

The Matthew Effect in Local Welfare Policy in Croatia

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The ESSPROS (*European System of Integrated Social Protection Statistics*) methodology was first used in Croatia in 2018 to collect data on social protection expenditure in local government for the year 2017. The aim of this research is to use these data to reveal the level of social inequalities between regional government units (counties) in Croatia and to demonstrate the Matthew effect in the functioning of local welfare policies. Quantitative analysis has demonstrated a significant level of spatial and local disparities. The Matthew effect in local social protection can be found in different social protection programmes which

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are provided at the local level, with the general rule that the more developed local units invest more in social protection programmes for their citizens. Uneven economic development and partial decentralisation in Croatia have created a situation in which one of the fundamental principles of social welfare, the principle of equality, has been seriously compromised.

Keywords: local government, decentralisation, social protection expenditures, Matthew effect, social inequalities

1. Introduction

Discussions about the role of local and regional authorities in social protection and social welfare have in general become topical, among other things, due to recent economic and financial crises faced by many countries, problems in financing a modern welfare state, loss of support for the provision of universal or uniform benefits, and the EU and the Council of Europe's influences to transfer responsibility for social policies to local authorities and administration (Ferrera, 2005; Andreotti & Mingione, 2016). Crises affect social groups and regions unequally and have led to the emergence or spread of various social problems, such as unemployment, poverty, deepening economic inequalities, and the like. In some countries, local governments have borne the burden of rising costs during the crisis for a variety of needs and risks: housing and utilities, long-term unemployment, minimum income benefits, emergency assistance to families, care for the elderly and the infirm, protection of children in vulnerable families, and so on (Council of Europe, 2011). Since 2009 the Council of Europe has advocated the concept of "shared social responsibilities" as one of the pillars of a "new strategy for social cohesion" (Council of Europe, 2012).

The starting point of the paper is the question: do local social welfare systems create a new kind of social cohesion or solidarity? It is often assumed that local provision of public goods and social services is useful because it minimises the cost of provision (less expensive), is more efficient, increases citizen participation, and considers the specifics of the local context. Some scholars (Powell & Boyne, 2001) argue that the lack of central-level social protection funding can strengthen the capacity of local government and administration in an effort to activate new sources of local resources (e.g. private firms and various citizen and user associations). However, ac-

According to Rauch (2007) and Kazepov (2008), if the subsidiarity process and “the rescaling of welfare policies” is not accompanied by the existence of common standards and the continued funding of social protection by the central government, local social policies will experience greater dependence on the discretion of local authorities and the capacity of the civic sector.

Furthermore, a high level of localisation in social protection can weaken the guarantee of rights in social protection and increase inequalities in social welfare between local levels and between urban and rural areas (Procacci, 2001; Preteceille, 2006; Andreotti, Mingione & Polizzi, 2012). Procacci (2001) connects localism with individualisation of welfare and risk. The process of decentralisation in the field of social welfare carries a number of potentially undesirable consequences: lack of control capacities at the local level, territorial fragmentation, and growing inequalities that threaten national social cohesion. When there is a high degree of state regulation of local government social policies (as is the case in Denmark, for instance), decentralised systems can maintain a universally high level of social protection. The regulatory role of the central government is very important in building social cohesion and guaranteeing social rights regardless of local conditions and circumstances.

With the process of decentralisation and localisation of social welfare, the foundation of solidarity is changing: there is a transition from solidarity based on the workplace to solidarity based on the local context in which people live, due to the growth of insecure jobs, temporary contracts, and atypical work contracts. Not only did the traditional work contract guarantee a regular salary, it also provided paid holiday leave, maternity leave, and sickness entitlements or a regular contribution towards the employees' pension. On the other hand, contracts for work obtained through, e.g., a digital platform do not contain any such entitlements, while longer social security is brought into question (ICON-INSTITUT & McGrath, 2016).

Additionally, the decentralisation process is associated not only with the transfer of powers and responsibilities, but also with the pluralisation of social welfare stakeholders. In this second respect, the localisation of social policies is very closely related to the concept of the welfare mix as a mechanism which encompasses relationships among public institutions, private providers, and families in service provision. Studying characteristics of the welfare mix model in social services in Croatia using examples of policies in preschool education and institutional care for the elderly (Matančević, 2014) revealed significant regional inequalities in the level of development.

It is often emphasized that one way to reduce social costs is to encourage the activation of citizens themselves, so that they can exert a greater influence on their own living conditions and take greater responsibility for their own social well-being. This paradigm shift in social policy partly implies the activation of local individual and collective stakeholders and greater individual and local responsibility for social welfare. This means that in some countries local authorities have become stronger stakeholders in the planning, financing, and implementation of social policy measures and programmes, especially in the areas of social assistance, care for children and the elderly, labour market policy, and health care.

Hence, “local welfare states” or the “localisation of social welfare systems” is perceived as a positive shift because such systems are considered to be more efficient, participatory (democratic), and sustainable (Andreotti, Mingione & Polizzi, 2012). They are more effective because citizens’ needs are better met when policies and measures are tailored to a specific context, they are more democratic because they facilitate and enable a more active role for citizens and all civil society stakeholders, and they are more sustainable because local authorities gain very clear funding and spending powers, as well as new funds from local sources. The term *local* here refers to all levels of government below the national level (regions, counties, provinces, towns/cities, municipalities, and so on).

The topic of the role of local authorities in providing social protection has been neglected in Croatia. The Croatian welfare system belongs to the Bismarckian regime of the welfare state (Esping-Andersen, 1990). The main social security systems (pension, health, unemployment insurance) are predominantly financed by contributions paid by employees and employers. In addition, the social assistance system in the 1990s was transformed into a highly centralised system in which local authorities play a marginal role (Šučur, 2008). The obligations of local authorities in social welfare are reduced to financing the costs of housing and services for the homeless, but they can provide for their citizens a wider array of benefits than those envisaged by national legislation. Viewed at the level of the welfare model, local authorities should not contribute significantly to social inequalities, given the high centralisation of almost all social welfare systems.

