower the social and psychological expenses associated with receiving benefits. There are three main ways in the literature to reduce stigma attached to social benefits. First, politicians and media could use less stigmatizing language (Baumberg, 2016). Second, the operation of the aid system could be organized in a more respectful way. Benefit agency staff could treat the applicants with respect and could provide support if the claimants need it (Gubrium and Lødemel, 2014, p. 200). Third, we could modify the structure of the benefits system to operate in a less stigmatizing manner. This can be done by defining work as a condition for eligibility, like tax credits in Britain that reward only those who work (Breese, 2011).

CONCLUSION

The results of my study suggest that the aid system should focus on making the targeting process better in the future. This will make the system more effective horizontally and reduce the number of eligible people who do not get help. It would be feasible by finding a way to distinguish the group of beneficiaries who are not eligible and excluding them from support (Zombori, 1997). We should conduct further studies to identify practical implementation methods. Moreover, providing information about the aid system to eligible individuals could also help increase horizontal effectiveness.

Provided that the functioning of the aid system is almost the same in the whole country, awareness of the problems revealed in the current research is useful not only for service

providers, policymakers, and experts in Borsod-Abaúj-Zemplén County, but potentially also for other counties in Hungary. The results can also be extended to other countries in Central and Eastern Europe to the extent that relevant aspects of the welfare system are similar across them. Hungary and most other CEE countries pay less attention to eligible non-beneficiaries when assessing welfare system efficiency (Warin, 2006). On the other hand, in CEE countries with a relatively high rate of the Roma population, the Roma living in socially and economically marginalized positions experience poverty and vulnerability. Within the European Union, the majority of the Roma population still lives in CEE countries (Ciaian and Kancs, 2016). Their rate is estimated to be highest in Bulgaria and Macedonia (close to 10%), followed by Slovakia, Serbia, Romania, and Hungary (between 7% and 9%), and Albania, Montenegro, and Kosovo (between 2% and 4%) (Ciaian and Kancs, 2016). A higher take-up rate of social benefits could improve the quality of life and living standards of this vulnerable group of the population. This suggests that other CEE countries may need to explore additional reasons for the Roma minority's lack of applications for benefits. Similarly to Hungary, an important factor can be the high social and psychological costs referred to as stigma attached to social benefits.

The limitation of the current study is the generalizability of the results that are based on the participants' impressions. It should be triangulated by the actual figures the municipalities work with. These figures can be derived from ethnographic data collection and observations in the municipalities and by some semi-structured interviews or focus group discussions with the applicants themselves. Based on that, the next stage of producing representative data across Borsod-Abaúj-Zemplén county can be designed.

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Appendix

General questions about your village

1. Milyen beosztásban dolgozik a település önkormányzatnál/ What is your position at the local municipality?
2. Hány fős az Ön települése?/ How many people live in your settlement?
 - 0–249
 - 250–499
 - 500–999
 - 1000–1499
 - 1500–1999
3. Melyik járásban található a település? In which district can the settlement be found?

Questions about the system of social benefits in your village

1. Mennyire becsüli azok arányát a településen, akik rászorulanak a szociális támogatásokra? / What is your estimate of the proportion of eligible individuals in your village?
2. Mennyire becsüli azok arányát a településen, akik valamilyen szociális támogatásra jogosultak? / What is your estimate of the proportion of recipients of social support in your village?
3. Van-e olyan személy a településen, aki az Ön véleménye szerint jogosult lenne valamely szociális támogatásra, de nem igényli azt és ezért nem is kapja meg? / Do you think there are eligible people in your settlement who are not recipients just because they do not apply for social support?
4. Ha igen, mi lehet az oka annak, hogy ezek a személyek nem igénylik az ellátást? / If so, what do you think are the factors contributing to the non-take-up of social benefits?