



# **ESPN Thematic Report on Social Investment Slovakia**

**2015**

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**EUROPEAN SOCIAL POLICY NETWORK (ESPN)**

**ESPN Thematic Report on  
Social Investment  
Slovakia**

**2015**

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## Contents

SUMMARY .....	6
1 ASSESSMENT OF OVERALL APPROACH TO SOCIAL INVESTMENT .....	7
2 ASSESSMENT OF SPECIFIC POLICY AREAS AND MEASURES / INSTRUMENTS .....	8
2.1 Support for early childhood development .....	8
2.1.1 Early childhood education and care.....	8
2.1.2 Family benefits .....	9
2.1.3 Parenting Services.....	10
2.2 Supporting parents' labour market participation.....	10
2.2.1 Parental leave scheme and child care.....	11
2.2.2 Long-term care.....	12
2.3 Policy measures to address social and labour market exclusion.....	13
2.3.1 Active labour market policies .....	13
2.3.2 Minimum income.....	15
2.3.3 Unemployment benefits .....	16
2.3.4 Social services .....	16

## Summary

The social investment approach is not an explicit idea in Slovak public policy which social policy reforms would make reference to. However, several reforms have been undertaken which implement some of its constituent ideas.

In Government policy documents, early childhood education and care (ECEC) plays an important role in the implementation of the social investment approach. All significant reforms of the ECEC services were related to kindergartens and didn't cover very young children in nurseries. Recently, there has been a commitment to increase the budget for the kindergartens, reflecting the persistently unfavourable capacity. In addition, the government is going to support child care facilities for small children in companies. It will cover a part of related costs using EU funds.

Motherhood has serious consequences for labour market participation in Slovakia. The employment rate of mothers with children under 15 years of age was 57% in 2011, one of the lowest rates among the EU and OECD countries. The age of the children plays an important role: maternal employment increased substantially as the age of the child rose. While the employment rate of mothers with children aged 3– 6 years was 63% in 2011, that of mothers with children younger than 3 was only 18.7%. One of the reasons lies in the fact that the part-time sector is not developed in the Slovak labour market. The incidence of part-time employment has been amongst the lowest in the EU for a long time, although it has risen during and since the financial and economic crisis.

High unemployment creates huge expectations of public employment services. However, expenditure on employment services has been continuously decreasing since 2008. Expenditure on active labour market policies remains very low, far below the EU average. In 2012 they reached 0.19% of GDP. Their share of GDP declined since 2010. At the same time, expenditure on labour market support also decreased from 0.61% of GDP in 2010 to 0.43% of GDP in 2012.

Among labour market policy measures the highest financial support went to employment incentives (€57,625 mil. in 2012) and supported employment and rehabilitation (€34,903 mil.). The smallest amount was devoted to training (€0.935 mil.) which is a key element of the social investment strategy. The annual average participation (stock) in the training programs also decreased, following a similar pattern as their financing (radical drop between 2010 and 2011).

Active labour market policy underwent several changes since 2010. The most comprehensive reform was prepared in 2012 and came into force in January 2013. The changes included, among others, simplification of the ALMP (and abolishing eleven measures), lowering the administrative burden of the ALMP administration, and changing the nature of entitlement to several ALMP measures. With regards to the last change, eight measures became discretionary, meaning that they are no longer automatically legally claimable now.

Weak commitment to financing solutions for the unemployed goes hand in hand with a growing focus on forced activation. The reform of the minimum income scheme in 2013 and 2014 is presented as a key step to strengthening the link between social assistance and active measures and as an improvement of benefit targeting. It introduces, however, several highly controversial changes which have a very slim chance of improving the situation of the beneficiaries.

## 1 Assessment of overall approach to social investment

The social investment approach is not an explicit idea in Slovak public policy which social policy reforms would make reference to. It doesn't mean, however, that some inherent ideas of the social investment approach are not implemented in practice.

Several measures were implemented in order to increase the labour market participation of parents, especially mothers. Allowing parents to work while receiving the parental allowance (since 2011) addressed critically low maternal employment in Slovakia (mothers represent the majority of parental allowance recipients). The introduction of childcare allowance (2009) and changes in its amount (2011) went in the same direction. It was aimed at supporting the employment of parents by covering some of the costs of childcare. As it will be shown in the relevant section, the results haven't manifested yet.

Support of transition from parenthood into employment and/or a combination of the two was focused mainly on legislative changes in the parameters of social benefits. The capacity of pre-school facilities has remained a neglected issue for a long time. One of the reasons behind this is a strict division of responsibilities between the Ministry of Education (responsible for kindergartens as a part of the educational system) and the Ministry of Labour, Social Affairs and Family (responsible for parental leave, reconciliation of private and working life, social inclusion). Low capacity of childcare facilities for small children is a crucial barrier to improving the human capital of young generations and including parents into the labour market. This barrier is now widely recognized by policy makers and specific measures are now being prepared to change the long-standing status quo.