However, all social protection schemes guarantee benefits at a very low level, usually below the absolute or relative poverty line. For example, the average pension in the Republic of Croatia is about 90% of the national relative poverty line, while the standard monthly child allowance ranges

from 27 to 40 euros and has not been adjusted to the cost of living for over ten years. The standard monthly social assistance (minimum income) is below the minimum food poverty line.¹ It is precisely because of these very low guaranteed benefits that richer local governments (as opposed to poor ones) can create their own social programmes or top up benefits provided by the central government and thus create horizontal, territorially-based inequalities. In fact, the option of introducing their own social programmes was used primarily by larger towns, which prompted a debate on “local welfare states” (Bežovan & Zrinščak, 2001) and additional social inequalities among local units.

Relying on previous research results regarding inequalities in the access to social services at the local level (Bežovan & Zrinščak, 2001; Babić, 2018), the key hypothesis of the paper is that there is a Matthew effect in the functioning of local social welfare in Croatia. According to Rigney (2010), the term *Matthew effect* in the social sciences was first used by the American sociologist R. Merton in his study on the functioning of the prestige system in the scientific community (Merton, 1968). Merton found that prestige scientists and institutions tend to attract more projects and resources, which in turn accumulate more prestige and result in attracting even more resources. He termed it the Matthew effect or principle, in accordance with the Gospel of Mathew (13:12). However, it appears in a similar form in Mark (4:25) and Luke (8:18) with the core message that to those who have, more will be given, while from those who have less, even that will be taken away.

In social policy literature, according to Pisoni (2018), the term Matthew effect was first used by Herman Deleeck in the 1980s as a concept which denotes a situation in which the least disadvantaged individuals are able to benefit more from social policy schemes than their more disadvantaged counterparts. Recent researches in social policy have also highlighted the existence of the Matthew effect in social service interventions, with a particular focus on access to child care services (Pavolini & Van Lancker,

¹ The Croatian food basket indicates the monthly budget needed for an adequate food intake by the reference households. The basket includes a budget for food and for the kitchen equipment required to prepare, serve, consume, and preserve that food. The Croatian basket was estimated under the European Reference Budgets Network (European Commission, 2016a). In 2015, the monthly budget required for a healthy diet in Croatia was EUR 166 for a single person, and EUR 564 for a family of two adults and two children. The food poverty line is an example of the absolute poverty line, and as such it differs from the Eurostat’s relative poverty line defined as 60% of the median national income.

2018; Van Lancker & Ghysels, 2012) or in the broader functioning of the social investment approach.

Using data on social protection costs from regional and local sources, the aim of the paper is to conduct a detailed analysis of the distribution, inequalities, and differences in these social protection costs between counties or regions and answer the main research question: is the Matthew effect present in the functioning of local social welfare in Croatia? To answer this research question, a quantitative analysis of local social expenditures was carried out and the methodological details are explained in part five.

The paper is divided into seven parts. After the introductory part where the Matthew effect and the main research question are presented, the second part provides a detailed overview of the territorial and administrative organisation of the Republic of Croatia. The third part presents the indicators of regional economic inequalities, while the fourth describes the role of local and regional government in social protection. Parts five and six present and describe the data collection process, sampling, methodology, and results of the analysis. The paper finishes with a discussion and concluding remarks.

2. Administrative and Territorial Organisation of the Republic of Croatia

Local government and administration in the Republic of Croatia is defined by the Constitution of the Republic of Croatia, first adopted in 1990, when provisions regarding the administrative-territorial organisation of the socialist period had ceased to be in effect, and according to which the territory of the Republic of Croatia was divided into 101 municipalities (Koprić, 2010). The 1990 Constitution meant that counties, towns, and municipalities were defined as forms of local self-government on Croatian territory. According to constitutional provisions, in 1993 Croatian territory was divided into 21 counties, including the City of Zagreb, 69 towns, and 418 municipalities (Koprić, 2010).

Significant changes followed in 1997 with the adoption of a new Act on Territorial Areas of the Counties, Towns and Municipalities in the Republic of Croatia. Croatian territory was then divided into 20 counties, whereby the City of Zagreb was separated from Zagreb County. These legal changes in 1997 saw the establishment of 47 new towns and changes were made in 34 municipalities. The next important change followed in

2006 with the adoption of a new Act on Territorial Areas of the Counties, Towns, and Municipalities in the Republic of Croatia, and its provisions are currently in place. Croatian territory is administratively divided into two levels (Table 1). The higher level is composed of 20 regional self-government units (counties) and the lower level is composed of local self-government units: 128 towns and 428 municipalities. The City of Zagreb, as the Croatian capital, has the dual status of town and county, which is regulated by a separate law.

Table 1: *Number of local and regional self-government units in Croatia*

	Number of units
Regional self-government units (counties)	20
Local self-government units	556
– Towns	128
– Municipalities	428
Total	576

Source: Authors.

3. Indicators of Regional Economic Inequalities in Croatia

In Table 2, key demographic and socioeconomic characteristics of Croatian counties are available. The figures refer to the period 2011–2016 because the analysis of social protection expenditures will be based on 2017 data (see the Methodology section). Looking at county population in terms of size, the largest two counties are the City of Zagreb and Split-Dalmatia County, while the smallest two are Požega-Slavonia County and Lika-Senj County. If we exclude the City of Zagreb as an urban agglomeration, the counties of Sisak-Moslavina and Split-Dalmatia lead by the share of urban population with 78% and 77% respectively, while the lowest shares of urban population are found in the counties of Krapina-Zagorje and Međimurje (37%). The share of urban population is less than or equal to 50% in only five counties: Vukovar-Srijem, Virovitica-Podravina, Brod-Posavina, Krapina-Zagorje, and Međimurje.

