20 years of transformation of social policy in Slovakia - current state and main challenges

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Abstract

I would like to present the principles and main steps of transformation of social policy in Slovakia since democratic changes in 1990 and its current state and main challenges. I would like to present the transformation process in four main areas: employment policies, wage policies, family policies and social security. I would like to stress main principles as monopolization, democratization, pluralisation of sources and tools etc., main steps of the process as well as the changes of the process, evaluate current state in comparison with selected EU countries and present main challenges of social policy in Slovakia, especially long term unemployment, low fertility rate, pension system contingencies, excluded Roma villages, etc. I would like to point particular areas that could cause potential social risk or positive effects, as pension reform in 2004, Social Services Act, etc.

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1. Introduction

There was a strong need for transformation of social policy after the „Velvet revolution“ in 1989 due to changes of political, economical and social systems. As the previous system was characterized by massive dominance of state (the only employer, provider of majority of social services, the only source of finances for social system), it does not fit the new situation and there was a strong need for transformation of the system. Nevertheless the first years could be called more accurately the period of “crisis solutions” in social policy due to new and acute social problems, that doesn’t exist before or were not visible, were hidden or marginalized. For example: due to obligatory employment

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organized by state in the previous period, after democratic changes and privatization a new phenomenon appeared – unemployment. But there were no institutional systems to deal with this problem. Similar situation was in other fields.

2 The period of crisis solutions

The main changes in the first years after 1989 I have divided to four main areas: Employment policy, wage policy, family policy and social security. (Botek, 2009)

Employment policy: Before 1989 employment was an obligation for all people in productive age (except tenably unemployed). Unemployment was understood as a crime with sentence 3-5 years and state was the only one employer. To provide sufficient number of jobs, these were created artificially – often by employing more people for one job. This fact leads to lowering the productivity and efficiency of the employee. After 1989 privatization gave rise to unemployment due to abrogation of artificially created workplaces. As there was no institution for unemployed, labor offices had to be created with main functions: To provide of assistance for unemployed people at labor market and realize financial assistance. Employment Act was introduced in 1991. (Sociálna, 2002)

Wage policy: As state was the only employer before 1989, all wages were centrally regulated (Central wage regulation). After privatization new private employers appeared at labor market and conditions had to be changed. Minimal wage was established in February the 1st 1991. Act 1/1992 introduced individual and collective bargain and abolish central wage regulation.

Family policy: There was a substantial move from pro-natality policy to higher protection of families, especially those in risk of poverty; this could be observed especially in changes in family benefits.

Social security: Transformation of social security was one of the crucial points of transformation. Previous system nearly destroyed social insurance as one of three main pillars of social security. State dominates social security as provider as well as financial source and social support massively dominate in social security. The main aim was to transform “social care to social assistance”. Act 463/1991 of living minimum was introduced and had established poverty line. Act 43/1991 introduced valorizations of pensions due to increase of living costs. National Insurance Company was established in 1993 (later divided to Social Insurance Company and Health Insurance Company – 1994) (Botek, 2009)

3 Transformation and principles

Year 1996 brings substantial move from already mentioned period of “crisis solutions” to real transformation process. This could be observed in variety of complex conceptions as Conception of State Family Policy, Conception of Employment Policy, introduction of supplemental pension insurance, etc. Subsequent years brings important changes, just to mention: Act 50/1995 on Social Security, Act 195/1998 of social assistance, Transformation of Pension system (2003) – implementation of three pillar system, creation of capitalization pillar, Act 461/2003 of Social Insurance, transformation of social services (2006) and new Social services Act 448/2008. (Botek, 2009)

Tomeš (2010) define ten main principles in the transformation process:

Demonopolization – to ensure plurality of subjects, abolish the exclusive role of state and create a space for NGO subjects.

Decentralization of public sphere – to move social protection as close as possible to people, implement subsidiarity and move rights and responsibilities to regional and local authorities

Democratization – legal independence of institutions, inclusion, self-governing elements in the administration (administrative and supervisory boards, commission, etc.).

Modification of object – see client not as a member of the group but as an individual with particular needs.
Pluralisation of sources – leave the state budget as the only one source of financing of social policy and to create multisource system of financing.

Pluralisation of types and forms – supersede non-alternative systems by plural systems of social protection

Humanization – non-marginalization of individuals with problems, tendency to provide of assistance in natural surroundings.

Reconfiguration to needs – make social protection adequate in terms of time, extent, intensity of problem, etc.

Personification – approximate provider of assistance and the client, support the reliance and confidence in social protection

Professionalization – implement professionals in social protection, especially in terms of re-establishing university education in Social Work and related study programs.

4 Current states

Implementation of some of the principles was quite successful, but some principles are still not reached, especially DE monopolization, decentralization and pluralisation of sources. As shown in the table 1, general government contributions are still the highest in Slovakia and Czech Republic, and so state is still the main source of financing of social protection and although there is a space for non-governmental subjects, state still plays the main role in providing of social services.