Most social policy and labour market policy reforms in Slovakia have been backed by the idea of activation. Recently, several steps in the area of health and social contributions have been implemented, which are expected to help the long-term unemployed enter the labour market. On the other hand, in the field of minimum income the emphasis was more on workfare and work-first approach, and to a lesser extent on measures developing human capital. It holds true especially for the recipients of the minimum income scheme. There was more focus on efforts to discipline them instead of forming their skills and strengthening their ability to adapt to on-going economic and social changes.

An active labour market policy has been seen as an important activation tool for jobseekers, but its financing is very low and has even been decreasing. On the other hand, recent reforms of labour market policy (in force since 2013) have been aimed at strengthening their educational and training components.

Within the social services a more systematic focus on housing has been missing for a long time. A high proportion of young people stay with their parents at home, partly, due to the lack of available housing. Only a minor part of dwellings in Slovakia is owned by the public sector which limits social policy interventions at the level of municipalities. The social housing sector remains underdeveloped.

Thus, we can identify the changes which support the social investment approach by improving conditions for the reconciliation of working and private life, focusing on childcare (both in relation to parents' participation in the labour market and to improving the human capital of children), or by paying attention to activation of the unemployed. On the other hand, some of the implemented policy interventions contained elements that don't fit with the social investment approach very well (i.e. activation understood more in terms of workfare than in terms of human capital formation, low investment in active labour market policies, long-term neglect of the importance of formal childcare,...).

## 2 Assessment of specific policy areas and measures/instruments

### 2.1 Support for early childhood development

#### 2.1.1 Early childhood education and care

In governmental policy documents, early childhood education and care (ECEC) plays an important role in the implementation of the social investment approach. There are three expected effects of child care services, which used to be pointed out in the Government's documents<sup>1</sup>: an increase in the employment of women, a support of children's development (personal, social, cognitive, etc.), and the integration of children from socially-disadvantaged environments. Some of these effects are not new, and were already emphasised four years ago: the *National Reform Programme of the Slovak Republic 2010* stated that "making the final year of kindergarten mandatory will improve preparedness of children for their study and will mitigate the disparities among children coming from different environments". Nonetheless, the prominent role of ECEC in the policy discourse on enhancing human capital and employment is recent.

Spending on child day care has increased between 2010 and 2012 from €0.45 to €0.90 per inhabitant (at 2005 constant prices). Recently, there has been a commitment to increase the budget for ECEC<sup>2</sup> which reflects the persistent paucity of ECEC capacity. The widening gap between demand for the child care services and supply is seen as "an alarming problem which requires an intensive and immediate solution".<sup>3</sup> Although this statement refers to kindergartens (and thus to older children in the pre-school age), it also holds true for facilities for very young children. The proportion of children younger than three in formal child care has remained very low for a long time. In 2010 it was 3% and in 2012 it reached 5%. The proportion of children aged from 3 to compulsory school age in formal childcare is substantially higher, but still below the EU average and below the national target set within Europe 2020. The number of rejected applications to kindergartens increased substantially since 2006.<sup>4</sup>

Moreover, there is a strong social gradient in the use of the ECEC services. The proportion of children enrolled in kindergartens in the population of children aged 3-6 is lower among households in vulnerable socio-economic situations, made up primarily of marginalized Roma households.<sup>5</sup> According to the UNDP Report on the Living Conditions of Roma Households<sup>6</sup>, based on an empirical quantitative survey, only 19% of Roma children who at the time of the survey were of the pre-school age of 3-6, attended pre-school facilities. In the segregated settlements, this proportion was even lower (13%). Among Roma children and young people who at the time of the survey were attending primary or secondary school, there were 53% who had attended pre-school facilities prior to entry into the compulsory education system (45% of Roma children in the segregated settlements).

The situation in the ECEC sector has been addressed by several measures. Children from households that receive minimum income benefits or have an income which doesn't exceed the minimum subsistence level can attend kindergarten free of charge.

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<sup>1</sup> They can be found, for example, in the National Reform Programme of the Slovak Republic 2014, page 39.

<sup>2</sup> Ministry of Finance (2014): Draft Budgetary Plan of the Slovak Republic for 2015.

<sup>3</sup> Ministerstvo školstva, vedy, výskumu a športu (2013): Správa o stave školstva na Slovensku a o systémových krokoch na podporu jeho ďalšieho rozvoja [Ministry of Education, Science, Research and Sport (2013): Report on Situation in Education].

<sup>4</sup> Ibidem.

<sup>5</sup> Šiškovič, M. (2012): Slovenské škôlky: málo kapacít a nižšia účasť sociálne slabších rodín. Inštitút finančnej politiky [Kindergartens in Slovakia: low capacity and lower participation of families in vulnerable socio-economic situation. Institute of Financial Policy].

