



Slovakia

# Minimum Income Schemes

## A Study of National Policies

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## 1. Executive Summary

The minimum income scheme has undergone a marked shift since 1991. Changes have concerned eligibility criterion, the amounts provided, links with other social protection programmes, as well as the basic logic of the benefit. Generally, this was a move toward more tightened rules and increased conditionality.

The Slovak social assistance scheme always depended on the so-called subsistence minimum, which was established as the socially accepted minimum income level. It has served as an eligibility threshold for assessing entitlement to social assistance and, till 1998, as a guaranteed lowest income. Later the subsistence minimum performed only the first function.

Since the 2003 social assistance reform, the minimum income benefit consists of a basic benefit ("material needs benefit") and several allowances. Univocal valorisation rule does not exist and adjustments of the benefit and allowances are left to government discretion. Providing allowances depends on various conditions relating to involvement in labour market activation programmes (the activation allowance), ownership/tenant status and the financial responsibility to regularly pay housing costs (the housing allowance), or the claimant's decreased ability to provide for themselves (the protection allowance). Part of these conditions seems quite problematic for some vulnerable groups. This is true for the housing allowance, which is rarely obtained in segregated Roma communities.

The 2003 reform has brought on a decrease in the proportion of persons covered by the minimum income scheme and in level of the basic benefit. The new scheme has allowed several supplements to the benefit. However, even their accumulation has failed to provide an adequate amount to live above the poverty line (60% of median income). The adequacy of the benefit to cover basic living needs has very seldom been reviewed in recent years. There have never been unified views on what should constitute basic living needs among policy makers either. A slight shift occurred in the last few years when the Ministry of LSAF established a working group for the "reconstruction of the subsistence minimum". However, the working group failed to come up with any new idea of how the subsistence minimum could function.

One of the most frequent issues concerning the social assistance scheme, in discussion since the early 90s, has related to the disincentives embodied in the programme. The elimination of financial de-motivation was the pivotal objective of the 2003 reforms. The gap between social benefits and potential earning was widened by cuts in social benefits.

Since 2004, the so-called activation work, directly aimed at recipients of the material needs benefit, has been the most frequently used tool of active labour market policies. Since 2008, the possibility of repeated participation in the programme has been limited to avoid the "lock in" effect in this one measure. Currently, social enterprises constitute a new widely popularised measure, but without clear indications of its effectiveness so far.

Services for families and children are emphasised in strategic policy documents. However, investments in such basic services as housing or child care facilities had long been neglected. The worst situation is in segregated Roma settlements. Recent investment in housing construction and support for communal housing construction cannot patch the gap made by almost two decades. Access to kindergarten is also a problem. The current provision of free

access for children from households living on the benefit cannot remedy the fact that kindergartens are not available in remote settlements. Problems with the availability of services for households living on the minimum income are rarely reflected in the media and political discourse. This is also due to a limited support for research and also because monitoring the effects of policies that has not yet become part of the government culture in Slovakia.

Global data on the proportion of social expenditure as a percentage of the GDP of Slovakia show that there is a declining trend in the last decade. This could suggest an insufficient effort on the part of Slovak governments in the domain of social cohesion. However, the data may also be read as evidence of a failure by the organisations of civil society to sufficiently advocate for people in risk of social exclusion and, last but not least, as evidence that the academic sphere in Slovakia is not capable of providing relevant data to launch a public debate and increase the awareness of a link between social protection and social cohesion.

## 2. Brief panorama and description of the institutional design of the minimum income scheme in Slovakia

Since 1992 (1993) the minimum income scheme in Slovakia has undergone various substantial changes, including changing its name<sup>1</sup>. The legal basis of the minimum income scheme in Slovakia was not built up from scratch<sup>2</sup>. The first (federal) Act on the subsistence minimum that came into force in July 1991 defined the subsistence minimum as the “socially accepted minimum threshold of the income of a citizen, under which there is a state of material need” (§1). Initially, the subsistence minimum served two important functions. First, it acted as the eligibility threshold in the assessment of a person’s entitlement to social benefits. This function of the subsistence minimum (hereby also referred to as the ‘SM’) has continued to be preserved. Secondly, the SM served as a guaranteed line of lowest income for those who were without any other sort of income<sup>3</sup> or whose incomes did not reach the SM threshold. Lower incomes were considered to be “insufficient for securing sustenance and other basic personal needs and for meeting household costs. Such incomes were - in the “persistence of validated situations” - raised up to the SM level according to clearly defined conditions. This rule was applied to old-age pensions, unemployment benefits, parental benefits, birth allowances and social security/safety benefits (the former name for the ‘material needs benefit’).