Table 2: *Main demographic and socioeconomic characteristics of Croatian counties*

County	Population (2016)	Share of population in towns (%)	GDP p/c (HRK) (2015)	Avg. unempl. rate (2014–2016) (%)	Development index (2014–2016) ²	Poverty rate (consump.) (2011) (%)
Bjelovar-Bilogora	110,841	65.0	55,868	22	92.58	20.0
Brod-Posavina	146,288	47.0	45,368	21	93.45	35.9
Dubrovnik-Neretva	121,671	64.0	81,554	13	108.58	14.5
City of Zagreb	803,647	100.0	141,379	10	116.56	9.8
Istria	208,109	69.0	100,635	7	108.97	11.9
Karlovac	119,464	73.0	60,932	17	95.19	23.2
Koprivnica-Križevci	110,129	53.0	66,894	14	98.49	20.3
Krapina-Zagorje	127,060	37.0	52,405	11	98.98	18.8
Lika-Senj	46,485	68.0	62,058	17	92.39	19.8
Međimurje	111,669	37.0	68,706	12	100.5	20.8
Osijek-Baranja	287,124	65.0	64,019	24	96.01	28.0
Požega-Slavonia	70,937	75.0	46,119	18	93.95	26.5
Primorje-Gorski kotar	288,328	73.0	97,177	11	105.28	11.9
Sisak-Moslavina	155,251	78.0	58,777	25	91.70	23.7
Split-Dalmatia	451,226	77.0	62,290	19	103.93	19.5
Šibenik-Knin	102,238	75.0	63,095	16	97.04	24.7
Varaždin	169,805	56.0	67,506	10	101.71	17.1
Virovitica-Podravina	78,239	49.0	44,528	26	90.67	33.4
Vukovar-Srijem	163,324	50.0	47,446	24	91.99	31.9
Zadar	169,306	60.0	65,475	12	104.65	25.2
Zagreb	313,072	66.0	62,890	11	105.89	16.7

Source: Authors, based on the Croatian Bureau of Statistics.

² The development index is a composite indicator that is calculated as a weighted average of six standardised indicators of socioeconomic development: 1. average income per capita; 2. average revenue in a region per capita; 3. average unemployment rate; 4. general population movements; 5. level of education of the population; and 6. aging index. The development index is interpreted so that regional self-government units with an index value of over 100 belong to the region of above-average development, while regional self-government units with an index value of below 100 belong to the region of below-average development. See also Graph 4 *infra*.

Using GDP per capita and the development index to analyse the level of development, the most developed counties are the City of Zagreb, Istria, Primorje-Gorski kotar, Dubrovnik-Neretva, and Zagreb County. Consequently, these are also among the counties with the lowest unemployment rates and the lowest at-risk-of-poverty rates. The group of least developed counties (whose GDP per capita is below HRK 50,000) comprises the counties of Virovitica-Podravina, Brod-Posavina, Požega-Slavonia, and Vukovar-Srijem, which have the highest at-risk-of-poverty rates (over 30%) and the highest unemployment rates (over 20%). All these counties are located in the eastern part of Croatia.

The data published by the Central Bureau of Statistics (CBS) on the level of GDP by county from 2018 indicates very high regional and inter-county inequality in Croatia. If we compare GDP by county data available for 2011 and 2018, it can be concluded that the differences in the level of GDP per capita between the most and least developed counties are not only high, but are also increasing both in absolute and relative terms. Thus in 2011 the City of Zagreb recorded a GDP per capita of HRK 137,558, which was 179.2% of the Croatian average for that year. In 2018, GDP per capita in Zagreb reached HRK 170,882 or EUR 22,695, which was 185% of the Croatian average and 123% of EU28 average for that year. At the other end of the spectrum lie the least developed counties from eastern Croatia. For instance, although GDP per capita in Brod-Posavina and Vukovar-Srijem counties did increase between 2011 and 2018, it was with insufficient intensity to converge to the development level of Zagreb or even the Croatian average. For instance, GDP per capita in Brod-Posavina County in 2011 was HRK 43,726 or 57% of the Croatian average, and in Vukovar-Srijem County it was HRK 46,220 or 60.2% of the Croatian average. The differences in GDP had obviously increased. If we look at the level of GDP per capita in 2018, it was 53.8% of the Croatian average in Brod-Posavina County and 54.8% in Vukovar-Srijem County, which is lower than in 2011. Comparing Brod-Posavina County with GDP per capita of the City of Zagreb, the former was at 31.7% in 2011, and dropped to 29% of Zagreb's GDP per capita level in 2018, while Vukovar-Srijem County dropped from 34% in 2011 to 29.6% in 2018.

4. The Role of Local and Regional Self-Government in Social Welfare and Protection

The role of regional and local government in social welfare and protection in Croatia is defined by the Constitution and key laws governing these ar-

eas, such as the Local and Regional Self-Government Act of 2001 and the Social Welfare and Protection Act of 2013. In addition to these national legislations, numerous regulations and bylaws adopted by regional and local government units play a significant role in regulating different types of social benefits and services provided to their citizens; however, due to space limitations they cannot be discussed in detail in this paper.

The Constitution of the Republic of Croatia regulates the scope of the local and regional self-governments authorities in Section VI and within Art. 128–131. Thus Art. 128 of the Constitution guarantees citizens the right to local and regional self-government and elaborates how this right may be exercised. Art. 129 defines the scope of work of local self-government units and expressly states that social welfare and social protection are included in their scope of affairs. It is stated that local and regional self-government units perform a range of activities of regional importance, and that these include activities in the scope of a local unit of self-government, while the planning and development of a social institution network is expressly mentioned in the segment of social security. Art. 130 guarantees the autonomy of regional and local government units and indicates that in performing activities within their jurisdiction, regional and local government bodies are independent and subject only to a review of constitutionality and legality by authorised government bodies. Art. 131 of the Constitution of the Republic of Croatia regulates the right of regional and local government units to independent income sources through local taxation, which they can independently handle to perform activities within their scope, and revenues should be proportional to their powers. Art. 131 also stipulates that the state is obliged to help financially weaker local self-government units in accordance with the law.

Article 19 of the Local and Regional Self-Government Act states that municipalities and cities in their sphere of competence perform activities of local importance which directly address the needs of citizens, and which are not constitutionally or legally assigned to central government bodies, particularly activities related to the organisation of settlements and habitation; spatial and urban planning; utility services; child care; social welfare; primary health care; basic education; culture, physical culture, and sport; consumer protection; protection and improvement of the natural environment; fire and civil protection; traffic on their territory; and other activities in accordance with special laws.