<sup>6</sup> United Nations Development Programme Europe and the CIS, Bratislava Regional Centre (2012): Report on the Living Conditions of Roma Households in Slovakia 2010.



Since 2011, kindergartens can receive subsidies for meals and school aids for children who are at risk of social exclusion. Subsidies are granted to kindergartens for children coming from households receiving minimum income benefits or whose income is not above the subsistence minimum. In addition, subsidies are also provided to all children in kindergartens where at least 50% of children live in the households relying on the minimum income benefits.

Human capital formation in early age is supported by attendance of the final year in kindergartens prior to the beginning of compulsory education being free of charge.

All these measures apply to kindergartens only and don't cover very young children in nurseries. It is the result of the fact that while kindergartens are part of the educational system in Slovakia, nurseries have no such institutional status.<sup>7</sup> Recently, new plans for the ECEC have been published, which pay attention to very young children.<sup>8</sup> The government is going to support child care facilities for small children in companies. It will cover a part of related costs using EU funds. The intention is to help mothers enter the labour market where scarce child care facilities are an issue. Employers' responses are rather positive<sup>9</sup>, while waiting for more details. NGOs welcome the decision too, while pointing out that a more systematic approach is needed.<sup>10</sup>

It is difficult to evaluate the government's plans in the field because only tentative information is available. Generally speaking, two problems may arise. Firstly, the projects will not apply in the Bratislava region due to the regulation of EU funds. The government has, however, declared that other measures will be prepared for the economically most developed region in Slovakia. Secondly, according to available information, the support will only last till the end of 2015. Thus, its continuity is in question.

To be a meaningful tool of social investment policies, ECEC should be of a high quality. The staff-child ratio, one indicator of the quality, is better than the OECD average in kindergartens.<sup>11</sup> Slovakia belongs to the countries with a more favourable environment for individualized interaction between teachers and children. On the other hand, attention should be paid to the staff-child ratio in the nursery and caring sector (for very young children). Quality is also constituted by the quality of teachers and staff and their working conditions. The OECD identified several strengths of the ECEC workforce in Slovakia.<sup>12</sup> One of them is the conditions for teachers' professional development: professional development is mandatory, it is provided by different suppliers on a broad range of topics, and its costs are shared among individuals, employers and the government. On the other hand, it is recommended that attention be paid to reviewing qualification requirements, providing more professional development opportunities to better respond to societal changes, and to improving gender and age balance in the ECEC sector.

### 2.1.2 Family benefits

There are several types of family benefits in Slovakia. A birth grant is given as a lump sum of €829.86 for the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> child and €151.37 for the 4<sup>th</sup> and subsequent child. There are also additional payments for multiple births. A child benefit consisting of a universal cash transfer which covers all residents with a dependent child or children is also disbursed. It amounts to €23.52 per month until the end of compulsory school attendance (16 years) or up to 25 years in case of vocational trainees, university students and children who cannot study or work due to sickness or injury.

<sup>7</sup> In the early 1990s the nurseries were deleted from the list of health care facilities and, thus, lost the institutional coverage of the Ministry of Health. Since then they formally have not belonged to the policy agenda of any ministry.

<sup>8</sup> <http://ekonomika.sme.sk/c/7592720/richter-chce-pracujuce-matky-stat-slubuje-firmam-miliony.html>

<sup>9</sup> <http://spravy.pravda.sk/domace/clanok/342665-firmy-prispevky-na-skolky-vitaju/>

<sup>10</sup> <http://www.sme.sk/c/7600419/detske-kutiky-problemy-rodicov-neriesia.html>

<sup>11</sup> OECD (2012): Quality Matters in Early Childhood Education and Care: Slovak Republic 2012, page 43

<sup>12</sup> OECD (2012): Quality Matters in Early Childhood Education and Care: Slovak Republic 2012, page 7.

In case of children with long-term disability the child benefit is provided up to the age of 18. Working parents are entitled to a tax bonus (€21.41) which reduces income tax.

Parental allowance and childcare allowance are child-raising benefits funded from general taxation. Parental allowance is described in one of the next paragraphs. Childcare allowance covers some of the costs of childcare. It is provided to one of the parents who works or takes part in secondary or tertiary education, until the child is 3 (or 6 in the case of a disabled child). It covers officially declared costs of childcare, provided by an official provider, up to €230 per month. If childcare is provided by relatives or other persons, it is €41.10 per month, without the need to declare childcare costs. In addition to these benefits, alimony benefits and benefits supporting foster childcare are available in Slovakia.

Slovakia's spending on families and children<sup>13</sup> is above the EU average. In 2012, it accounted for 9.93% of total social benefits, compared to 7.81% for the EU-28. This proportion has been increasing since 2009, when it represented 9.39% of total social benefits. This growth can be attributed, inter alia, also to the fact that unlike minimum income benefits, family benefits were regularly indexed during the crisis. But looking at expenditure on family benefits in terms of spending per inhabitant reveals that the position of Slovakia within the EU is not as good as it would appear at the first sight. In 2012, spending on family benefits was €149.6 per inhabitant (at constant 2005 prices) which was the sixth lowest level in the EU (the EU average was €505.51 per inhabitant in 2012).

