The transformation of social security in Slovakia and its consequences for a Family

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The Slovak Republic belongs to the group of countries with rich traditions in the social security area, especially at the beginning of the fifties when its favourable development was violently interrupted.

The social policy fundamentals were laid down at the end of the last century and in the following periods, they found their reflection in another development and deepen the perception of social mechanisms with priorities to sustain and reproduce the workforce. The first Czechoslovak Republic, by its complex legal security organisation in the case of a diseases, invalids and the elderly and its extension also to the public services area, became a carrier of progressive tendencies in the social policy area, admired throughout Europe. An especially significant part of the social sphere was security provided to employees in the case of injury they suffered at work.

In the context of political changes after the Second World War and with the coming of the communist ideology, the fifties brought principal changes also in understanding of the social mechanism existence and its functioning. Both, the social and economic sphere have become a state domain. Through the unitary evaluation and official favouritism of social property, the state awarded the security mechanism role to the social sphere and the social care with no limits to the individuals status.

Parallel to the change in the political system and economic relations, the social sphere transformation is generally considered as one of the most important but also the most difficult step which every country has to go through in the so called transformation period.

The year 1989 found inhabitants of the Slovak Republic in a special situation. On the one hand, the social reality revealed more and more problems of inhabitants to secure housing needs, food, clothes, transport, not to mention the education, culture, sport, free time or holidays. On the other hand, there was
hope that system changes in the economy and social policy, will not only guarantee the standard achieved in the previous period but also will enable a dynamic development of the living standard. However, after first transformation years with the influence of high inflation, real incomes decreased, as did the living standard of the population. The central management system was in a similar situation, unable to function in broken relations of the socialist regime; however, it still had not enough time to make all system changes to enable a smooth functioning of the social-market economy and its attendant social security system.

Moreover, the situation in the Slovak Republic from 1993 was even more complicated. Besides the traditional problems the post-communist countries have with the transformation of the socialist economy to the market economy and transformation of the socialist system in the social care of man, another task appeared: to define social needs of the population in the social policy area with different demographic, educational, professional, health and family structures in the new state compared to those in the former federal state. It was necessary to develop the social policy concept as well as concrete partial policies concerning relations between the state and individual social groups of the population.

1. Way of the Slovak social scheme transformation.

The basic conceptual intention is to establish a socially fair social security system based upon citizens personal participation, social solidarity and state guarantees. It comes from the fact that through the economic activity, citizens will be able to take care of themselves: in concretely socially recognised life events, it is necessary to provide to them a certain kind of support from the state and in the case of a material social need, to guarantee to them basic living conditions in the context of the constitution of the Slovak Republic. The basic social certainty is based upon the income from earning activities. Providing of work, as a bread winning source, is therefore considered as the most effective social political measure.

The present development of the social security system, its current situation as well as demographic development expected in comparison to advanced social security systems in the world showed that our system was over its life expectancy, unable to solve the situation by partial amendments in the effective way.
Based upon long-term experience obtained from the development of social policy and social security systems in countries of Europe, it is possible to make a consistent draft of starting points and establish the social security system in the Slovak Republic.

The basic conceptual intention of the social security transformation is to establish the following systems:
- social insurance,
- social support,
- social assistance,
- complementary insurance,
- individual insurance.

Based upon the definition of basic conceptual transformation intentions in the social security system it follows that its basis is composed of insurance systems. Their characterisation comes from a strict link to the previous citizens economic activity and income derived from it.

With regard to the principles and social events related to the social insurance area, this scheme is composed of the following systems:
- sickness insurance,
- pension insurance,
- injury insurance.

The system of sickness insurance benefits will in principle include the insurance of short-term consequences of social events by cash benefits derived from the amount of earnings they essentially replace.

The system of the pension insurance benefits will include long-term consequences of social events in cash benefits for a long-term income loss.

As social events, causing life situations at which long-term security is necessary, the following are considered:
- old age,
- disability,
- death of a bread winner in the family.

The purpose of injury insurance is to support and perform preventive measures to avoid the increase of industrial injuries and occupational diseases through differentiated amounts of the insurance fee.
The state social support is, as a rule (with the exception of loans), a system of direct cash benefits through which the state participates in the solving some of the recognised life events of citizens and families with children, such as, the child’s birth and presence of a dependent child in the family and guarantees to cover its needs for education, nutrition and rearing, taking into account some specific life situations, influencing the performance of family functions (incomplete family, a family with a long-term seriously disabled child, a child given to the substitute family education etc.).

