

Łukasz Jurek

Department of Sociology and Social Policy

Faculty of Economics and Finance

Wroclaw University of Economics and Business, Wroclaw, Poland

WELFARE STATE AND WELFARE ABUSE: EMPIRICAL EVIDENCE FROM POLAND

Abstract

Welfare abuse is a complex and multidimensional research problem. The purpose of this article is twofold: theoretical and empirical. The theoretical objective is to present the author's understanding of the term 'welfare abuse'. The nature and typology of this problem are discussed. In this way, an attempt is made to provide a theoretical framework for research on welfare abuse. The second (empirical) aim builds on these conceptual findings. A self-report survey was conducted, the results of which allowed us to estimate the level of tolerance towards different types of irregularities in Poland.

The author defines welfare abuse as irregularities committed by individuals in the use of welfare benefits. He proposes to divide these irregularities into three categories: (1) optimisation, (2) overuse and (3) misuse. Due to the lack of reliable official data on welfare abuse, one of the possible ways to detect this problem is through surveys. In this case, questions are asked about the degree of justification for various irregularities. This makes it possible to determine the degree of social permissiveness and also, in an indirect way, certain (conscious or unconscious) inclinations to commit such irregularities personally.

The results of the empirical study reveal a surprisingly high level of justification of social fraud in Poland. In some cases (registering as unemployed for the sole purpose of obtaining health insurance, spending child benefit for purposes other than maintaining a child, and fictitious employment in a company just to obtain social security), abuse is the norm, not the exception, because it is justified by the majority of society. In other cases, the percentage of respondents who justify the abuse is lower than the percentage of those who do not, but it is still quite high.

Keywords: welfare benefits, moral hazard, welfare abuse

Introduction

The emergence of the welfare state and its development in the second half of the 20th century is undoubtedly one of the greatest achievements in human history (Binstock and Quadagno, 1998; Esping-Andersen, 2000; Stiglitz, 2018)). It has enabled critical problems to be overcome and has also ensured socio-economic progress. Among other things, it has contributed to reducing extreme poverty, easing social tensions, improving living, and working conditions, and developing human and social capital. Today, the legitimacy of running welfare programmes (large or small) is virtually unquestioned. Public activity in this area is explained not only by equality arguments, but also (and above all) by economic efficiency (Barr, 2020). In the long run, the resources devoted to solving social problems turn out to be incomparably smaller compared to the consequences (financial and non-financial) resulting from the subsequent accumulation and multiplication of these problems (Błędowski and Kubicki, 2014).

Despite its undeniable advantages, the welfare state is also fraught with undeniable disadvantages. The main problem is that in addition to their intended effects, which are positive, welfare programmes also generate many other consequences that are unintended and usually contrary to the intentions of policy-makers (Mica, 2017). Therefore, the consequences of social programmes have been accepted to fall into two main categories: empowering (intended) and harmful (unintended) (Omers and Block, 2005).

Harmful consequences are a side effect of the welfare state. They result from the fact that welfare benefits immanently embed all sorts of incentives that alter people's behaviour. There is a natural temptation to take advantage of these benefits even if a person is not fully entitled to them. Counterbalancing financial incentives are social norms (Elster, 1989). Norms, internalised through the process of socialisation, restrain people from reaching for what they are not entitled to. However, not everyone (and not always) resists temptation. This is why the number of beneficiaries of welfare benefits is usually higher than the initial number of people in need (Fording and Berry, 2007). In the literature, this excess is explained by two issues: welfare dependency and welfare abuse. While the problem of welfare dependency is quite controversial and has not yet received strong empirical confirmation (van Oorschot, 2007), the problem of welfare abuse is by no means contested.

In some countries (e.g., UK, USA, Switzerland, Netherlands, Germany), the fight against welfare abuse has a long tradition. In particular, spectacular and highly publicised cases of irregularities committed by beneficiaries of the social security system have contributed to the development of action in this field. In Germany, the symbol of such irregularities was the man known as Florida-Rolf, who, while receiving social assistance for German citizens living abroad, used the benefits to pay for, among other things, an apartment in Miami Beach. Arno Dübel, who became known as

‘Germany’s most shameless unemployed person’, also became a symbol of this. He gained notoriety through numerous interviews in which he recounted his personal experiences of avoiding work and doing so in such a way that he did not lose his Hartz IV benefits. In the Netherlands, the widespread practice of Eastern European immigrants (mainly from Poland) claiming unemployment benefits during long-term trips to their home country became a cause for concern in the fight against welfare abuse. This practice was referred to in the media as ‘Polish fraud’. In Anglo-Saxon countries, attention to the problem was first drawn in the first half of the 19th century, when the New Poor Law (1834) divided benefit recipients into ‘worthy’ and ‘unworthy’. This division persisted in public discourse until at least the second half of the twentieth century, as evidenced by Reagan’s rhetoric about so-called welfare queens, i.e., individuals who engage in various kinds of schemes to increase the amount of benefits they receive.

