National Plan of the Slovak Republic under the Council Recommendation on Access to Social Protection for Workers and the Self-employed

Ministry of Labour, Social Affairs and Family of the Slovak Republic

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1. Introduction

Slovak National plan was prepared as response to the Council Recommendation on Access to social protection for workers and the self-employed (hereafter "Recommendation") and letter from European Commission signed by Mr Schmidt addressed to minister of labour, social affairs and family of the Slovak Republic. National plan of the Slovak Republic was drafted in line with Guidance and structure of national plans passed by Social Protection Committee, national legislation in the field of social insurance and the National Recovery and Resilience Plan.

2. Challenges

Slovak social insurance system consists of:

- Sickness insurance;
- Pension insurance;
- Accident insurance;
- Unemployment insurance and
- Guarantee insurance (above scope of the Recommendation).

However, need to be add that exist other state social security schemes (above scope of the Recommendation) which securing income to persons in some social situation and are financed directly by the state budget (for example parental allowance if parent takes proper care of at least one child up to the age of 3 years and benefit in material need and allowances in case the income of household members is below the subsistence minimum). These schemes usually come as top-up to social insurance benefit or in situation when person has not claim on social insurance benefit or duration on social insurance benefit expired.

Slovak Republic sent their data to both collections under monitoring framework to Recommendation in 2020 and 2021.

As the first challenge in the formal coverage of social protection was identified "work agreement workers with irregular income" without mandatory entrance to sickness and unemployment insurance. For size of population see data in the Table 1.

Table 1: Challenge of formal coverage to social security for people in non-standard employment

YEAR	2017	2018	2019	2020	2021
Number of work agreements with irregular income	*61 516*	*57 845*	*61 145*	*56 512*	*50 939*

1) Source: Social Insurance Agency.
2) Data are regularly provided by Social Insurance Agency on monthly basis. State in December except 2021 which is in March.
3) Limitations: Data do not display number of persons, but number of insurance contracts (double counting problem can occur – one person can have more than one contract). Data coming from registration database (not every person make payment in this month due to incapacity, maternity and so on), which is different to data from payment database.

Employees on work agreement with irregular income and without mandatory sickness and unemployment insurance have possibility to become voluntary insured person on sickness and unemployment insurance. They have to use voluntary "package of insurance" (voluntary pension insurance is available as "sole option"). If they wish voluntary sickness insurance only in combination with voluntary pension insurance. If they wish also voluntary unemployment insurance only in combination with voluntary sickness and pension insurance.

The second challenge in the formal coverage of social protection was identified for self-employed persons without mandatory nor voluntary entrance to accident insurance. For size of population see data in the Table 2.

Table 2: Challenge of formal social security coverage for the self-employed

YEAR	2017	2018	2019	2020	2021
Number of self-employed insurance contracts covered by sickness and pension insurance and not covered by accident insurance	*211 071*	*215 893*	*220 961*	*214 899*	*224 062*

1) Source: Social Insurance Agency.
2) Data are regularly provided by Social Insurance Agency on monthly basis. State in December except 2021 which is in March.
3) Limitations: Data do not display number of self-employed persons, but number of insurance contracts (double counting problem can occur – one person can have more than one contract). Data coming from registration database (not every person make payment in this month due to incapacity, maternity and so on), which is different to data from payment database.

We reiterated during the negotiations on Reccomendation that accident insurance in case of accident at work and occupational disease is in our national context exclusively connected with the status of worker. Worker is carryying out work on the basis of the employer´s instruction. Employer is in turn responsible for the working conditions, including the health and safety of an individual particularly in line with Labour Code. The accidents at work and occupational disease branch of the social protection system is constructed as a insurance of an employer againt the accidents/ occupational disease of the worker.

For self-employed persons exist "opt out" possibility to sickness and pension insurance. That mean if their yearly declared income (without deduction of expenses) was below the income ceiling for mandatory entrance on sickness and pension insurance (50% of yearly average wage two years age – 6 552 EUR in 2021). However, in the Slovak republic exist also "opt in" possibility for self-employed persons. Self-employed persons without mandatory sickness and pension insurance have possibility to become voluntary insured person on sickness, pension and unemployment insurance. Except of pension insurance they have to use voluntary "package of insurance" (voluntary pension insurance is available as "sole option"). If they wish also voluntary sickness insurance only in combination with voluntary pension insurance. If they wish also voluntary unemployment insurance only in combination with voluntary sickness and pension insurance. For size of population see data in the Table 3.