The basic principle of the state social support is the re-distribution of incomes from the state source based upon solidarity principles between childless families and families with children and families with a higher and lower income level.

The social assistance system should complement the system of substitute sources for the social existence and security of a citizen.

The social assistance objective will be to help the citizen with his active participation to overcome or mitigate the social or material needs, respectively both situations in which he found himself in the consequence of a social event. The efforts will be oriented to restore the citizen’s natural resources to satisfy his needs and use these resources in changeable conditions. After exhausting the possibilities to solve the unfavourable social situation by the citizen’s own powers, in the hierarchy of social assistance subjects, the family will receive the first priority. At respecting this hierarchy of the social assistance subjects, a more effective application of alimony duty to close persons is expected.

The character, intensity and causes for the arising of a social event will become decisive facts to evaluate the urgency and relevance of social assistance provided to the citizen, to choose tools, time and extent of its providing, taking into account the extent of the citizen’s active participation in solving his own social situation. Individual tools and forms of the social assistance will be applied in the way to activate the citizen in his unfavourable situation, to motivate him to act in a way that will not lead to a long-term dependence upon the assistance of others, to influence the renewal of his personal positive properties and prevent the disintegration of his personality.

In compliance with the need to guarantee the right to life to every citizen in compliance with international documents, social assistance will be also provided to a citizen who will not develop efforts to overcome and mitigate his own material and social needs, respectively, but only to the level to ensure his basic living conditions.
Within the newly established social assistance system, the monopoly position of the state at guaranteeing the social assistance is changed in such a way that its competence is transferred also to other social assistance subjects. The role of municipalities and non-governmental subjects will be supported, a more effective spending of financial resources will be guaranteed and the assistance provided will get closer to the real needs of citizens. The state will keep its competence in the social legal protection of children and will guarantee the level of assistance provided.

The complementary insurance scheme will stimulate the responsibility of employers for their employees as well as citizens themselves for their future under the framework of the basic insurance scheme.

The establishment of the following institutions is expected:
- a) pension funds with the capitalisation of insurance fees for long-term pension insurance benefits,
- b) solidarity funds with current financing for above-standard sickness insurance,
- c) complementary injury insurance (commercial character or a complement to the basic scheme).

In all transformation processes, the emphasise is put upon reinforcing of a citizens responsibility, not only for himself but also for his family and persons depending upon him. State assistance will be oriented to support the integrity and fulfilment of its functions at preserving the priority of family relations with a minimum of state policy interference into family life.

Within the social security system, the essential part of the system for the social assistance to families with children is performed. It is composed of elements of a direct form of financial assistance based upon a system of benefits, indirect financial assistance, assistance in kind and services.

The present system of direct financial assistance to families is composed, in principle, of a complex variety of benefits which may be divided into several parts:
- state social benefits (e.g. parental allowance, benefit for soldier’s family, children allowances, additional child allowance),
- social security benefits (e.g. widows, widowers and orphans’ pensions),
- social care benefits (provided in the case of social dependence or purposeful
social care benefits).

The existing benefit system, developed gradually over time, is relatively split with respect to the character of individual benefits, conditions under which benefits are provided and legislative solutions. Some benefits are determined, e.g. limited by absolute sums and according to changes in living costs and income relations, and the real content of resources provided is lost.

A group of indirect financial assistance benefits by the state to families with children was represented by various subsidies from the state budget which were not provided directly to families with children but indirectly, e.g. the subsidy for a stay and boarding of children in pre-school facilities, a contribution of the state to school boarding, accommodation, providing of text books and teaching aids free of charge, etc. These types of indirect benefits are gradually reduced and the financial burden is transferred to parents with dependent children.

Another group of indirect financial assistance benefits are reductions for families with children, such as the income tax reduction and a reduced rent fee in state owned flats. A new concept for travel costs reductions is being developed at the present time.

The family, as a relatively autonomous social institution, deserves the attention from the state in supporting the development of the economic framework, taxation, legislative and social conditions that the responsibility for own person could be applied within them and the opportunity for the choice of own life strategies and preferences would be possible.