Children face a significantly higher risk of poverty than other age categories in Slovakia. There were 21.9% of children aged less than 18 below the poverty line in 2012 (the EU average was 20.7%), compared to 14.4% of young people aged from 18 to 24, or 7.8% of people aged 65 and over. Child poverty rose during the crisis: in the period between 2008 and 2012 it increased by 5.2 percentage points. Social transfers play an important role in reducing child poverty. Without social transfers<sup>14</sup> child poverty would jump to 31.2% in 2012 (34.1% in the EU).<sup>15</sup> It seems that more effort is needed to address the problem which could include investments not only in cash transfers but also in social services.

In addition to cash benefits, in-kind benefits also play an important role: free school meals, school aids and free use of kindergartens have been mentioned in the previous section.

### 2.1.3 Parenting Services

There are specialized psychological and counselling services at labour offices which provide counselling in a broad range of fields. They offer counselling about family life, especially regarding parents' relationships, family relations, and child upbringing. Furthermore, they offer psychological support and counselling in case of divorce and post-divorce relationships among family members. The services are also available for foster parents and persons who want to become foster parents. The provision of psychological and counselling services has been limited by the lack of trained staff.<sup>16</sup> To date, there is no information regarding their significant extension.

## 2.2 Supporting parents' labour market participation

The effects of parenthood on labour market participation are markedly stronger for women than for men in Slovakia. While the employment rate of women aged 20-49 years with children aged 0-6 was over 31 percentage points lower than the

<sup>13</sup> Category „Family/Children“ in the Eurostat database on social protection expenditure.

<sup>14</sup> At-risk-of-poverty rate before social transfers, excluding pensions.

<sup>15</sup> Some social transfers are, however, poorly related to the number of children in household. It holds true for the benefit in material need (minimum income). The elasticity of the benefit level is very weak in relation to children: a couple with one dependent child and a couple with four dependent children receive the same amount of the benefit in material need.

<sup>16</sup> World Bank (2012): Implementing the Benefit in Material Need in the Slovak Republic. Institutional arrangements and coordination of cash transfers with the provision of employment and social services.

employment rate of women without young children in 2012, the situation among fathers is the opposite. The difference in employment rates of men aged 20-49 years with and without children aged 0-6 years showed 12 percentage points in favour of fathers with children.

Thus, motherhood has serious consequences for labour market participation in Slovakia. The employment rate of mothers with children under 15 years of age was 57% in 2011, one of the lowest rates among the EU and OECD countries (the average for OECD countries was 65%).<sup>17</sup> Since 2000 it decreased by more than three percentage points. The age of the children plays an important role: maternal employment increased substantially as the age of the child rose. While the employment rate of mothers with children aged 6 – 14 reached 79% in 2011, the employment rate of mothers with children aged 3 – 5 was 63%. If the youngest child was younger than 3 it was only 18.7%. This level is far below the OECD average (52.1%). Only two other countries (Hungary and Turkey) show a lower maternal employment rate in case of very young children. The problems also arise due to the number of children in the household. The chances of mothers with three or more children entering the labour market are markedly lower compared to mothers of one or two children. In 2011 only about one third of mothers with three or more children worked.

One of the reasons lies in the fact that the part-time sector is not developed in the Slovak labour market. The incidence of part-time employment has been among the lowest in the EU for a long time, though it has risen during and after the financial and economic crisis. Prior the crisis, in 2008, part-time employment represented 2.7% of total employment. In 2010 its share increased to 3.9% and in 2013 reached 4.8% of total employment. In this context, a higher involvement of women in the part-time sector<sup>18</sup> remains low. Moreover, only 2.7% of part-time employment arose due to care for children or an incapacitated member of the household. On the other hand, approximately one-third of part-time jobs represented involuntary part-time employment in 2013 (with an increase by 4.7 percentage points since 2010).

### **2.2.1 Parental leave schemes and child care**

Parents in the Slovak Republic are entitled to quite long paid parental leave (up to age 3 of the child or up to 6 of a child with long-term health problems) with low parental allowance (€203.20 per month). Expressed in the full-rate equivalent terms, the period of parental leave in 2013 represents 27.9 weeks, which is well above the OECD average (14.5 weeks). Since January 2011 parents receiving parental allowance can work without losing their entitlement. In addition, they can choose between parental allowance and childcare allowance which covers some of the childcare costs. Currently, it allows coverage of a significant portion of the costs related to child care in formal childcare facilities and, thus, it supports entering the labour market. Childcare allowance might serve as an example of a social investment measure because it addresses new social risks and supports related solutions (increasing women's employment and the use of the pre-school facilities). Use of the childcare allowance is, however, very low. Most parents still prefer the parental allowance.