In recent years, the fight against welfare fraud has become a high priority for policymakers in many countries. Various external actors, such as informal whistle-blowers, private investigators or information technology (IT) providers offering tools for automated fraud risk assessment, are increasingly involved in the detection of irregularities. However, such unconventional solutions are highly controversial (Ranchordás and Schuurmans, 2020).

Generally speaking, the fight against welfare abuse encounters more or less justified criticism. The detection and sanctioning of irregularities is not infrequently equated with an attack on citizens’ social rights, with the stigmatisation of disadvantaged groups, and with the criminalisation of poverty (Swan *et al.*, 2008). Critics also emphasise the lack of economic efficiency of such activities, contrasting the amount of expenditure (financial, human resources) involved with the benefits obtained (Chunn and Gavigan, 2004).

The purpose of this text is twofold: theoretical and empirical. The theoretical objective boils down to presenting the author’s conception of the term ‘welfare abuse’. The essence and typology of this problem are discussed. In this way, an attempt is made to provide a theoretical framework for welfare abuse research. The second (empirical) objective builds on these conceptual findings. A self-reported study was conducted, the results of which made it possible to estimate the level of tolerance towards various types of irregularities in Poland.

Welfare abuse - a theoretical approach

Welfare abuse is a complex and multidimensional concept. In general, they are all actions contrary to the rules of the social security system, which violate the collective interest of its participants (citizens). They can be divided into: *internal* abuses, which are committed by internal stakeholders, i.e., system administrators, and *external* abuses, which are the result of the actions of external stakeholders, i.e., the sys-

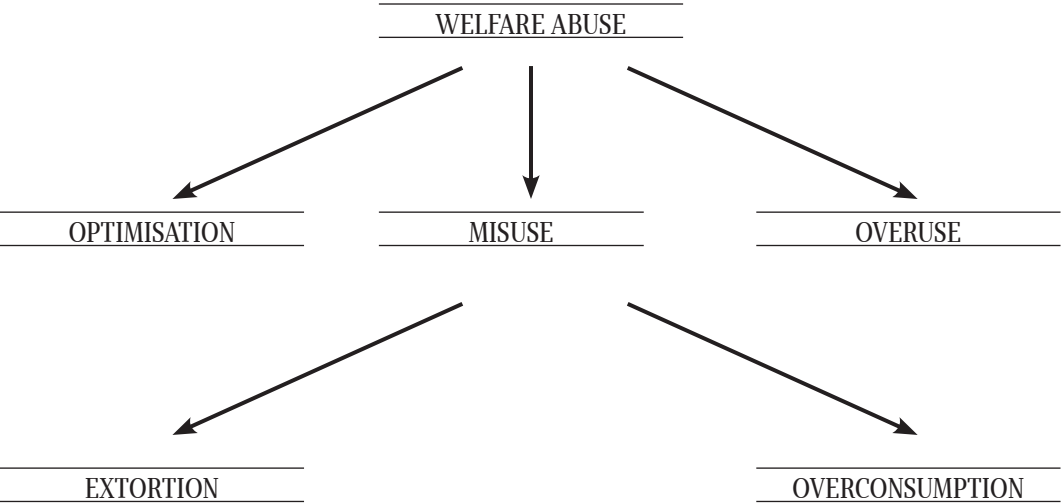
tem’s customers. In terms of who the external stakeholders (customers) are, abuses can be divided into those authored by individual customers (individuals) and those committed by institutional customers (companies). Furthermore, in terms of the type of abuses perpetrated by external stakeholders (customers), they can be divided into abuses relating to making a ‘contribution’ to the system (paying taxes), and abuses relating to taking advantage of the ‘payoffs’ offered by the system (collecting benefits).

The focus of this study is on irregularities committed by individuals in the use of welfare benefits. By irregularities we mean the failure to comply with the rules (formal and informal) that determine both access to benefits and the way in which they are used. Thus, we are concerned with various practices (action or inaction) leading to the excessive - in relation to one’s entitlement and/or actual needs - drawing of benefits, as well as the improper, i.e., not intended, use of these benefits.

