

**Title:** *Social exclusion, long term poverty and social transfers in the European Union: Evidence from the ECHP*

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The share of social transfers in GDP has risen almost steadily in recent decades in most European countries. Further, in recent years, in the public discourse of many EU countries there has been a shift in emphasis from “poverty” to “social exclusion”. The fight against social exclusion features prominently among the social policy objectives of most European countries and a considerable proportion of social transfers are devoted directly or indirectly to policies aiming to combat it. Even though in recent years a number of empirical studies have been devoted to the analysis of the redistributive effects of social transfer, in most cases they rely on cross sectional information and provide only a snapshot picture. As a result, so far neither the extent of overlap of those at high risk of social exclusion and at high risk of chronic poverty (“longitudinal poverty”) nor the extent to which social transfers are actually directed towards these groups have been examined in depth. The present paper aims to fill this gap and examines the distributional impact of cash social transfers in a longitudinal perspective in EU member-states, using the balanced sample of the eight waves of the ECHP.

The paper builds on earlier work of the authors, argues that “social exclusion” is closely related to Amartya Sen’s concept of “capability deprivation” and constructs a dichotomous indicator of high risk of social exclusion. In the first stage, groups at high risk of social exclusion and at high risk of “longitudinal poverty” are identified for each EU member-state when the population is grouped into non-overlapping and mutually exclusive groups using demographic, occupational and educational criteria and the extent of the two risk groups’ overlap is examined. In the next stage, the effects of cash social transfers on aggregate inequality and poverty in a longitudinal perspective are analysed in detail. The analysis is carried out separately for all cash social transfers taken together and for non-pension cash social transfers, while an attempt is also made to identify the distributional effects of particular types of non-pension social transfers (Sickness and Invalidity Benefits, Family Benefits, Unemployment Benefits, Other Benefits).

The results show that both the level and the aggregate distributional effects of social transfers vary enormously across EU countries. Likewise, substantial cross-country differences are observed regarding the extent that these transfers are directed towards population groups at high risk of social exclusion or “longitudinal poverty”. Further, the results suggest that these differences are related to the welfare state regime that the country under examination belongs to.