Childcare is still matter for women in Slovakia. Women are over-represented in the category of parental allowance recipients. In 2013, men represented only 2.23% of all recipients. This proportion has remained stable for a long time. In 2010 it was 2.08%, in 2008 it was 1.93%. There are no incentives for fathers to take parental leave at the moment.

Comparatively long duration of parental leave combined with a lack of places in pre-school childcare facilities, especially for children younger than three years, contribute

<sup>17</sup> Data on specific employment rates of mothers come from the OECD Family Database which doesn't cover all EU countries. Therefore, the reference point here is the OECD average.  
<http://www.oecd.org/social/family/database.htm>

<sup>18</sup> Proportion of women working part-time was 6.4 % of total employment in 2013, compared to 3.4 % of men.

to the low maternal employment rate enormously. The increasing uncertainty in the labour market resulting from the crisis makes parental leave a suitable option for low-skilled mothers with lower chances of finding a job. In addition, high childcare costs for very young children may prevent them from taking a low-paid job. According to the OECD Family Database, childcare fees per 2-year old child equalled 8.4% of the average wage in 2012, which was the sixth lowest level among the OECD countries. As approximately two-thirds of persons in the labour market had earnings below the average wage in 2012<sup>19</sup>, for many households however childcare costs represented a higher burden than indicated above. Moreover, real prices in the childcare facilities vary widely. In big cities the availability of places in public childcare facilities for very young children is very limited and the costs of private childcare facilities are very high. In smaller towns and villages public services are very rare and private ones may represent a significant burden in the context of lower wages.

Other measures supporting the reconciliation of private and working life are more available in Slovakia. The Labour Code defines flexible forms of employment and working regimes (flexible working time). These measures are, however, only used to a limited extent.<sup>20</sup>

Soon, the Government will implement specific measure to support the employment of mothers – in addition to supporting childcare facilities in companies. The Government will refund 90% of the average wage for ten months if the employer creates a job for a mother with a child/children in pre-school age.<sup>21</sup> If the employer creates a job for a mother with children aged 6-10, 50% of the average wage will be covered by the government. This support will be provided on condition that mothers will have permanent contracts. According to the published information, maximum ten jobs per company will be supported. There are €23 mil. available and it is estimated that app. 5,000 jobs will be created within this project.<sup>22</sup> The problem is that the project will only last until the end of 2015 because resources from the previous programming period are being utilised. On the other hand, the continuity of the project from 2016 has been officially declared, using resources from the new programming period. Secondly, the question is who will benefit from the support. It is important to provide the support to those companies which will hire low-skilled mothers (or mothers with another risk profile) – mothers who would only have very low chances of succeeding in the open labour market.

### 2.2.2 Long-term care

Responsibility for long-term care in Slovakia is formally divided between two ministries – the Ministry of Labour, Social Affairs and Family (MLSAF) and the Ministry of Health (MH). Under the auspices of the MLSAF, social services (benefits in kind) play the prominent role. They are provided mainly by local and regional self-governments and financed from local taxes<sup>23</sup>. The public sector has a dominant role in providing social services, but other actors (churches, NGOs, private providers) are a part of the system as well. In addition, cash benefits are provided which are financed by the state (Personal Assistance Benefit for professional assistance at home and Attendance Service Benefit for informal carers). Under the auspices of the Ministry of Health, based on public health insurance, various interventions are provided including the use of geriatric clinics, medical and nursing facilities for the long-term ill, nursing care homes, nursing care agencies, etc.

<sup>19</sup> Štatistický úrad SR (2012): *Štruktúra miezd v SR* [Statistical Office of the Slovak Republic (2013): Structure of Earnings in the Slovak Republic].

<sup>20</sup> Ministerstvo práce, sociálnych vecí a rodiny SR (2013): *Súhrnná správa o stave rodovej rovnosti na Slovensku za rok 2013* [Ministry of Labour, Social Affairs and Family of the SR (2013): Summary report on gender equality in Slovakia in 2013].

<sup>21</sup> <http://www.vlada.gov.sk/druhym-socialnym-balickom-chce-vlada-pomoc-mladym-rodinam/>

<sup>22</sup> Ibidem.

<sup>23</sup> Partially also from clients' payments and sometimes – in specific situations – from government subsidies (see below).

Long-term care spending represented 0.36% of GDP in 2008.<sup>24</sup> According to the 2012 Ageing Report's projections, spending will represent 0.4-0.6% of GDP in 2030 and 0.5-1.1% of GDP in 2050. In 2012, there were 83,000 clients of long-term care institutional in-kind services, and 16,521 recipients of formal home care.<sup>25</sup> 431,000 persons relied on cash benefits or informal care.<sup>26</sup> All these numbers are expected to grow substantially in the coming years according to the 2012 Ageing Report.