The family, with regard to its irreplaceability, personality forming and educational influence, needs the social support from the state in the case of more difficult, in advance defined situations.

In situations, in which the family is not able to overcome then by its own powers, it needs social assistance from the state and non- governmental subjects.

The below mentioned social life areas are considered as the main ones for the factual competence of the state:
- legal protection of the family and its members (especially resolution of problems related to the alimony, adoptions, substitute family education),
- socio-economic security of the family, especially nutrition and housing,
- education of children and youth, preparation for marriage and parenthood,
- health protection of individual family members.

Into these family life areas, various non-governmental, church and civic subjects enter more or less with the objective to support the family and meet its functions.

2. Reasons to support family

Why is an orientation to support family so significant for the Slovak social policy?

First of all, it is its life style. In the 1991 Census, 81.6% of adults and 90.7% of children lived in complete families. In one-parent families there lived 9.4% adult and 9.0% children. Only 11% of all adults lived on their own (esp. pensioners).

The second reason is in the development of demographic situation. Similarly like in the whole Europe, also Slovakia has recorded the decline of natality, which has been lasting for several tens of years. The share of the youngest (0-19 years old) has remarkably declined: from 46.7% in 1900 through 37.7% in 1950, to 33.3% in 1991 and it still continues.

An average size of the family (or household) has also changed from 4.7 members in 1921 to 3.93 members in 1950 and 2.87 members in 1991. Since 1990, the member of alive new born babies has declined (80 thousands in 1990, 60 thousands in 1996) as well as the number of dead has declined (54.6 thousands in 1990 when compared to 51.2 thousands in 1996). A natural increase has expressively reduced: from 4.8 people per 1.000 inhabitants in 1990 to 1.7 people per 1.000 inhabitants in 1996.

The third reason is presented by previous experience in utilising social policy measures while supporting natality.

After Second World War Slovakia in the framework of Czechoslovakia - has experienced 3 periods of natality growth. Only the period immediately after the war need not be connected with special measures.

The second period of growth of new born share increase is situated at the
beginning of the 60 s. This period was partially marked by the effects of previous social measures (in Czech part of the former Czechoslovakia an impact of pronatality measures was more expressive.

The third period of new born boom is being realised in the late 60s and first half of the 70s. It is expressive (and in Czech part even more expressive again) and new state measures for the family and birth growth can be taken into consideration.

From the preceding post-war development in “socialistic” period development of state behaviour can be recorded. In the two mentioned periods, the state more expressively changed legitimacy, gave more financial and material means to improve family life conditions. These impulses meant in their effect short-term recival of natality. However, as soon as the population got used to better conditions, it returned back to the old rails of entered trend that is lowering the children share in population and lowering the natality growth.

The fourth reason is a strong solidarity within a family which is symptomatic for Slovak population. In the 1990 - 1994 period the Research Institute of Labour, Social Affairs and Family accomplished research series on social situation of the population. The question ”Who will you rely on in the case of necessity” was answered like follows:
- on state care 22,7% in 1990, then 14,6% in 1991 and only 2,3% in 1994,
- on large family - 26,8% in 1990, the 31,1% in 1991 and 41,8% in 1994,
- on oneself and one’s own strength within the family 50,5% in 1990, then 53,4% in 1991 and 55,9% in 1994.

The solidarity within the family and among the families can be even clearly seen on the results of an international sociological comparative research, organised by Institute for Human Sciences in Vienna in 1994 - 1995. For more details see chart 1 and 2.

Chart I. The share of households (in % of respondents) that were given help from family and relatives in 1994.
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<th>Country</th>
<th>The kind of help</th>
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<td></td>
<td>Financial</td>
<td>Material</td>
<td>Work(ing)</td>
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<tr>
<td>East Germany</td>
<td>10</td>
<td>8</td>
<td>10</td>
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<tr>
<td>Czech Republic</td>
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<td>Poland</td>
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<td>9</td>
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<tr>
<td>Slovakia</td>
<td>29</td>
<td>30</td>
<td>35</td>
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</tbody>
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Chart II. The share of households (in % of resp.) that were given help from friends and neighbours

<table>
<thead>
<tr>
<th>Country</th>
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<tr>
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<td>Financial</td>
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<td>Slovakia</td>
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Meanwhile in Poland, East Germany and in the Czech Republic the existence of rare help to household from the side of large family or acquaintances is recorded, in Slovakia this manifestation of solidarity among people touches much wider circle of population. Even within more detailed analysis it was presented, that help is orientated especially on poorer households in Slovakia, which strengthens the meaning of solidarity.