The progressive character of this legislation becomes clear if one considers that it had overtaken the Recommendation 92/441/Eec on the Common Criteria Concerning Sufficient Resources and Social Assistance in Social Protection Systems by a year.<sup>4</sup>

After the dissolution of Czechoslovakia, the SM Act continued to serve as the mainstay of social security in the Slovak Republic. The subsistence minimum, the amount of which was directly reflected in the benefit amount, was calculated separately for households of different sizes with the assumption of economies of scale. Amendments to the Act, made during the 1990s, were aimed at valorising the amount of the SM according to inflation.

The new Act No. 125/1998 Coll. on the Subsistence Minimum was the outcome of comprehensive political and research efforts that had been framed by a strategic document of the Slovak Government entitled “The conception of transformation of the social sphere’ and passed in

<sup>1</sup> Though we do not think that a name says everything, the renaming of the minimum income scheme from the original ‘material security’ to ‘social aid’ and finally to ‘assistance in material need’ indicates shifts in the understanding of its commitments in relation to a level of satisfaction of basic needs or necessities of life.

<sup>2</sup> Its legal basis had been created by the Act No. 100/1988 Coll. on Social Security. This act was supplemented by Decree No. 50/1991 Coll. of the Ministry of Labour and Social Affairs of the Slovak Republic which specifies conditions for providing material security for job-seekers, Decree No. 378/1991 Coll. of the Ministry of Labour and Social Affairs of the Slovak Republic on social neediness and by amendments. Implementing regulations concerning social security in the situation of neediness were the republic norms, but Czech and Slovak norms only slightly differed in their contents. For instance, in Slovakia the basic income benefits were regulated by Decree No. 378/1991 of the Slovak Ministry of Labour and Social Affairs, which was issued earlier than the first federal Act No. 463/1991 Coll. on Subsistence Minimum.

<sup>3</sup> § 54 of the Act No. 100/1988 Coll. on Social Security.

<sup>4</sup> However, the Act No. 100/1988 Coll. on Social security already contained the same principle. It is worth noting that this legislation had a clear fundamental rights framework. The preamble of the Act on the subsistence minimum referred to Article 30 paragraph two of the Charter of Fundamental Rights and Freedoms, which says that “Everybody who suffers from material need is entitled to such assistance as is essential for securing his or her basic living conditions”. The Charter was passed as federal Act No. 23/1991 Coll.

January 1996. The new Act defined the subsistence minimum in the same way as the first one and continued to function as the referential point of the social security system. The Explanatory Statement of the Act refers to paragraph 39 of the Constitution of the Slovak Republic, which is almost identical with Article 30 paragraph two of the Charter of fundamental rights and says that *“Everyone who is in material need is entitled to assistance necessary to ensure basic living conditions.”* The simultaneously passed Act No. 195/1998 Coll. on Social Assistance served to implement regulation of the minimum income scheme. Its basic mission stated in § 1 was *“to mitigate or, with the active participation of the citizen, to overcome the state of material need or social need, to secure basic living conditions for the citizen in his natural environment and (...) to secure the social integration of the citizen”*. As we will show later, by distinguishing between social need and material need, and especially by drawing a line between subjective and objective reasons for material needs benefit eligibility, this act already made the first steps towards decoupling the development of the SM and social assistance (minimum income scheme) and debilitating the SM's function as a guarantee of a socially accepted minimum income.

## 2.1 Eligibility conditions

As an assessment criterion for receiving social benefit, the Subsistence minimum was originally (1991) defined as consisting of two parts: the fixed part for a household's needs (distinguishing between single person household and a household with more members) and another part designed for individual needs. The latter part took into consideration the number (and age) of persons living in a common household. The new Act No. 125/1998 on the SM “merged” both parts. The SM increased according to the size and composition of the household concerned<sup>5</sup>.

**Age:** Though individual persons had always been considered members of a household in domestic social legislature, until the year 2003, the amount of benefit had been derived from - more or less sensitively - household structure and size<sup>6</sup>. The amount of social benefit was calculated as the difference between the household income and the legally defined size of the SM for the given type of household. The presence and age of all dependent children was also considered.