Most of the reforms undertaken since 2010 were aimed at solving the worsening financial situation in social services. The precarious financial situation resulted in poorer accessibility. Particularly in the field of long-term care for the elderly, demand for services exceeded supply. The government provided subsidies to public and private providers to compensate for the effects of the crisis on the financing of the services. More systematic measures came into force in January 2015. New tools were introduced which allowed better targeting and addressing of the needs of the categories at risk (community centres, field social service). The emphasis was also on the tools supporting the independence of the clients by providing social services in the home environment. The Act improved the protection of low income clients by increasing the sums which the clients have to be left with after paying for a service.

## 2.3 Policy measures to address social and labour market exclusion

High unemployment and long-term unemployment are persistent problems in Slovakia. The unemployed continuously face the highest risk of income poverty (43.8% in 2013) which is significantly higher than that for inactive persons (17.4%) or the employed (5.7%). Serious consequences may occur because the concentration of unemployment within households is growing: the proportion of persons aged 18-64 living in jobless households grew from 8.4% in 2012 to 8.6% in 2013.

### 2.3.1 Active labour market policies

High unemployment induces huge expectations of public employment services. Expenditure on employment services have been continuously decreasing since 2008, however. In 2008 they represented 0.11% GDP, in 2010 they reached 0.10% GDP and in 2012 they fell to 0.066. Expenditure on active labour market policies remains very low, far below the EU average. In 2012 it reached the level of 0.19% GDP. Its share of GDP declined since 2010. In this period the unemployment rate fluctuated around 14 % but the long-term unemployment rate remained stable at very high levels (around 9.3%). At the same time, expenditure on labour market support also decreased from 0.61% of GDP in 2010 to 0.43% of GDP in 2012.

Among the labour market policy measures the highest financial support went to employment incentives (€57,625 mil. in 2012) and supported employment and rehabilitation (€34,903 mil.). The smallest amount of financial resources was devoted to training (€0.935 mil.) which is a key element of the social investment strategy. The financial allocation to training decreased between 2010 and 2012, with a steep drop from €3,606 to €0.242 mil.). The annual average participation (stock figures) in training programmes also decreased, following the same pattern as their financing (radical drop between 2010 and 2011). The unfavourable situation has also been confirmed by one of the key actors. In its assessment of the active labour market policy (ALMP) the Central Office of Labour, Social Affairs and Family (COLSAF) stated

<sup>24</sup>According to the estimates made in Slovakia within the project INTERLINKS (<http://interlinks.euro.centre.org/>), the expenditure on long-term care is higher (Bednarik, R. et. al.,2011: *National Report on Governance and Financing of Long-Term Care in Slovakia*. Institute for Labour and Family Research). The differences stem from the methods that were applied. For example, the Slovak team within the Interlinks project included expenditure on insurance of informal caregivers paid by the state.

<sup>25</sup> Náadaždyová, M. et. al (2013): *Filling the gap in long-term professional care through systematic migration policies*. Comment paper from the Slovak Republic prepared for Peer Review in Social Protection and Social Inclusion programme.

<sup>26</sup> Ibidem.



that the financial set up of the active labour market policy is in contradiction to growing unemployment.<sup>27</sup>

**Table 1: Development of unemployment rate, long-term unemployment rate and expenditure on labour market policy measures (LMP)**

	2009	2010	2011	2012
Unemployment rate	11.4	14.5	13.7	14.0
Long-term unemployment rate	6.5	9.3	9.3	9.4
Expenditure on LMP (% GDP) <sup>28</sup>	0.15	0.23	0.22	0.19

Source: Eurostat

In 2012, there were approximately 16 LMP participants per 100 persons wanting work in Slovakia (i.e. per 100 registered unemployed).<sup>29</sup> This number is significantly lower than in previous years. In 2010 there were 21 LMP participants and in 2008 26.5 participants per 100 persons wanting work. The ability to provide timely activation is comparatively low in Slovakia: the share of LMP entrants who were not previously long-term unemployed is one of the lowest in the EU. It was 54.6% in 2012, compared – for example – to 86% in Czech Republic or 88% in Hungary.

The active labour market policy went through several changes since 2010. The most comprehensive reform was prepared in 2012 and came into force in January 2013. The changes included, among other things, simplification of the ALMP (abolishing eleven measures), lowering the administrative burden of the ALMP administration, and changing the nature of entitlement to several ALMP measures. Regarding the last change, eight measures became discretionary, meaning that they are no longer automatically legally claimable. Several steps toward better monitoring of efficiency and effectiveness of ALMP have been made which is now seen as a basic requirement for its improvement. Based on assessment of the ALMP, the COLSAF has formulated several suggestions for its further development.<sup>30</sup> One of the suggestions relates directly to financing: it suggests bindingly linking ALMP expenditure to the development of unemployment. The activation of disabled jobseekers is seen as a problematic issue by the labour offices because the report of the COLSAF stated that financial resources devoted to measures for disabled persons are too high and the qualitative evaluation of labour offices indicates a higher risk of misuse of disability benefits.