These practices are a symptom of pathology in the use of benefits. They are either illegal, i.e., violate specific legal norms, or are within the limits of the law, but violate good manners and principles of social coexistence. It is therefore not only a question of criminal offences, but of any irregularity that goes against the elementary sense of justice and harms the general interest of society.

Considering the nature of the irregularity, welfare abuse can be divided into three categories, as presented in Figure 1.

Figure 1: Categories of welfare abuse



Source: Jurek, 2022.

The first category of abuse is optimisation. It involves a sham of reality, i.e., arranging one's life situation in terms of the criteria for granting certain benefits. Within the framework of this arrangement, a real modification is made in order either to meet the formal requirements for obtaining a benefit or to increase the value of the benefit already received. An example of this would be a change of gender for the sole purpose of obtaining pension rights earlier. It can also be welfare migration i.e., a specific form of migration carried out in order to receive higher benefits.

Optimisation mainly refers to modifying the family, material and/or employment situation. In the context of the family situation, optimisation can be the deliberate il-legitimisation of a relationship or getting a fictitious divorce just to receive benefits dedicated to lone parents. In the context of the material situation, it may be optimising to conceal assets and/or income in order to receive benefits for the poor. As for optimisation in the context of the employment situation, it can be either avoiding formal employment for fear of losing unemployment benefits or, on the contrary, working fictitiously (employment contract or self-employment) just to acquire expected welfare benefits.

The second category of abuse is overuse. This problem can take two forms: (1) overconsumption or (2) extortion. Overconsumption is the natural result of a phenomenon known as moral hazard (moral hazard). The idea is that an individual covered by social security (as well as any other form of external assurance) changes his or her behaviour, resulting in irrational (excessive) use of available benefits (Arrow, 1963). As for extortion, it is the deliberate misrepresentation of a welfare institution in order to obtain undue benefits (Kukuła, 2016 b).

Both overconsumption and extortion boil down to the same problem of overuse of benefits. What sets them apart, however, is the intention of the action. In the case of overconsumption, the problem is limited motivation to act prudently. The person is enjoying the benefits they are entitled to, but might as well not have to. He uses his entitlements only because he has the ability to do so. Resignation from benefits would not have any negative repercussions. So, it is a kind of waste. As for extortion, in this case there is a violation of the law. A person knowingly and deliberately misleads a welfare institution. This is done in a clandestine manner (which makes detection difficult) and with the intention of personal gain. Fraud is used: either information is withheld or fictitious documents are used that have been either forged or obtained through corruption.

The last (third) category of abuse is misuse. Such situations occur when a person meets the conditions for receiving benefits and collects this benefit in the correct amount, but uses it in improper way. It is a case of spending cash benefits (e.g., child allowances) contrary to the intention of the benefit provider, i.e., on the purchase of wrong goods and services (e.g. alcohol or gambling). It also involves

selling in-kind benefits (e.g., food, medicines, vouchers) in order to purchase other goods or services.

It should be noted that the boundary between the different categories of abuse is blurred and fluid. Moreover, irregularities can accumulate and form ‘conglomerates’ of welfare abuse. This can occur, for example, when a person deliberately gives up work in order to obtain welfare benefits (optimisation) and then, while still unemployed, takes a job in the hidden economy (extortion) and spends the benefits on gambling and drugs (misuse).

Welfare abuse - an empirical approach

Welfare abuse, by its nature, is difficult to study empirically. The main reason for this is the blurred boundary between legitimate and illegitimate use of benefits. The boundary is, as G. McKeever (2012, p. 472) graphically puts it, between need and greed. In some cases, it is extremely difficult to assess unequivocally whether the use of benefits is driven by a genuine need or is rather a manifestation of fraud.

One of the available sources of information on the welfare abuse is the reports of the control institutions. Unfortunately, drawing conclusions about the extent of the general phenomenon on the basis of the results of the inspections carried out is subject to a serious underestimation error. This type of data does not show the actual number of cases of fraud, but only the number of cases detected. The relationship between these two figures, i.e., the number of frauds committed and the number of frauds detected, is unknown and depends on many factors, in particular the frequency and quality of the inspections carried out.