Jobless adult children (aged 18 and more) had individual entitlements to the benefit. They were treated as individuals (single person households) even when they lived in the households of their parents. A substantial change in their eligibility was brought about by the Act No. 599/2003 Coll. on Material Need Assistance that stripped jobless singles under 25 of their entitlement to basic benefits, provided that they lived in their parents' household. The Act 599/2003 definitely ended sensitivity of basic benefits to the number of children in the family. Since its implementation, the number of children in a family has played only a small role in the amount of benefits provided (more in part 2.1.3)

<sup>5</sup> The SM was defined (and constructed) as the socially acceptable “threshold of net income that should temporarily secure basic needs of household unit on a very modest level”.

<sup>6</sup> Such a formula guaranteed the SM for large households. As we will show in the part 2.1.2, according to the SM acts valid in the 1990s, child allowances were considered as income when benefit entitlement was tested on the basis of household income size. This calculation ensured that social incomes of large households could not substantially exceed the SM minimum threshold. In spite of this provision, the fact that the SM was calculated according to family size and without a pay ceiling was often criticized. It was pointed out that “large families enjoy a higher level of income that they would receive from employment” (Petrášová – Svoreňová, 2004: .53) The idea that cutting the benefits would make seeking a job more attractive was widely supported (more in part 2.2.3).

**Nationality/residence:** Since the implementation of Act. No. 195/1998 Coll. on Social Assistance (July 1998), the right for securing basic living conditions has also been guaranteed to foreigners, persons without nationality, refugees, displaced persons and foreign Slovaks<sup>7</sup>. All these categories may claim cash benefits of social assistance. However, a claim for benefit remained difficult to implement if claimant had no permanent residence. Act 195/1998 Coll. only made it possible to provide social assistance in kind for 'persons without shelters' such as the provision of a shelter and personal hygiene. Though Act No. 253/1998 Coll. on Permanent Residence sets the rules for issuing identity cards for people with no permanent address (designating the name of village or town as their domicile), official communication, including payments of cash benefits, was allowed only through Act No. 454/2004 Coll. (§5), which recognised the address of the Local authority as the regular address for official communication with persons of no residence. This rule also allows for dealing with benefits for homeless people.

**Socio-economic status:** Income under the subsistence minimum threshold and a "lack of opportunity to secure livelihood another way, mainly by work" has been the key condition of entitlement for benefits during the whole period under study. In addition to household income, the household property of benefit claimant has been carefully assessed. The claimant was expected to attempt to obtain resources first by selling redundant or luxury household items. Basic property which the claimant would not be expected to sell, such as an apartment, household equipment or car, was specified by the law.

## 2.2 Link with other social benefits

The possibility to cumulate basic benefits with other types of benefits has varied over time. In principle, this possibility has been both required (entitlement to benefits has been always preconditioned by "exhausting other possibilities of getting income", including the use of other state supports one is entitled to, such as senior or invalid pension, children' allowances, etc.) and limited (each household may only receive a benefit which amounts to the difference between total revenue and the amount of the SM designated for that given type of household). However, in addition to this rule, the acts on the subsistence minimum contain a list of types of income that are not calculated as household income for the purpose of assessing the social assistance entitlement. Benefits or designated parts of benefits on this list can be cumulated with the basic benefit. This list has been changed in amendments to the law. Changes in types of income that can be cumulated with the basic benefit reflected practical needs more or less promptly. The first Act on SM (1991) permits an accumulation but few benefits: a scholarship based on school results, a one-shot social sickness and pension benefit and social care allowances provided in respect to the health status regardless of social status. One-shot assistance provided by the municipality, social scholarships, child allowances and next benefits of the state social support were considered as income. The next act on SM (1998) continued in considering child allowance (in that time provided as income-tested benefit to children in families with incomes less than the twice of the SM) and old age pensions as tested income. On the other hand, the list of benefits that are permitted to cumulate with the basic benefit was enlarged by contributions to child allowances (for families with the lowest income), social scholarships, birth benefits and funeral benefits. A regular provision of benefit and one-shot social assistance were not considered to be

<sup>7</sup> The Act took into account the requirements of the European Association Agreement between the European community and the Slovak Republic that had come into force on February 1, 1995.

mutually exclusive. One-shot assistance for the needs of children<sup>8</sup> was not considered as income in testing benefit entitlement either.