The social welfare system is regulated by the Social Welfare and Protection Act and bylaws, such as rules and regulation that closely regulate this area. This act defines social welfare activities as follows in Art. 3:

“Social welfare is an organised activity in the public interest of the Republic of Croatia, aimed at providing assistance to vulnerable persons, as well as persons in unfavourable personal or family circumstances, which includes prevention, assistance, and support for individuals, families and groups in order to improve their quality of life, as well as the promotion of change and empowerment of social welfare recipients so as to facilitate their active involvement in society”. The Social Welfare and Protection Act prescribes in detail the conditions, criteria, and ways for the recipients to exercise their rights as regards the social welfare system. Most of the rights provided by the social welfare system in Croatia are centralised in the sense that the process of recognition of the rights and payments is carried out via the basic institutions of social welfare – social welfare centres – whose founder is the Republic of Croatia and which are largely financed by the central government. On the other hand, there is a significant number of social programmes that are created by, funded by, and implemented at regional and local government levels. The most common examples of decentralised social programmes in European countries are social service programmes, e.g. those designed to care for children, the elderly, or persons with disabilities, and youth programmes (for the situation in the Netherlands see Jensen & Lolle, 2013; Vermeulen, 2015). The situation is very similar in Croatia, but the decentralisation process in social protection in Croatia may best be described as “partial decentralisation”, which will be discussed and explained further on in the text.

Decentralisation in the social sector of the Republic of Croatia started with the Social Welfare and Protection Act of 1997, i.e. with the stipulation of a mandatory assurance of 5% of the budget revenues of regional and local self-government units to fund the social needs of citizens in their area. In addition, the Act of 1997 enabled regional and local government units to fund social programmes above the minimum which was stipulated by these provisions. Better developed local units took advantage of this option, especially larger cities with stronger fiscal capacity such as Zagreb, Split, and Rijeka. This was the beginning of the creation of important local social programmes, which eventually produced social inequality among citizens of different local areas in Croatia, because the least developed local units did not have the fiscal capacity to create and finance social programmes.

The decentralisation process continued in 2001 with the partially decentralised funding and management of social welfare centres. The activities of social welfare homes for the elderly were also decentralised in that the founding rights and authorities to carry out part of the process and pro-

cedures regarding the establishment of social welfare homes and their funding were transferred to regional self-government units. With modifications of the relevant legal framework of 2001, social welfare centres are still owned by the state, although the funds required to meet the cost of materials, energy, utilities and other services, ongoing maintenance, financial expenses, and other miscellaneous expenditures are distributed from the county budget. On the other hand, the previous way of decentralising in the social sector revealed certain challenges in that some cities, particularly larger ones such as Zagreb, Split, and Rijeka, developed additional social programmes. Some of these were very similar to programmes funded at the central government level and were to an extent parallel programmes, but a significant number included complementary programmes that filled gaps and responded to those social challenges that central programmes did not provide adequate answers to.

5. Methodology

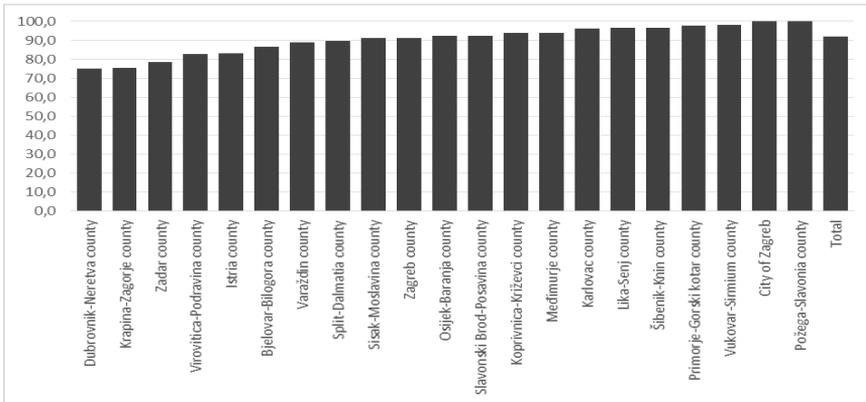
Given that this paper deals with social protection costs met from regional and local sources, the main objective was to analyse the distribution and differences in these social protection costs between counties or regions. The distribution of local/regional social protection expenditures was analysed by means of three indicators: the share of regional expenditures in total local and regional social protection expenditures, the share of regional social protection expenditures in GDP, and per capita social protection expenditures by region.

Two types of regions were used in the analysis: counties and so-called *analytical regions*. When a county is looked at as a *region* (rather than a local/regional government unit), the social protection expenditure of the county as a region includes the expenditure of all local and regional government units in the county's territory: towns, municipalities, and the county as a unit of regional government. Viewed from this perspective, Croatia consists of 20 counties/regions. Analytical regions, on the other hand, are larger than counties and are only created for the analytical purposes of this paper (they do not exist as official administrative units) in the way that one analytical region includes geographically close counties which have a common historical legacy or some other common characteristics. Viewed from this other perspective, Croatia is divided into six analytical regions: Central Croatia, Northern Croatia, Eastern Croatia,

Zagreb, Northern Adriatic, and Southern Adriatic. The Southern Adriatic region comprises Šibenik-Knin County, Zadar County, Dubrovnik-Neretva County, and Split-Dalmatia County. The Northern Adriatic comprises Primorje-Gorski kotar County, Istria County, and Lika-Senj County. Central Croatia comprises Karlovac County, Sisak-Moslavina County, and Bjelovar-Bilogora County, while the Zagreb region comprises the City of Zagreb and Zagreb County. The Northern Croatia region includes Krapina-Zagorje County, Varaždin County, Međimurje County, and Koprivnica-Križevci County. Finally, the Eastern Croatia region is composed of Osijek-Baranja County, Vukovar-Srijem County, Brod-Posavina County, and Požega-Slavonia County.

Social protection is a term that has different meanings in the national and international context, which raises doubts and dilemmas regarding its scope. In this paper, the European System of Integrated Social Protection Statistics (ESSPROS) definition of social protection was used, according to which social protection encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved (European Union, 2016: 8). Social protection costs can be classified according to the risks or needs they cover in the eight functions of social protection: 1. sickness/health care; 2. disability; 3. old age; 4. survivors; 5. family/children; 6. unemployment; 7. housing; and 8. social exclusion not elsewhere classified. For the purpose of analysing the social protection system at the local/regional level, two data sources were used. The first source comprises the databases of official statistical bodies: the Central Bureau of Statistics, ministries, institutes, and the like. The second source of data is a field survey on social protection expenditures in counties carried out from March to May of 2018 as part of the project titled *Harmonization of Local Social Benefits Using ESSPROS Methodology*. It collected data on expenditures referring to 2017. The response rate was more than 90% for Croatia (Graph 1), ranging from 75.2% in Dubrovnik-Neretva County up to 100% in the City of Zagreb and Požega-Slavonia County. All counties as administrative units and almost all cities reported a complete set of data, while the response rate of municipalities was a little under 80%. This suggests that the data were obtained on a representative sample.