Table 3: Voluntary social security schemes for the self-employed (opt-out)

YEAR	2016	2017	2018	2019
Number of self-employed tax declarations which were below mandatory income ceiling	*221 236*	*217 669*	*221 740*	*230 613*

Finally, need to be point out for adequacy assessment in case of the parents take proper care of at least one child up to the age of 3 years, that persons without sickness insurance, low-income persons as top-up or if their claim on maternity benefit expired have claim on non-contributory state social benefit "parental allowance" after fulfilment conditions in the relevant law. In case of unemployment there is available social assistance benefit (material need benefit and allowances) for persons without claim on unemployment benefit, for low-income persons/households as top-up or if their claim on unemployment benefit expired after fulfilment conditions in the relevant law.

Many temporary measures were implemented as response to Covid-19 pandemic (see next point).

3. Lessons learnt from the COVID-19 crisis

Slovak republic as many other Member States was strongly affected by Covid-19 pandemic. In 2020 and 2021 was necessary to pass and implement many measures for maintenance of employment, securing income replacement in the specific social situations and support the most vulnerable groups. The significant measures are presented below.

A) The Project "First Aid" to support the maintenance of employment in the event of declared state of emergency and the elimination of their consequences. The aim of the project is to provide the employers with support for maintaining jobs in the form of providing a contribution to the employer and support for self-employed persons to maintain the operation of their activities due to the declaration and duration of the state of emergency. The project contributed to the mitigation of the economic COVID-19 impact and the subsequently declared state of emergency and the corresponding measures on employment.

Direct support for employers and self-employed persons is provided under coverage of "First Aid" project through six different measures co-financed by the European Social Fund:

- Measure no. 1: Support for employers who, at the time of declaring state of an emergency under the Measure of the Public Health Authority of the Slovak Republic, have closed or banned operations.
  Eligible applicants: employers (legal entities and self-employed persons) outside the public sector created no later than 1 February 2021 (employees recruited no later than 1 February 2021).
  Amount of aid from February 2021: 100% of the Total Labour Cost of the employee for the time spent on the obstacle (max. 1 100 EUR per month).
  Main changes during the implementation of the project: an extended circle of eligible applicants, including entities that were established no later than 1 February 2021; the possibility of drawing financial contribution also on employer's social security contributions (from October 2020 the transition from gross wages to the total labour cost); change in the amount of the financial contribution from 80% to 100% of the total labour cost from February 2021.

- Measure no. 2: Support for self-employed persons who, at the time of declaring state of an emergency under the Measure of the Public Health Authority of the Slovak Republic, have closed or banned operations or whose sales have decreased.
  Characteristics of the measure: graduated financial contribution depending on the decrease in sales which has reached at least 20%.
  Eligible applicant: sickness and pension insured self-employed persons who started their activity no later than 1 February 2021, including self-employed persons with concurrent employment; self-employed persons covered by paid leave are also eligible.
  Amount of aid depending on the decrease in sales: currently 330 EUR (20% - 29.99% decrease) up to 870 EUR (80% and higher decrease) per month; income from employment leads to a reduction in the contribution (net salary is deducted from the amount of the financial contribution).
  Main changes during the project implementation: the number of categories has increased, the decrease in sales is graded from 1 February 2021 to 10% instead of 20%; an increase in the financial contribution of 60 EUR in each of the categories; an extended circuit of eligible applicants, including those entities that started operating no later than 1 February 2021.

- Measure no. 3A: Support for employers affected by an emergency situation.
  Financial support for employers whose activity has been limited by the economic downturn: support provided to the employer per employee at an obstacle from the employers' side.
  Eligible applicants: employers (legal entities and self-employed persons) outside the public sector created no later than 1 February 2021 (employees recruited no later than 1 February 2021).
  Amount of aid from February 2021: 100% of the Total Labour Cost of the employee for the time spent on the obstacle (max. 1 100 EUR per month).

Main changes during the implementation of the project: an extended circle of eligible applicants, including entities that were established no later than 1 February 2021; the possibility of drawing financial contribution also on employer's social security contributions (from October 2020 the transition from gross wages to the total labour cost); change in the amount of the financial contribution from 80% to 100% of the total labour cost from 1 February 2021.

- Measure no. 3B: Support for employers affected by an emergency situation.
  Eligible applicants: employers (legal entities and self-employed persons) outside the public sector created no later than 1 February 2021 (employees recruited no later than 1 February 2021).
  Amount of aid per employee depending on the decrease in sales: in the maximum amount of 330 EUR (20% - 29.99% decrease) up to 870 EUR (80% and higher decrease) per month, while the amount of the financial contribution is currently 100% of the total labour cost (from February 2021), from October 2020 to January 2021, the amount of the financial contribution was 80% of the total labour cost.
  Main changes during the project implementation: the number of categories has increased, the decrease in sales is graded from 1 February 2021 to 10% instead of 20%; an increase in the financial contribution of 60 EUR in each of the categories; an extended circle of eligible applicants, including those entities that started operating no later than 1 February 2021.