In 2000, a new benefit, the allowance for housing, was introduced<sup>9</sup>. This allowance was determined for all who regularly paid rent, housing services, property tax, etc., and whose housing costs surpassed 30% of their income. The possibility to cumulate the basic benefit with the allowance for housing was possible but limited as it was considered income. Only a joint amendment of the SM and social assistance acts (2002)<sup>10</sup> extended the list of benefits that are permitted to cumulate with the basic benefit to include the housing allowance and the allowance for praxis of a graduate (more in 2.1.3).

**Table 1 Conditionality of the basic benefit and the allowances to benefit that can be cumulated under Act No. 599/2003 Coll. on Material Need Social Assistance and its amendments**

Material needs benefit and allowances	Conditionality
Material needs benefit	Income of jointly assessed persons does not reach the legally fixed threshold and "using all opportunities to secure income"
Activation allowance	Registered job-seekers, taking part in activation work, which is part of the active labour market measures (since 2008, limited to 6 months and one time), studying while caring for a child to 3 or 6 years of age, those who got a job after being unemployed for a long period and whose wage is lower than three times the minimum wage
Rise of benefit for pregnant woman	Since the fourth month of pregnancy Visits of gynaecologist - documented on the pregnancy card
Protection allowance	Reaching the age of entitlement for an old age pension, disability, lone parent caring personally for a child until 31 weeks of age, illness, taking part in reintegration programmes
Housing allowance	Regular (6 month) payments of rent and/or housing services, proof of ownership or a renting contract or the right to life-long usage; If there are any debts in housing payments, the claimants have to declare an official verification of the debt and time schedule for payment (since 2006, pensioners are released from this rule)
Health contribution	Receiving material benefit
Allowance for parents who are caring for a child younger than one year	Confirmation from a paediatrician that the child has taken part in preventive medical examinations
Benefit for child that is fulfilling compulsory school attendance <sup>11</sup>	Regular school attendance (since 2009)

<sup>8</sup> This regulation was set by Act No. 195/1998 Coll. on Social assistance (In § 48, item 12), which was adopted simultaneously with the SM act. They are logical twins. Exceptional expenses for the purpose of providing one-shot benefits of social assistance were connected with a) the interest activities of the child, such as the child's stay in a summer camp, school in nature, skiing training camp or spa cure or b) the purchase of basic equipment for the household. The problematic provision was that a one-shot benefit may be provided as a reimbursement of costs.

<sup>9</sup> Act. No. 300/1999 regarding the allowance for housing was abolished by Act no. 599/2003. A provision for the housing allowance under similar conditions and for a more extensive number of persons was renewed in 2006 under Act No. 310/2006 Coll.

<sup>10</sup> Act No. 274/2002 Coll.

<sup>11</sup> This is a substitution for the motivation scholarship provided in 2004 – 2008 to pupils from all types of elementary schools under the condition that school results improved.



Since 2004, other benefits or their parts have been permitted to cumulate (i.e., they are not considered as income in assessing entitlement) with the basic benefit and allowances added to it. They are the whole child allowance, all kinds of scholarships, 25% of old age, disability and widows/widowers pensions, 25% of orphan's' pension<sup>12</sup> and maternity benefits. Furthermore, the accumulation of various new benefits for jobseekers, such as a contribution for family services and an allowance for travel, has been allowed.<sup>13</sup>

The next important change that was introduced by Act No. 599/2003 Coll. on Assistance in material need was a division of the minimum income benefit into the basic benefit and several, variously preconditioned allowances supplementing the basic benefit. The amount of the basic benefit was set low (at one-third of the subsistence minimum) and the combination of the basic benefit with allowances is therefore important not only to protect recipients against exclusion from acceptable way of life but also to ensure basic livelihood. The law provides several ways to obtain contribution (allowance) to benefit. If claimants meet specified conditions, they qualify themselves for various allowances and in this way their household income can eventually approach the SM threshold. Table 1 lists the current contributions to the material needs benefit and their eligibility conditions.