Graph 1: Response rates in 2018 by share of population in counties

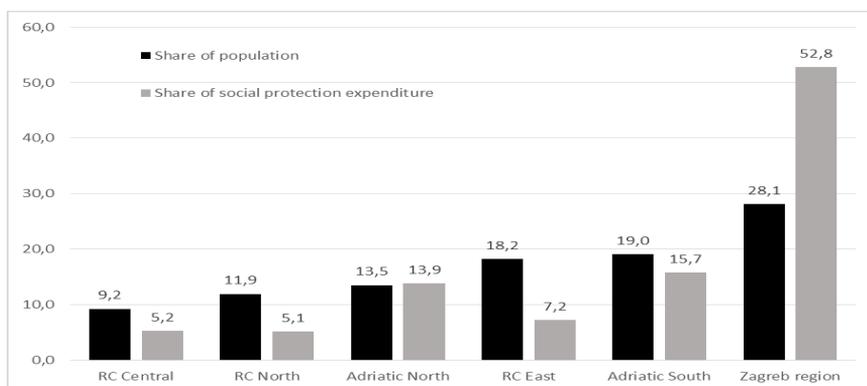


Source: Authors.

6. Results: Quantitative Analysis of Social Protection Expenditures at the Regional/County Level

When analysing social protection in analytical regions, it turns out that the share of regional expenditures in overall social protection expenditures correlates with the share of the region's population in the total population of Croatia. Graph 2 shows that the Zagreb region holds an above average share in overall social protection expenditure (with a population share of 28.1%, it spends more than 52% of social protection funds at local government level). The second place in terms of the share in overall social protection expenditure is held by the Southern Adriatic region, which, with a population share of 19%, uses approximately 16% of social protection funds at the local level. The Northern Adriatic region is next with a similar population share and social protection expenditure. The region of Eastern Croatia follows with a 7% share in social protection expenditure, but it is significantly larger than the Northern Adriatic region in terms of population share (18.2%). Finally, Central and Northern Croatia have the smallest share in local social protection (approximately 5% each).

Graph 2: *Structure of social protection expenditure by analytical region (%)*



Source: Authors.

Legend:

Adriatic South = Šibenik-Knin County, Zadar County, Dubrovnik-Neretva County, Split-Dalmatia County

Adriatic North = Primorje-Gorski kotar County, Istria County, Lika-Senj County

RC Central = Karlovac County, Sisak-Moslavina County, Bjelovar-Bilogora County

Zagreb region = City of Zagreb and Zagreb County

RC North = Krapina-Zagorje County, Varaždin County, Medimurje County, Koprivnica-Križevci County

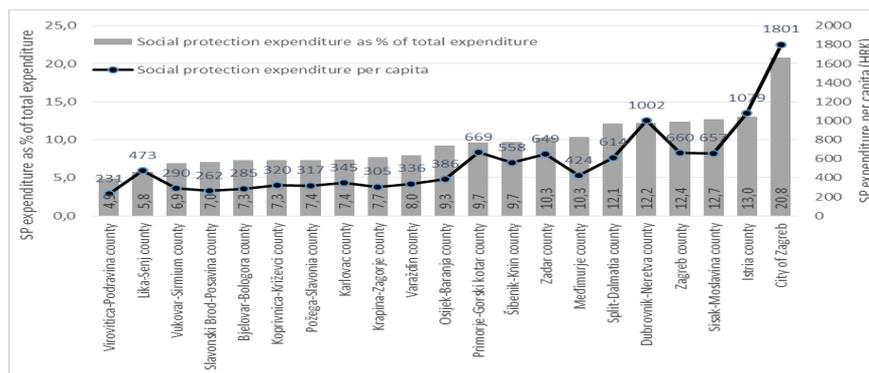
RC East = Osijek-Baranja County, Vukovar-Srijem County, Brod-Posavina County, Požeška-Slavonia County.

The data suggest that, given the share in the total population, the Zagreb region records an above average share of local social protection expenditures, while shares in the Northern Adriatic and Southern Adriatic regions are in correlation with their population and social protection expenses. The region of Central Croatia reports a somewhat lower share in expenditure in relation to the population share, while a significantly lower share in overall social protection expenditure with regard to the population share is reported primarily from the regions of Eastern and Northern Croatia.

As regards counties as regions, Graph 3 suggests regularity in that the more developed counties record higher relative allocations for social protection measured by the share in total budget expenditures and a higher level of social protection expenditure per capita. This group of counties comprises the City of Zagreb, Istria County, Dubrovnik-Neretva County and Zagreb County. Less developed counties are lagging behind in the

distribution with a lower level of budget spending and a lower level of social protection expenditure per capita, and these include the counties of Virovitica-Podravina, Brod-Posavina, Bjelovar-Bilogora, Vukovar-Srijem, and Požega-Slavonia. As a general rule, these counties allocate less than 8% of budget expenditures to social protection, which means their social protection expenditure per capita amounts to less than HRK 320. The exception to the rule is Sisak-Moslavina County, whose development index ranks it among the less developed counties, but whose social protection allocations place it towards the top of the distribution, among the developed counties. If we exclude the City of Zagreb as the capital city with county status, the county of Sisak-Moslavina has the largest share of urban population (78%), which could be one of structural reasons why this county, albeit underdeveloped, has somewhat higher social protection expenditure than similarly developed counties.

Graph 3: Social protection expenditure per capita and as share of total (budget) expenditure by county/region



Source: Authors.