- Measure no. 4A: Support for selected groups of self-employed persons who have no other income at the time of the declaration of a state of emergency.
  Financial contribution in a single amount for each eligible applicant.
  Eligible applicant: a self-employed person without other income and without sickness and pension insurance (income from employment and agreements is allowed) who started their activity no later than 1 February 2021.
  Aid amount from February 2021: currently 360 EUR per month; income from employment and agreements leads to a reduction in the financial contribution.
  Main changes during the project implementation: increase of the financial contribution from 210 to 315 EUR and from 1 February 2021 to 360 EUR; extended circle of eligible applicants also to self-employed persons with certain types of other income, as well as self-employed persons who started their activity no later than 1 February 2021.

- Measure no. 4B: Support for selected groups of self-employed persons who have no other income at the time of the declaration of a state of emergency.
  Financial contribution in a single amount for each eligible applicant.
  Eligible applicant: a one-person limited liability company which was established no later than 1 February 2021 and meets the conditions of minimum turnover and maximum profit before tax.
  Aid amount from February 2021: currently 360 EUR per month; income from employment and agreements leads to a reduction in the financial contribution.
  Main changes during the project implementation: increase of the financial contribution from 210 to 315 EUR and from 1 February 2021 to 360 EUR; extended circle of eligible applicants also to self-employed persons with certain types of other income, as well as self-employed persons who started their activity no later than 1 February 2021.

According to data available as of 14 May 2021 agreements on the support was concluded with almost 191.6 thous. employers and self-employed persons. The number of supported workers (employees or self-employed persons) reached around 4.1 mil. The total amount of support under agreements was around 1.6 bill. EUR.

Detailed statistical data are available in the Annex.

B) Deferral and remission of the social insurance contributions.

In March, May-July and December 2020, employers and self-employed persons had the opportunity to request a premium deferral of the social insurance contributions and old-age pension savings (if their decline in sales was at least 40%; in case of employers just contributions paid by employer). The same scheme was applied in January, February, March and April 2021. The premium maturity for the social insurance period has been prolonged from the original deadline (31 December 2020) to 30 June 2021.

Until 28 February 2021 (state on 5 April 2021) opportunity of a premium deferral of the social insurance contributions had used around 13.1 thous. of self-employed persons and 17.5 thous. of employers. The total amount of a premium deferral of the social insurance contributions was approx. 73.1 mil. EUR (state on 5 April 2021).

In April 2020, employers and self-employed persons had the opportunity to apply for remission of the social insurance contributions (only contributions paid by employers and if at least one operation was closed for minimum 15 days). Opportunity of a premium remission of the social insurance contributions had used around 13.6 thous. of self-employed persons and 19.4 thous. of employers. The total amount of a premium remission of the social insurance contributions was approx. 68.5 mil. EUR.

Detailed statistical data are available in the Annex.

C) Temporary extensions of benefit duration on unemployment benefits so called "pandemic" unemployment benefits.

Slovakia reacted to negative pandemic situation by declaration of emergency situation, which limited/stopped business activities in some sectors and services. Negatively affected by this development were persons, who lost their jobs, their claims on unemployment benefit expired and they had difficulties to find job due to specific situation on the labour market. Unemployment insured persons whose benefit duration on receiving unemployment benefit ended during emergency situation, was extended. This measure came into force since 4 April 2020. The extension of the benefit duration expired at latest on 31 August 2020. As a result of this extension, for example, unemployed insured persons whose benefit duration for receiving unemployment benefit ended in April 2020 had their claim extended by approx. 5 months.

In addition, extension of benefit duration on receiving unemployment benefit originally ended from 31 August 2020 and later, was entered into force on 19 March 2021. In principle extension will be by 2 months beyond the original legal situation. The extension of the supportive period will expire on 31 May 2021 at the latest.

Until 30 April 2021 were paid approx. 127.8 thous. of "pandemic" unemployment benefits. The expenditures on "pandemic" unemployment benefits were around 39.8 mil. EUR until 30 April 2021.

Detailed statistical data are available in the Annex.

D) Sick leave in case of order quarantine or isolation of employees due to the Covid-19 pandemic so called "pandemic" sickness benefit.

The first ten days of sick leave is usually paid by employer as wage compensation (sick pay). During the Covid-19 pandemic since 27 March 2020, in case of order quarantine or isolation of employee due to Covid-19 the first ten days was paid by the Social Insurance Agency as well to financially relieve employers from paying wage compensation. The rate of sickness benefit in this case is at level of 55% of the assessment base from the first sick day. In April 2021 the rate of pandemic sickness benefit was increased to 75% of the assessment base from the first sick day.

Until 30 April 2021 were paid approx. 727.1 thous. of “pandemic” sickness benefits. The expenditures on “pandemic” sickness benefits were around 147.1 mil. EUR until 30 April 2021.

Detailed statistical data are available in the Annex.