Table 1 Receipts of social protection by type (as % of total receipts) in EU countries (Statistical Office of the SR, 2011)

<table>
<thead>
<tr>
<th>Country</th>
<th>General government contributions (%)</th>
<th>Employer’s social contributions (%)</th>
<th>Social contribution paid by protected persons (%)</th>
<th>Other receipts (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovakia</td>
<td>46,1</td>
<td>21,5</td>
<td>25,8</td>
<td>6,7</td>
</tr>
<tr>
<td>Finland</td>
<td>38,4</td>
<td>11,2</td>
<td>43,7</td>
<td>6,7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>32,4</td>
<td>11,4</td>
<td>49,4</td>
<td>6,7</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>53,1</td>
<td>26,3</td>
<td>19,4</td>
<td>1,1</td>
</tr>
<tr>
<td>Germany</td>
<td>34,9</td>
<td>28,2</td>
<td>35,0</td>
<td>1,9</td>
</tr>
<tr>
<td>France</td>
<td>43,8</td>
<td>20,8</td>
<td>32,0</td>
<td>3,4</td>
</tr>
<tr>
<td>Italy</td>
<td>40,2</td>
<td>16,0</td>
<td>42,2</td>
<td>1,6</td>
</tr>
</tbody>
</table>

As successful story we can define transformation of social security system, although there is a space for improvement. However we can say that current social security is meeting the European standards; three pillar system (social insurance, social support and social assistance) is well established.

Social insurance consists of five types of insurance: Sick insurance, Pension insurance (three pillar system), Accident insurance, Unemployment insurance and Clause insurance. Transformation of pension system was one of the most important changes. Current pension insurance consists of three pillars: 1st compulsory - (organized and guaranteed by state), 2nd voluntary (capitalization) - (organized and guaranteed by state and pension companies) and 3rd voluntary (private).

Social support focus on selected family situations and provide variety of flat rate benefits: Child birth benefit, Child birth extra benefit, Parental benefit, Funeral benefit, Foster care benefits, etc.

Social assistance consists of three major sub-systems: Financial assistance, Social services and Compensation of health handicaps. Financial assistance is based on means testing and consists of Material need allowance, Extra allowance in material need, Protection allowance, Activation Allowance and Health Allowance. There are five main areas in providing of social services (SS): SS to ensure satisfaction of basic needs, SS to ensure satisfaction of needs of families with children, SS to ensure satisfaction of special needs, linked to health handicaps, SS with use of telecommunication technologies and Support services (Social Services Act, 2008)
Compensation of health handicaps consists of financial benefits, material benefits, counselling and other benefits (Compensation of health handicaps Act, 2008)

5 Main challenges

I would like to present some of the main challenges in Slovak social policy. As first I would like to mention unemployment. Although unemployment rate in Slovakia is higher than EU average (more than 14%), the major problem is long-term unemployment. In comparison with other countries we can see significant difference. (Picture 1) Long term unemployment in Slovakia is more than 9%, while for example in Czech Republic only 3%, Germany 3.3%, France 4%, Finland 2%, etc. Another challenge is unemployment of young people, which is more than 22% (age 15-24) (Statistical Office of the SR, 2011).

Picture 1  Long-term unemployment (Inštitút zamestnanosti, 2012)

Main activities that should decrease this numbers are extension of the activation activities, Intermediate labor market and Inclusive enterprises. Main principles of extension of the activation activities are:

- Provided not only the self-government region, but any business or natural entity (public services)
- Extension of the activities, e.g. Forestry activities, help in household, waste management, building maintenance and roads, security service, tourism, etc.
- Cancellation of existing time limits (6+12 months)
- Extending of claim to the subsidies for the organizer (transport), an increase of the subsidy
- Competition of Employment Services (non-public services)

Intermediate labour market should focus mainly on: Long-term unemployed citizen, who is recipient of the material needed benefit and significantly disadvantaged citizen, who is recipient of the material need benefit and is based on following principles:

- Integration is performed by business entity or natural person (non-public employment services) on base of a project
- Reward to integrating entity dependent on success of integration on the labor market
- Integration is carried out 6 months
- Work for 80% of minimum wage - after 6 months - transition to open market

Integration is based on:

- Activities, actions and services aimed at dismantling barriers that prevent entry and stay on the labor market - financial advice, integration plan, education
- Temporary employment on supported work place to obtain professional skills and practical experience (formalities, training or incorporation, supervision)
- Support in dealing with problematic situations in the workplace and beyond (6 months)
Inclusive enterprises are characterized by:

- Implementation of exclusively selected state contracts (not grants, but guarantee of orders)
- Separate market specific services to be approved by the Commission
- Employing inclusive employees, who are at least 75% of the total number of employees (long term unemployed and other disadvantaged unemployed)
- Obtaining of job skills to apply on open labor market - 2 years fixed term contract
- At least 80% of employer net profit is used for creation of new jobs, improving of work conditions or community

Another challenge for social policy is low natality. Current fertility rate is less than 1.4% and belongs to lowest in EU. The crude rate of the natural increase is 1.4‰ and decreasing. This fact raises the need for radical changes in family policy.

Although I have already mentioned positive changes in pension system, there are quite frequent changes in legislation of the second pillar, causing insecurity of policyholders. This brings the need of stabilization of the system to ensure its sustainability.

The last challenge I would like to mention is the high number of social security benefits and allowances that make the system more vulnerable to misusing.

6 Conclusions

Social policy in Slovakia takes a long transformation journey since 1989. Transformation process was not straight due to changing situation in the country, Europe and whole world, but there are significant positive effects of the process. Nevertheless there are still challenges that have to be reflected and solved.

References

Law n. 447/2008 Compensation of health handicaps Act
Law n. 448/2008 Social Services Act