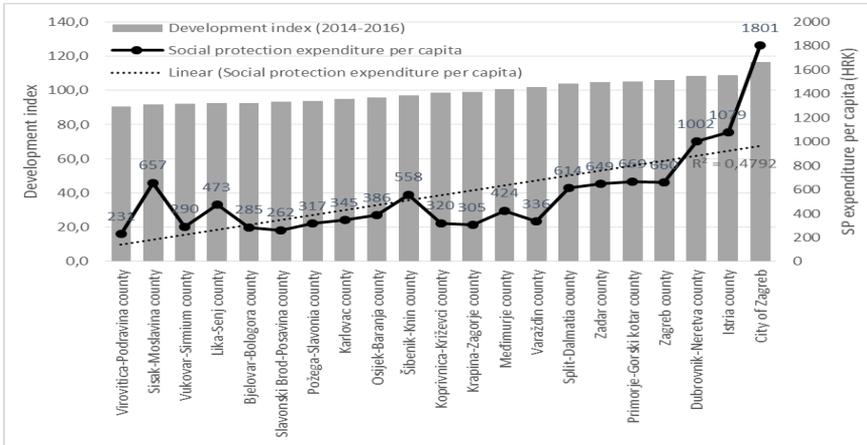
Graph 3 also suggests that counties with a higher share of budget allocations for social protection generally have a higher level of social protection allocations per capita. An exception to this is Lika-Senj County, which comes second last in terms of the percentage of allocations for social protection, but its lower population density and smaller population mean it is ranked in the middle of the distribution in terms of social protection expenditure per capita. As is expected, in terms of the relative amount of budget allocations for social protection, the City of Zagreb ranks at the top, with 20.8% of budget allocations for social protection. The City

of Zagreb also ranks at the top in terms of social protection expenditure per capita (at HRK 1,801). The runner-up is the economically developed Istria County, with 13.0% of budget allocations for social protection and HRK 1,079 per capita. Dubrovnik-Neretva County follows at HRK 1,002 per capita and a slightly smaller share of budget allocations (12.2%), but – along with the City of Zagreb and Istria – this is the only county with allocations per capita over HRK 1,000.

Dubrovnik-Neretva County is followed by two more developed counties, Primorje-Gorski kotar and Zagreb, with expenditures per capita at HRK 669 and HRK 660 respectively. They are followed, somewhat surprisingly, by the less developed Sisak-Moslavina County, at HRK 657 per capita, whose budgetary allocations of 12.7% exceed the counties mentioned previously and place this county third. Ranked towards the end of the distribution are less developed counties, but it is important to note the very large difference between social protection expenditures per capita of the top and bottom-ranked counties: the City of Zagreb has seven times more allocations per capita than the two bottom-ranked counties, Virovitica-Podravina and Brod-Posavina. This dramatic difference in the levels of investment in social protection and preschool education certainly reflects negatively on the level of services and the quality and availability of social protection and preschool education services in those counties/regions.

Graph 4 mainly indicates a clearly positive correlation between the level of county development and its per capita investment in social protection schemes and preschool child care. More developed counties, with a development index of over 103, record over HRK 600 of social protection expenditures per capita, while counties with a development index below 100 (below the Croatian average) have per capita expenditures that are usually below HRK 400, with a few exceptions such as Šibenik-Knin, Sisak-Moslavina, and Lika-Senj counties, which – even with a development index below 100 – still record per capita expenditures of over HRK 400. An exception to the trend can be seen in Sisak-Moslavina County, which is ranked second last in terms of its development index (91.7), while it is ranked fourth in terms of its per capita expenditure (HRK 657). It is also on a par with the most developed counties in terms of investments in social protection. It would thus be worthwhile to take a closer look at what brought about the position of this county.

Graph 4: Social protection expenditure per capita (in HRK) and county development index*

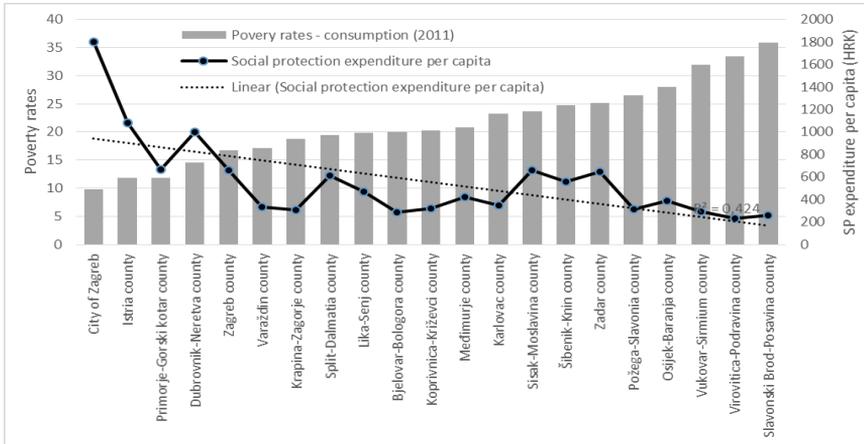


Source: Authors.

Note: The chart shows the correlation between social protection expenditure per capita by county and relative poverty risk by county, calculated on the basis of 2011 census data. In the chart, counties are shown in columns and arranged from lower to higher at-risk-of-poverty rates, while the curve indicates social protection expenditure per capita.

It is also clear from Graph 5 that there is a negative correlation between the rate of poverty and social protection expenditures per capita. Counties with at-risk-of-poverty rates below 15% (City of Zagreb, Primorje-Gorski kotar, and Istria) have significantly higher per capita expenditures for social protection in its entirety, including preschool expenses (City of Zagreb HRK 1,801 and Istria and Primorje-Gorski kotar over HRK 1,000). By contrast, counties with at-risk-of-poverty rates of over 30% (Virovitica-Podravina, Vukovar-Srijem, and Brod-Posavina) have significantly lower social protection expenditure per capita (under HRK 300).

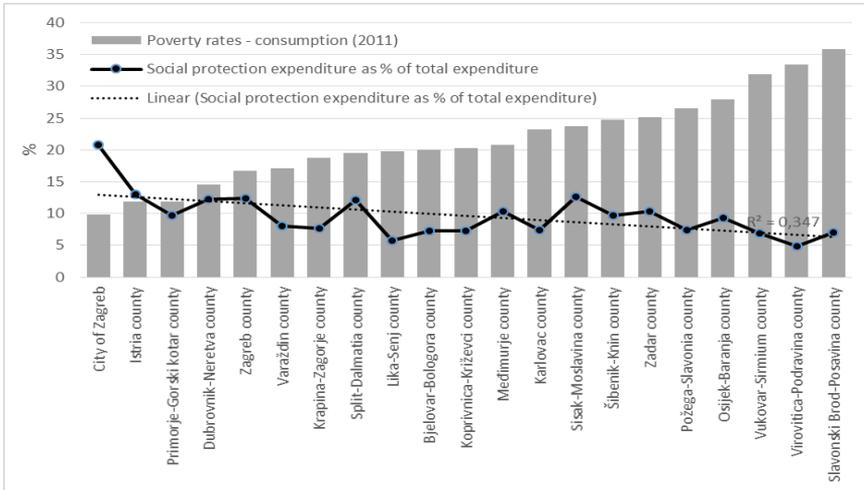
Graph 5: Social protection expenditure per capita (in HRK) and relative poverty rates (2011)



Source: Authors.