E) Establishing possibility to receive nursing benefit due to lockdown of pre-school and school facilities so called “pandemic” nursing benefit.

The nationwide lockdown of pre-school and school facilities created a need for alternative childcare options for employees and self-employed persons and securing replacement income for parents. With effect of 27 March 2020 the Ministry of Labour, Social Affairs and Family reacted by establishing a new “pandemic nursing benefits”, for which sickness-insured parents are eligible if they personally take care of a child up to 11 years of age, during the crisis situation related to the spread of COVID-19 without limiting the maximum time period for receiving the benefit. In April 2021 the rate of pandemic nursing benefit was increased to 75% of the assessment base (from the original amount 55%).

Until 30 April 2021 were paid approx. 642.1 thous. of “pandemic” nursing benefits. The expenditures on “pandemic” nursing benefits were around 175.7 mil. EUR until 30 April 2021.

Detailed statistical data are available in the Annex.

F) The SOS grant is focus at a minimum level for groups of the population who have lost their gainful employment as a result of a crisis and are not eligible for assistance provided under a project to support the maintenance of employment during a crisis or any assistance from social security, state social support or social assistance systems.

The subsidy has been provided in March 2020 in the amount of 105 EUR, from April to September 2020 in the amount of 210 EUR and maximum at 1 600 EUR per budget year. From October 2020 in the amount of 300 EUR and maximum at 1 800 EUR per budget year.

During the period from March to August 2020, the SOS grant was provided to an average monthly approx. 10.3 thous. persons, during the period from October 2020 to February 2021 to around 10.7 thous. persons. In February 2021, the number reached up to 21.8 thous. persons. The expenditures on SOS grant were approx. 42 mil. EUR (April 2020 – March 2021).

4. Policy objectives and measures to be taken

Measure that has been passed

Apart from the project *First Aid* a draft of the Act on support during the short-time work based on the German Kurzarbeitergeld system (hereafter “Act”) was passed by the National Council of the Slovak Republic on 4 May 2021. Support during the short-time work is intended to be a permanent tool for maintaining the employment of the employer's employees which, due to an external factor beyond its control, cannot allocate work to at least one third of its employees in the size of at least 10% of the established weekly working time.

In such a case, the employer will, after fulfilling the conditions, be entitled to support during the short-time work intended to pay part of the employee's wage compensation. The instrument is intended to prevent redundancies due to an external factor, thus supporting the maintenance of employment and preventing the use of unemployment benefits.

The amount of financial compensation will be at 60% of average gross hour wage from the scheme and at least 20% of average gross hour wage will be mandatory supplement by employer. From financial compensation will be deducted mandatory social security contributions and income tax.

This scheme will be financed from the unemployment insurance fund managed by Social Insurance Agency. Impact Clause to Act expected that yearly will be supported around 6.5 thous. employees and expenditures on financial compensation will be approx. 20.3 mil. EUR in 2022; approx. 21.3 mil. EUR in 2023 and approx. 22.4 mil. EUR in 2024.

The Act will come into force since 1 January 2022.

Long-term priorities

The National Recovery and Resilience plan was passed by Slovak government on 28 April 2021 and contains "Component 18 Securing health, sustainable and competitive public finances".

From the point of view of ensuring sustainable long-term economic growth it is necessary to carry out a fundamental tax reform of the move towards a competitive pro-growth tax mix, reduction of more harmful taxes for economic growth and an increase in property and environmental taxes. Tax wedge on labour must be observed in parallel in order to reduce and address inefficient and ineffective tax exemptions and administrative burdens. The main two challenges in the context of access to social security for workers and self-employed persons are:

- decreasing of tax wedge on labour, which has grown at the fastest pace in the EU since the 2009 crisis and
- suspending increasing number of ineffective tax exemptions.

Date of implementation will be specified after reaching of political consensus.

5. Way forward

- *What are the main challenges you foresee in implementing these measures (in relation to the specific areas of the Recommendation)?*

  Slovak republic as many other Member States was strongly affected by Covid-19 pandemic. In 2020 and 2021 was necessary to pass and implement many measures for maintenance of employment, securing income replacement in the specific social situations and support the most vulnerable groups. In light of this any "structural" plans and reforms were postponed.

- *What type of EU support is needed to help you implement the Recommendation and the national plan?*

  We took part in every Mutual Learning Workshops on Access to social protection for workers and the self-employed held in 2019/2020. We received there many inspirations and good practices from other Member States, academics, international organisations and social partners. Continuous of these mutual learning workshops could be good way of sharing good practices and solutions for extended access to social protection.

- *Are there further challenges in access to social protection systems, not addressed by the Recommendation and how could these be addressed?*

  In our point of view it is time to assess how Member States dealt with Recommendation, how were succeed and then we can move to other social security schemes.