Few evaluation studies have dealt with active labour market policy measures.<sup>31</sup> Recently, the evaluation prepared by experts from the Institute for Forecasting of the Slovak Academy of Sciences has been published.<sup>32</sup> It relies on the database of registered unemployed from the COLSAF and analyses the net effects of active labour market policy measures. It focuses on the chances for various categories of ALMP participants of finding jobs after finishing the programmes. The advantage of the study is that it is based on the counterfactual approach. In addition to the analyses at the individual level, the macro-level is studied, using cost-benefit analysis.

<sup>27</sup> Ústredie práce, sociálnych vecí a rodiny (2014): *Vyhodnotenie uplatňovania aktívnych opatrení na trhu práce za rok 2013*, strana 34. [Central Office of Labour, Social Affairs and Family (2014): Assessment of the implementation of active labour market measures in 2013, page 34].

<sup>28</sup> Expenditures on LMP include category 2 – 7 of labour market policies.

<sup>29</sup> Data from the Eurostat database on the labour market policy.

<sup>30</sup> Ústredie práce, sociálnych vecí a rodiny (2014): *Vyhodnotenie uplatňovania aktívnych opatrení na trhu práce za rok 2013*, strana 101 [Central Office of Labour, Social Affairs and Family (2014): Assessment of the implementation of active labour market measures in 2013, page 101].

<sup>31</sup> Harvan, P. (2011): *Hodnotenie efektívnosti a účinnosti výdavkov na aktívne politiky thru práce na Slovensku*. Inštitút finančnej politiky [Assessment of effectiveness and efficiency of expenditure on active labour market measures in Slovakia. Institute for Financial Policy].

Bořík, V.–Caban, M. (2013): *Pilotné hodnotenie dopadov vybraných opatrení aktívnej politiky trhu práce*. Ministerstvo práce, sociálnych vecí a rodiny [Pilot assessment of impacts of selected active labour market policy measures. Ministry of Labour, Social Affairs and Family]

<sup>32</sup> Štefánik, M.-Lubyová, M.-Dováľová, G.-Karasová, K. (2014): *Analýza účinkov nástrojov aktívnej politiky trhu práce*. Centrum sociálneho dialógu [Analysis of effects of active labour market policy measures. Centre for social dialogue]

The study offers several results regarding ALMP in Slovakia. Gradual practice (Absolventská prax) seems to have positive impacts, especially for the unemployed with tertiary education. Education and preparation for labour markets (Vzdelávanie a príprava pre trh práce) have positive effects especially on the unemployed with secondary education and persons outside of the Bratislava region. Activation works (Aktivačné práce) have strong potential for older unemployed and unemployed with very low education. More generally, the study recommends increasing the quality of implementation of existing measures, including strengthening the system of monitoring. It should be done jointly by the COLSAF and the MLSAF. This recommendation stems from the fact that the study reveals huge variability in the net effects of ALMP measures as implemented by various local Labour Offices. As the report states, "there are neighbouring districts with similar economic performance and structure of jobseekers where one ALMP measure leads to opposing effects".<sup>33</sup> At the macro-level, scheme "education and preparation for labour market" has the highest benefit-cost ratio.

### 2.3.2 Minimum income

The minimum income scheme (benefit in material need) in Slovakia is quite complicated, combining basic benefit with several allowances which require fulfilment of various conditions. The maximum amount claimable is far below the (SILC-based) poverty threshold. The National Social Report 2014 sees the low level of benefit and allowances as a positive aspect which reinforces its general bias toward activation. There are six levels of benefit in material need defined according to three criteria: type of household (single person/couple), presence of dependent children (yes/no) and number of dependent children (1-4/more than 4). Elasticity of benefit level is very weak in relation to number of children. As result, the gap between the maximum amount claimable and the poverty threshold increases with the number of children. Adjustment of benefit and allowances level is not mandatory. In the period 2009 – 2013 they were not indexed. Keeping the value of minimum income benefits in line with price increases is a fundamental presupposition of their integrative function.

Slovakia spent 0.4% of GDP on social exclusion in 2012. It represented €33.56 per inhabitant at constant 2005 prices (the EU average was €97.29 per inhabitant).

Weak commitment to financing solutions for the unemployed goes hand in hand with a growing focus on forced activation. The reform of the minimum income scheme in 2013 and 2014 is presented as a key step for strengthening the link between social assistance and active measures and as an improvement of benefit targeting. It introduces, however, several controversial changes which have a very slim chance of improving the situation of the beneficiaries. One of the ways for activating the recipients of minimum income benefits is keeping the benefits very low<sup>34</sup> and widening the gap between the amount of the minimum income benefit<sup>35</sup> and potential earnings (which are, however, also low – the minimum wage having exceeded the poverty threshold of a single adult for the first time in 2015). In addition, an obligation to work in order to be entitled to the benefit in material need was introduced. To be entitled to the full amount of the benefit in material need an adult member of the household must perform small community services, voluntary work or work related to the prevention and elimination of the consequences of natural disasters and other emergency situations (for 32 hours per month). It opens the question (also raised by NGOs) about whether working for the basic benefit creates conditions for meaningful activation.