Counties which registered higher levels of poverty were expected to allocate a higher level of their budget expenditures for social protection schemes largely directed at alleviating poverty. However, the data shown in Graph 6 suggest the opposite, showing that counties with higher poverty levels in fact have lower budget allocations for social protection. Counties recording at-risk-of-poverty rates of over 25% (Virovitica-Podravina, Vukovar-Srijem, Požega-Slavonia, Brod-Posavina, and Osijek-Baranja) thus allocate a smaller share of their budget expenditures for social protection schemes (5–7% as a rule), while more developed counties with significantly lower at-risk-of-poverty rates (City of Zagreb 9.8%, Istria 11.9%) allocate a significantly higher share of their budget expenditures for social protection schemes and preschool child care (City of Zagreb 20.8% and Istria 13.0%).

Graph 6: Social protection expenditure as % of total (budget) expenditure and poverty rates (2011)



Source: Authors.

Note: The chart shows the correlation between social protection expenditure per capita by county and relative poverty risk by county, calculated on the basis of 2011 census data. In the chart, counties are shown in columns and arranged from lower to higher at-risk-of-poverty rates, while the curve indicates social protection expenditure as % of total budget expenditure.

Social protection expenditure by share of local government units (cities, municipalities, and counties) within a county/region shows that the share of cities in social protection expenditure is generally significantly higher in all counties when preschool child care expenditures are included. This is because cities are most frequently the founders and funders of preschool child care institutions in Croatia. Therefore, the average share of city expenditure in overall social protection amounts to 65.4% (but 42% when preschool costs are excluded). The average share in the expenditure of counties as local government units for overall social protection is about 18%, while the average share of municipal expenditures is 17%.

A larger share of total expenditures of a county/region is noted in cities in the counties/regions with larger urban centres, while a smaller share of total expenditures for social protection is observed in cities in the more “rural” counties of northwestern Croatia, which have an above average percentage of rural population in the total population (Međimurje, Krapina-Zagorje, Koprivnica-Križevci, Virovitica-Podravina, and Lika-Senj). In

contrast, in the more “urbanised” counties, the share of municipalities in overall social protection expenditure is lower, while in the more “rural” counties the municipalities’ share in expenditure is higher.

7. Discussion and Conclusion

The distribution of expenditure amongst the different types of units primarily reflects their varying responsibilities. As the capital of Croatia, the City of Zagreb has the unique dual status of county and city and accounts for 47.4% of all social protection expenditure at the local and regional level. The remaining cities account for 36.7%, counties for 8.0%, and municipalities for 7.9%.

These data point not only to differences in social development between counties/regions, but also to large differences in social development between local government units (municipalities and cities) within a single region. Given that municipalities are small (the great majority have fewer than 5,000 inhabitants) and have a rural population, it is to be expected that cities will have a higher level of economic development and social spending. As has already been noted, large cities are leaders in the introduction of new social programmes and the provision of higher social benefits (Bežovan & Zrinščak, 2001). This means that the deepening of differences in social development at the local level is also manifested as the deepening of differences between rural and urban communities.

The analysis of spending by groups of neighbouring counties (analytical regions) after aggregating the expenditure of all the units they comprise shows significant disparities between regions in terms of per capita spending. Zagreb region (City of Zagreb and Zagreb County) accounts for 52.8% of all social protection expenditure, but only for 28.1% of the Croatian population, whilst regions in the north and east of the country spend much less than their share of the population (North accounts for 5.1% of expenditure vs. 11.9% of population, while East accounts for 7.2% vs. 18.2% respectively).

Strikingly, whilst social protection ought to be targeted at those most in need, there is a clear tendency for the spending of the counties/regions to be correlated with the level of development and negatively with the risk of poverty. The City of Zagreb is the most developed county in the country and has the lowest at-risk-of-poverty rate, but spends more than seven times as much per capita than Virovitica-Podravina and Brod-Posavina

counties, which are among the least developed counties and have at-risk-of-poverty rates of over 30%.

Such differences are also reflected in the proportion of budget expenditure spent on social protection. The low at-risk-of-poverty rate in the City of Zagreb can mostly be attributed to a greater level of economic development: Zagreb is the capital, the industrial centre, the centre of the IT industry, the area where a highly educated and highly skilled workforce is concentrated, with high wages, and so on. In addition, the City of Zagreb has the largest share of social spending per capita. Expenditures for social programmes in 2013 accounted for 7.1% of the Zagreb budget (Šučur, 2019).³ If the costs of early childhood education and care are added to these expenditures, then the total social expenditures in the City of Zagreb amounted to about 20% of the city budget for that year. In contrast, social expenditures in some small cities accounted for less than 0.5% of their budgets (Bežovan & Zrinščak, 2001; Šučur et al., 2016). Therefore, it can be assumed that social programmes in Zagreb have been effective in terms of poverty reduction, although there have been no adequate evaluations of these programmes so far.

Fundamentally, the data imply that the level of spending is linked to the wealth of the region and not the level of demand, which means that those living in the poorest regions and those most in need are least likely to get access to quality services or adequate benefits, thereby contributing to increased social inequalities.