The lack of reliable and complete data from public sources forces us to seek information in other ways. One possible solution is the use of surveys. Of course, this method of data collection has its own specific drawbacks. First, the information obtained does not describe the actual situation, but only the declarations of the respondents, and these may differ to a greater or lesser extent from reality, especially when (as in this case) they concern difficult and morally questionable issues (Bostyn, Sevenhant and Roets, 2018). For this reason, the survey does not ask respondents about their individual propensity or experience of abuse. One might suspect that the sincerity of the answers to such questions would be highly questionable, and thus the cognitive value of the data collected would be quite limited. In such situations, questions are usually asked about the level of justification for various irregularities. This makes it possible to determine the degree of social permissiveness, i.e., excessive tolerance of incorrect behaviour, and also - in an indirect way - certain (conscious or unconscious) inclinations to commit such irregularities personally. This is because it can be assumed that if a respondent declares a high level of justification for an unethical practice (e.g., abuse of sick leave), he or she is also inclined and capable of personally implementing such practices. The survey therefore examines

statements that relate directly to the normative sphere, but also (indirectly) to the behavioural sphere.

It is suggested that the following research approach be used to empirically test attitudes to welfare abuse. Questions to respondents should be phrased as follows: “Can it be excused if someone...”. The level of justification should be expressed on a four-point scale ranging from *never*, *sometimes*, *often* to *always*. Each question asks about the level of justification of a specific situation in which some kind of welfare abuse takes place. Eleven such situations are suggested - four from the ‘optimisation’ category, four from the ‘overuse’ category and three from the ‘misuse’ category. A detailed list of these situations is given in Table 1.

Attitudes towards welfare abuse in Poland: survey results

Table 1: Welfare abuse by category

Category	Welfare abuse
OPTIMISATION	1) concealment of assets and/or income in order to obtain benefits for the poor 2) deliberately illegalizing a relationship or getting a sham divorce in order to collect lone parent benefits 3) avoiding legal work for fear of losing welfare benefits 4) fictitiously employing oneself only to obtain benefits from social insurance
OVERUSE	5. using a fictitious certificate of incapacity to work in order to obtain a disability pension 6. receiving unemployment benefit despite having worked illegally or abroad 7. registering as unemployed just to obtain health insurance 8) claiming the same welfare benefits in different countries
MISUSE	9) using child allowance for purposes other than child maintenance 10) selling benefits received in kind to purchase other products or services, 11) using sick leave for purposes other than treatment and convalescence

Source: own elaboration.

The source material comes from a survey conducted by the IPC research institute in the third quarter of 2022. The information was collected using the CAWI (Computer Assisted Web Interview) method, i.e., an online survey. The territorial scope of the survey covered the whole of Poland, and the subject scope consisted of adult residents of Poland.

The research sample consisted of 1512 respondents. The sampling frame was a nationwide panel of respondents. It can be assumed that the random nature of the sample gives grounds for generalising the results obtained. The maximum measurement error was $\pm 3\%$ at a confidence level of 95%.

The results are presented in Table 2 and Figure 2. In some cases, the level of justification of welfare abuses is surprisingly high. There are even three cases where more people justify irregularities than do not. The first of these cases is when someone registers as unemployed for the sole purpose of obtaining health insurance. This abuse enjoys the highest level of tolerance - it is justified (sometimes, often, or always) by up to 62.4% of respondents. The second case is when someone spend child benefit for purposes other than maintaining a child - such behaviour is justified by 53.4% of respondents. The third case is when someone is fictitiously employed in a company just to get social security - such behaviour is justified by 51.7% of respondents. In these three cases, excusing abuse is the norm, not the exception.