3. Experiences with child allowances

Since 1982 till 1992, the state expenses for child allowances fluctuated in a whole nominal size from 5,9 to 6,4 billion crowns per year (in real size during the period 1982 - 1990 c/a 370 - 400 mil. USD per year, then during the period 1991 - 1992 it was only 200 mil. USD per year). In the year 1993 even the size of payed child allowances extremely fell to 5,5 billion crowns (only 175 mil. USD). From the year 1994 the size of payed child allowances is raising: in 1994 it was 6,8 billion crowns (220 mil. USD), in 1995 it was 9,85 billion crowns (315 mil. USD), in 1996 the same as in 1995, for 1997 is estimated...
about 10,3 billion crowns (320 mil. USD) and for 1998 is estimated about 11,3 billion crowns (350 mil. USD).

Child allowances were primarily given to each family (during the “socialist” period) in a hard fixed amount. As a consequence of rising inflation, the real size of child allowance was falling. In the year 1993 the state began to transform the policy in this field. The principle was received, that (also with the aid of child allowances) it is important to help primarily the families which haven’t got enough money. With using means testing the child allowances were given to the families, where the monthly family income does not exceed 16,800 crowns (525 USD) - it was only 3,5 times more then the average monthly wage. It shows that this policy discriminates the families with many children and that it is necessary to increase the height of child allowance for 1 child.

In the year 1994 was accepted the law under which the child has right for child allowance only if the family income is lower than 2 - multiple of existential minimum. The height of child allowance depends on child-age and on family income (if the family income is lower than 1,5 multiple of existential minimum, the amount of allowance is 50 % of relevant child existential minimum, if the family income is between 1,5 - multiple and 2 - multiple of existential minimum, the amount of allowance is 33% of relevant child existential minimum).

The rules, built in this way are appropriate for the stabilised economy with only soft fluctuation of prices and wages. The inflation rate, the arising of consumption prices and the arising of wages in the Slovak republic are higher than in the stabilised economies (for example in EU countries) in the last 3 years and there were the causes why the real value and the number of receivers of child allowances fell off.

For that reason, Ministry of Labour, Social Affairs and Family of Slovak Republic takes the initiative to keep the quota of child allowances receivers so that social benefit has the societal dimension to target primarily socially weak people. From the point of view of child allowance receivers, the characterful for Slovak republic (as for other Central and East European countries) is that a big part of population has a small income. For this cause about 83% of unprovided children will get the child allowance. To by able to realise, the Slovak government prepared and the Slovak parliament ratified the novel of act in which the right for getting child allowance shifted to 2,2 multiple of family
existential minimum.

In the year 1997 the level of existential minimum was also raised (applicable from November 1, 1997). This also contributes to the growth of child allowance receivers. It assumes about 1 mil. children, whose right is to get child allowances on higher level (living in families with income up the 1,5 - multiple of existential minimum) and about 0,3 mil. children, where right is to get child allowances in lower level (living in families with income between 1,5 and 2,2 - multiple of existential minimum). And this 1,3 mil. benefited children is about 83 % from Slovak child population.

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Short summary
Rastislav Bednárik: The transformation of social security in Slovakia and its consequences for a family.

The paper in the first part informs about the way of social security transformation in Slovakia. At this time the social insurance scheme (sickness insurance, pension insurance, injury insurance and complementary insurance) is arising. In Slovakia the state social support (above all the support for family and children) and the social assistance scheme (in particular for people in need, for old - men and disabled) is also reinforcing.

In the second part there is analysed the question: Why is it important to subsidise the family in Slovakia? Author discusses 4 causes - in the life style, in demographic situation, in previous experiences with pro-natality measures and in a strong solidarity within family and among families.

The third part is devoted to the development of expenditures on child allowances, especially during the transformation period in Slovakia.