<sup>33</sup> Štefánik, M. et al. (2014), page 178.

<sup>34</sup> It is important to note that reasons for and mechanism of setting new levels of basic benefit (in the last reform) remain unclear and non-transparent. The reason behind this is probably that there is no declared idea about what kind of consumption/way of living minimum income scheme wants to secure.

<sup>35</sup> There are six levels of the benefit in material need: for single persons (€61,6 per month), for single parents with 1-4 children (€117.2 per month), for single parents with more than four children (€171.2 per month), for couples with 1 – 4 children (€160.4 per month), for couples with more than 4 children (€216.1), and for couple without children (€107.1 per month).

### 2.3.3 Unemployment benefits

Unemployment benefits are insurance-based, earnings-related transfers provided within the insurance scheme financed by compulsory contributions from employers and employees. To be entitled to unemployment benefits, a person must pay unemployment insurance contributions for at least 2 of the last 3 years (4 in case of temporary employment) and must be registered as a jobseeker at the Labour Office. The level of unemployment benefit equals 50% of the assessment base. The level of unemployment benefits is limited by a ceiling (twice the national average monthly wage). The benefit is provided for a period of six months. In terms of the marginal effective tax rate (METR), unemployment benefits in Slovakia don't reduce financial incentives to work more than unemployment benefits in other EU countries.<sup>36</sup> According to the OECD data on benefits and wages<sup>37</sup>, the unemployment trap in Slovakia is one of the lowest among OECD countries, irrespective of household composition. Thus, the existing system of unemployment insurance is not seen as a factor contributing to persistent high unemployment by policy-makers.

On the other hand, a short duration of unemployment benefits limits the time for job searching. After the expiration of the entitlement the unemployed move into the minimum income scheme. Unemployment benefits represent one of the social policy areas which have not been reformed for a long time.

The average level of the unemployment benefit was €332 in 2013. The average monthly number of recipients was 40,593 persons. The highest proportion of unemployment benefit recipients was among the unemployed aged 30-39 years.

### 2.3.4 Social services

A part of social services issues (related to the long-term care and the reform of social services act) were discussed above. Here we focus on housing support as an important part of the social investment approach. In 2012, 74% of young adults aged 18-34 lived with their parents. It is one of the highest proportions in the EU (the EU average was 48.3%) and it has fluctuated around the level of 70% since 2007. Persons aged 18-24 years predominantly contribute to this high level– the proportion of young adults aged 18-24 living with their parents represented 95.8% in 2012. On the other hand, the proportion of older persons aged 25-34 years was 56.6% (still disproportionally higher than the EU average of 28.4%). In addition, 38.4% of the population lived in overcrowded households in 2012. It holds true especially for single parent families (55.4%) and families with three or more children (67.6%). Generally, poor people tend to live in overcrowded households more frequently (52.4%).

Lack of available housing is a major reason. Only 10% of dwellings which were finished in 2012 represented public rental dwellings.<sup>38</sup> Thus, the capacity of municipalities to implement social policy interventions in the field of housing is very limited. The underdeveloped public rental sector as a key problem is also recognized by *the State Housing Policy Concept to 2020* (Konceptia štátnej bytovej politiky do roku 2020) which has been recently approved by the government. According to the Concept, "persistently diminishing number of dwellings in public ownership is alarming".<sup>39</sup> One of the goals of the Concept is to support a development of the public sector in the field. In addition, the Concept formulates an intention to establish a system of transitional housing consisting of several types and levels of dwellings, which would allow clients to shift step by step from the lowest level (doss houses) to higher levels (rental housing).

<sup>36</sup> Machlica, G.-Žúdel, B.-Hidas, S. (2014): *Unemployment in Slovakia*. Institute for Financial Policy

<sup>37</sup> <http://www.oecd.org/els/benefitsandwagesstatistics.htm>

<sup>38</sup> Szolgayova, E. (2014): *Možnosti podpory sociálneho bývania (Possibilities of Social Housing Support)*. Available at: [http://sociologia.sav.sk/cms/uploaded/1982\\_attach\\_01\\_szolgayova.pdf](http://sociologia.sav.sk/cms/uploaded/1982_attach_01_szolgayova.pdf)

<sup>39</sup> Príloha ku Konceptii štátnej bytovej politiky do roku 2010, strana 3 (*Annex the State Housing Policy Concept to 2020*).



The Concept formulates a need for revision of the housing allowance which should be removed from the minimum income scheme (where it is only available to the people who are eligible for the benefit in material need) and should target a wider population.<sup>40</sup>

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<sup>40</sup> There are no details about this general suggestion now.