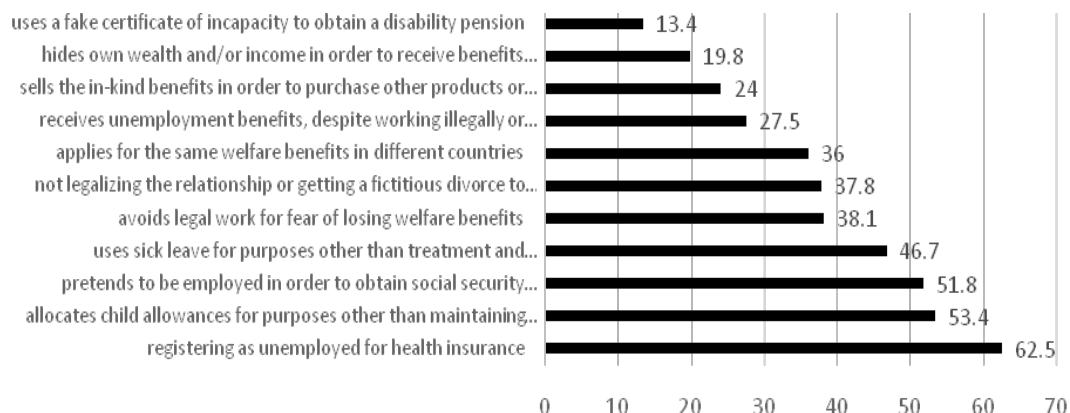
In the remaining cases, the percentage of respondents justifying the abuse was lower than the percentage of those not justifying it, but still quite high. Sick leave abuse is tolerated by almost half (46.7%) of Poles. More than a third of Poles justify avoiding legal employment for fear of losing benefits (38.1%), illegalising a relationship, or faking a divorce in order to receive single parent benefits (37.8%) and applying for the same benefits in different countries (36%). About a quarter of Poles tolerate receiving unemployment benefits while working illegally or abroad (27.5%), as well as selling the received benefits in kind in order to buy other products (e.g., alcohol) or services (23.9%). One person in five justifies hiding assets and/or income in order to obtain benefits for the poor (19.8%). The least tolerance is shown towards the use of a fictitious (forged or obtained through corruption) disability certificate in order to obtain a disability pension. Despite the fact that such an action is an obvious form of extortion, it is justified by almost one in seven (13.4%) respondents.

Table 2. Tendency of respondents to justify social abuses (in percent)

Can it be excused if someone?	never	sometimes	often	always
registering as unemployed only to obtain health insurance	37,6	41,4	11,8	9,3
allocates child allowances for purposes other than maintaining the child	46,6	39,6	9,4	4,4
pretends to be employed by a company in order to obtain social security benefits (e.g., a pregnant woman is employed in order to benefit from sick leave and maternity leave).	48,3	41,3	6,5	4,0
uses sick leave for purposes other than treatment and convalescence (e.g., housework or leisure)	53,3	34,6	7,7	4,4
avoids legal work for fear of losing welfare benefits	61,9	28,8	6,2	3,1
intentionally not legalizing the relationship or getting a fictitious divorce to collect single parent benefits	62,2	28,6	5,7	3,5
applies for the same welfare benefits (e.g., child allowances) in different countries	64,0	27,1	5,2	3,7
receives unemployment benefits, despite the fact that works illegally or abroad	72,5	20,8	3,9	2,8
sells the in-kind benefits (e.g., food) in order to purchase other products or services (e.g., cigarettes, alcohol, gambling)	76,1	18,1	3,9	2,0
hides own wealth and/or income in order to receive benefits for the poor	80,2	14,9	3,0	1,9
uses a fake (forged or obtained through corruption) certificate of incapacity to obtain a disability pension	86,6	10,8	1,7	0,9

Source: own elaboration.

Figure 2. The level of justification of welfare abuses in Poland (total *always*, *sometimes*, and *often*)



Source: own elaboration.

Conclusions and recommendations

Welfare abuse is an area of interest for representatives of various scientific disciplines, in particular: law, political science, economics and sociology. Law, because the commission of abuse is often linked to the violation of legal norms, which is subject to specific criminal sanctions. Political science, because abuse is a challenge to the construction of the welfare state and the functioning of its institutions. Economics, because abuses cause certain financial losses to the social security system, which can lead to the destabilisation of public finances. Sociology, because abuses are a manifestation of a violation of the principles of social coexistence, and the extent of these abuses is an indicator of the norms and patterns of behaviour that prevail in society.

The concept of welfare abuse covers a wide range of pathological behaviour towards the social security system. The spectrum ranges from minor offences to serious crimes. Each of these acts, regardless of its severity, is a sensitive issue from a social policy perspective. Serious crimes always cause the greatest losses, but they are generally quite rare. On the other hand, minor offences, even though they cause relatively small losses each time, when committed on a massive scale, can significantly limit the efficiency of the system, and hinder its functioning.

The obtained results support the thesis of Z. Kukuła (Kukuła, 2016, p. 23) that social violations in Poland are “mass actions”. It turns out that tolerance of some irregularities is the rule, not the exception. This is by no means an optimistic statement from the point of view of the effectiveness of the social security system. The question automatically arises: what is the reason for this situation? Is it the result of

a general moral decline in society? Or is it the result of our society's regrettable lack of respect for the common good, of which the social security system is undoubtedly a part? The answers to these questions certainly require further in-depth research.

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