### 2.3 Transition into employment

Support of transition into employment has taken various forms during the last decade. For a short period (1998 – 2000) benefits were also provided to those whose wage was under or at the level of the subsistence minimum. Low incomes were allowed to be topped up to the 120% of the SM. This measure was abolished by the Act No. 450/2000. The concurrence of benefits and (low) wage was restored by the social reform “to give the long-term unemployed more incentive to seek employment by retaining an entitlement to a portion of the benefit when they take up employment” (Joint Inclusion Memorandum 2003).

The Act No. 599/2003 Coll. on Material Needs Assistance regulates several additional allowances to basic material need benefit. The most widespread measure is “activation allowance” which can also be provided to long-term unemployed persons who found a job. It is provided for six months of job duration in case that their income is either at the level of the minimum wage or higher, but not higher than three times of the minimum wage. It is important to note that the activation allowance is also regulated by the Act No. 5/2004 On Employment Services and amendments to the act that specifies conditions for its provision. Time of providing activation allowance has been limited with the Act No.139/2008 amending this Act since May 1, 2008.<sup>14</sup> Activation allowance is treated here as important tool of active labour market (LM) measure that encourages/recompense job-seekers for participation in various educational and training programmes and in employability supporting programmes.

<sup>12</sup> Like old-age and widows/widowers pensions, the orphan pension is paid under the insurance principle.

<sup>13</sup> Besides these benefits, several other incomes are not considered. The income most recently added to the list is the reward for participation in the panel of households for surveying family budgets that is run by the Statistical Office.

<sup>14</sup> In 2008, the number of those participated in activation programmes (small community works fact) fell by 36.7% in comparison to 2007 (Report on social situation... 2009: 82). Though this decrease also reflects the decline in unemployment and the subsequent decrease of the number of dependent on MIS by 16% (Report on social situation... 2009: p.79), the influence of the introduced time constraint on participation in activation work can hardly be overlooked.

Besides activation allowance there are several LM measures that are to support transition in employment. First, there is the package of tools supporting education and preparation for labour market that included allowances for food, travel and care for children during taking part in education and training programmes. Next important tool aims at support of young people entering labour market. It is so called “allowance for praxis of graduates”.<sup>15</sup> The aim of the praxis of school leavers is to obtain some skills and practical experiences from employers, which should reflect their education level and which could be helpful in order to find a regular job. The allowance is provided to young people aged 25 years and less for the period of six months as maximum provided they have been registered jobseekers for at least three months before they claimed this allowance. Due to the 2008 amendment, amount of the allowance has been increased to the level of the subsistence minimum for adult person.<sup>16</sup>

Since the tax reform (2004), raising the lowest wages has also been accomplished by a child tax bonus. The use of taxes to support transition into employment continues: in 2008 so-called “employee’s premium” has been introduced with effect from January 2009. It is provided to low-wage earners (employees) who worked at least six months and their income is under the level of minimum wage. Tax credit is received with a year delay. The income-tax return will be applied at first time in 2010 (for 2009).

## 2.4 Benefit amounts for different household types

Benefit amounts have also faced important changes during this period. To document the quantitative aspect of these changes as precisely as possible, we identify individual amounts in SKK and/or express them in euro on the basis of the SKK – EUR rate fixed in 2008). Compilation of the periodic calculation of Slovak benefit amounts in EUR, for instance from the MISSCOC database, is misleading due to the floating exchange rate. We also compare the development of social assistance benefit amounts with the development of the subsistence minimum, minimum wage and average wage when possible. The development of benefit amounts in the 1990s had been rather linear. Sums were valorised by the inflation index. The first substantial overhaul of the minimum income scheme was introduced by Act No.195/1998 Coll. on Social Assistance and the new SM Act (1998).

The SM Act remained irreplaceable for setting amounts of income that were assessed and for calculating eligibility thresholds. The subsistence minimum was calculated according to the formula 100% for the first adult in a household, 70% for every other adult in the household and 45% for each child. Amounts did not differ regionally. Regional variation in costs of living was not considered to be substantial since the research that was the basis for the new calculation of the SM suggested that “numerous cost-of-living items only partially varied and regionally different savings and costs mutually balanced out.” (Filipová – Valná 1999)

However, a minimum income on the level of the SM ceased to be guaranteed for all persons in need. The weakening of social protection was caused by the Act on social assistance (1998) that distinguished between subjective and objective reasons of material need and designated different amounts of benefits for those who were in need for different reasons. Those who were identified as being in need “for objective reasons” received the full amount of the benefit, equal to the

<sup>15</sup> In Slovak it is called „príspevok na absolventskú prax”.