The differences in the level of economic development between regions of the Republic of Croatia induce differences in the social status of the population of Croatian counties and local self-government units, but also induce differences in the fiscal capacity of local and county budgets to finance social programmes. In other words, underdeveloped local and regional self-government units are faced with a higher level of social challenges, such as higher unemployment levels and poverty risk, and require a higher degree of intervention in terms of social programmes in order to mitigate different social problems. However, due to low levels of economic activity and budget opportunities for funding social programmes, these

³ The City of Zagreb has developed “its own child allowance” for all preschool children, regardless of family income. In addition, all children attending primary and secondary school are entitled to free textbooks. The city provides regular monthly cash benefits to retirees with low pensions, cash benefits for people with disabilities receiving personal disability benefits, contributes to covering housing costs, provides free transportation for many vulnerable groups, and the like.

less developed units are significantly limited in comparison with, e.g., the City of Zagreb. In more developed regions and larger cities, new social programmes have been created that are suited to the social needs of the population, while less developed regional and local units are increasingly lagging behind in social protection. This has brought about the problem of double inequalities: economic ones, as a result of a lower level of development and continuous lagging behind in the development of local and regional self-government units, and social inequalities, as a result of the inability of less developed units to provide similar levels of social protection to their citizens.

Consistent with the socioeconomic approach to welfare, the level of economic development and demographic trends exert a crucial influence on the degree of welfare development (see: Wilensky, 1975; Stambolieva, 2011). The findings on local social development in Croatia can be understood from the perspective of the socioeconomic school, which explains the positive relationship between the level of social spending and the level of economic development. Differences in the level of economic development of local government units in Croatia are the result of a number of historical, economic, and other determinants, as well as the administrative-political framework. Regarding the latter, about 85% of the municipalities have fewer than 5,000 inhabitants and about 50% of the cities have fewer than 10,000 inhabitants (Pavić, 2010), which affects their low fiscal potential.

Over the past 20 years, these trends – uneven economic development and “partial decentralisation” (Babić, 2018) – have created a situation in Croatia in which one of the fundamental principles of social welfare and social policy, the principle of equality, has been seriously compromised. Quantitative analysis has demonstrated a significant level of spatial and local disparities in the availability of institutional care for the elderly and children, as well as uneven social protection in terms of provision of cash or in-kind benefits. Moreover, it is clear from the results of quantitative analysis that the existence of the Matthew effect is one of the key characteristics of local social programmes in Croatia. The Matthew effect in the local social protection can be found in different forms in different social protection programmes which are provided at the local level, with the general rule that the more developed local units invest more in social services and provide greater cash benefits to their citizens and vice versa. One way to reduce disparities in Croatia’s local social development is to raise minimum standards throughout the country. To do this, the central

government needs to play a stronger role in various areas of local social development, as evidenced by research studies in other countries (Rauch, 2007; Kazepov, 2008; Andreotti, Mingione & Polizzi, 2012). For example, the financing of early childhood education and care is left to local authorities, which has resulted in huge differences in the provision of pre-school services to children, especially between developed and underdeveloped, and urban and rural communities. In addition, changes are needed in the territorial-administrative framework with the aim of merging and consolidating mainly small municipalities and thus increasing their financial and fiscal capabilities.

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THE MATTHEW EFFECT IN LOCAL WELFARE POLICY IN CROATIA

Summary

The ESSPROS methodology was first used in Croatia in 2018 to collect data on social protection expenditure in local government, for the year 2017. The aim of this research is to use these data to reveal the level of social inequalities between regional government units (counties) in Croatia and to demonstrate the Matthew effect in the functioning of local welfare policies. Quantitative analysis has demonstrated a significant level of spatial and local disparities in the availability of institutional care for the elderly and children, as well as uneven social protection in terms of the provision of cash or in-kind benefits. The Matthew effect in the local social protection can be found in different forms in different social protection programmes which are provided at the local level, with the general rule that the more developed local units invest more in social services and provide greater cash benefits to their citizens. The underdevelopment of these services is particularly noticeable in the less developed, eastern part of Croatia (counties of Slavonia), while at the same time, highly developed social services are provided in the City of Zagreb. Over the last 20 years, uneven economic development and partial decentralisation have created a situation in Croatia in which one of the fundamental principles of social welfare and social policy, the principle of equality, has been seriously compromised. This has brought about the problem of double inequalities: economic ones, as a result of a lower level of development and continuous lagging behind in the development of local and regional self-government units, and social inequalities, as a result of the inability of less developed units to provide similar levels of social protection to their citizens.

Keywords: local government, decentralisation, social protection expenditures, Matthew effect, social inequalities

MATEJEV EFEKT U LOKALNOJ SOCIJALNOJ POLITICI HRVATSKE

Sažetak

Podaci o troškovima socijalne zaštite na razini lokalne vlasti prvi su put u Hrvatskoj prikupljeni prema metodologiji ESSPROS tijekom 2018. za 2017. godinu. Koristeći se tim podacima, cilj je istraživanja bio ispitati razinu socijalnih nejednakosti između jedinica regionalne samouprave (županija) u Hrvatskoj i upozoriti na Matejev efekt u funkcioniranju lokalne socijalne politike. Kvantitativna analiza pokazala je da postoje znatne lokalne i teritorijalne razlike u dostupnosti institucijske skrbi za starije i djecu, odnosno socijalne zaštite s obzirom na pružanje novčanih i nenovčanih naknada. Matejev efekt u lokalnoj socijalnoj zaštiti postoji u raznim oblicima u različitim socijalnim programima koji se pružaju na lokalnoj razini uz jedno opće pravilo da razvijenije lokalne jedinice ulažu više u socijalne usluge te pružaju više novčanih naknada svojim građanima i obratno. Nerazvijenost usluga posebice je uočljiva u slabije razvijenim dijelovima istočne Hrvatske (slavonskim županijama), dok su visoko razvijene socijalne usluge dostupne u Gradu Zagrebu. Nejednak ekonomski razvoj i djelomična decentralizacija u posljednjih dvadesetak godina u Hrvatskoj stvorili su situaciju u kojoj je jedno od osnovnih načela socijalne dobrobiti i socijalne politike, načelo jednakosti, ozbiljno ugroženo. Tako se pojavio problem dvostrukih nejednakosti: ekonomskih, kao rezultat niske razine razvoja i stalna ekonomskog zaostajanja određenih jedinica lokalne i regionalne samouprave, te socijalnih nejednakosti, kao rezultat nemogućnosti slabije razvijenih jedinica da pruže sličnu razinu socijalne zaštite svojim građanima.

Ključne riječi: lokalna vlast, decentralizacija, troškovi socijalne zaštite, Matejev efekt, socijalne nejednakosti