<sup>16</sup> Since 2008 the next allowance supporting transition to employment has been established – allowance for support of graduates of education and training programmes for labour market purposes. It also amounts to subsistence minimum.

(newly recalculated) SM. Those employed and with a household income below the SM threshold were eligible to a benefit which would raise their income to up to 120 % of SM. The new regulation hit those identified as being in need “for subjective reasons”: they could only receive benefit equal to half of the SM.

The list of subjective reasons for material need set by paragraph 6 of Article 7 of the Act specified a whole array of situations such as non-cooperation with the labour office and not using all opportunities to secure income<sup>17</sup>. The important item of the list was situation (d) when “citizens are found in the labour office registers of the unemployed ... longer than 24 months”. The fact that long-term unemployment was on the list of subjective reasons for neediness would mean that the long-term unemployed could then qualify for only half of the benefit. Initially, the law would allow those who had been registered as jobseekers for a longer period to qualify to full amount of benefit by proving that they had been actively seeking a job. However, the next amendment (Act 155/1999) eliminated this possibility. Long-term unemployment has begun to be referred to as ‘voluntary’ and the benefit for voluntarily unemployed (and his/her partner) has been halved automatically<sup>18</sup>.

In 2000, the SM Act and the Act on Social Assistance were amended again by decoupling social assistance benefits from the subsistence minimum. Since then, the annual valorisation of the SM has ceased to lead to an automatic increase in social benefits<sup>19</sup>.

The first restrictive measures envisaged in the government's Programme Declaration for the period 2002 – 2006 became effective with an amendment to the social assistance law (Act No. 724/2002 Coll.). Benefits were reduced for both categories of recipients: those in need for objective reasons and those in need for subjective reasons. Single adults classified as poor due to ‘subjective reasons’ could get a maximum of 1,450 SKK. The benefit for a dependent child living in a poor household might increase this to the amount of 1,600 SK. The most substantial change concerned the limitation of the benefit amount. The Act designated a *benefit ceiling*: the benefits to households should not exceed 10,500 SKK, irrespective of the number of children in a household<sup>20</sup>. This measure considerably limited the chances that the benefit would provide adequate resources to large jobless families.

<sup>17</sup> For instance, single mothers who did not submit a request for judicial proceedings to determine the paternity of their child were regarded as persons who did not take all opportunities to obtain income and their benefit was reduced to half.

<sup>18</sup> The part of the benefit that reflected the number of children in the family was not reduced in this period.

<sup>19</sup> The increase of the MS directly influenced an increase in the old age pension, parental allowance and some minor state supported allowances.

<sup>20</sup> See § 48 par. 4 of the Act No. 724/2002 Coll.

**Table 2 Basic benefit amounts for selected types of households in SKK**

	Single adult			Couple		
	Without children	From 1 to 4 children	5 children and more	Without children	From 1 to 4 children	5 children and more
2002 'objective reasons' of material need	3,490	*	*	5,930	*	*
2003 'objective reasons of material need'	2,900	*	*	5,800	*	10,500
2004 – till August	1,450	2,160	3,160	2,530	3,210	4,220
2004 since September	1,530	2,450	3,640	2,660	3,630	4,965
2006	1,640	2,630	3,900	2,850	3,890	5,210
2007	1,680	2,800	4,100	2,910	4,000	5,360
2008	1,760	3,300	4,800	3,060	4,520	6,060
2009	58.43€ 1,760	109.54€ 3,300	159.34 € 4,800	101.58€ 3,060	150.04€ 4,520	201.16 € 6,060
* In 2002 and 2003, benefits still varied according the number of children in a household. For that reason, cells in these lines are empty.						

Act No. 599/2003 Coll. on Material Needs Assistance has given more systematic adjustment to already reduced benefits. The law recognises only six categories of household and six amounts of basic benefit for these categories. They are as follows: one-adult household without children, adult with one to four children, adult with five and more children, and the same differentiation for couple (adult childless couple, couple with one to four children and couple with five and more children). This classification is still valid. The consequence of such a categorisation is that the basic benefit amount is the same for a couple with one child and a couple with four children. The same insensitivity concerns large families. A slight amelioration is caused by child allowance, which can be cumulated with the basic benefit. However, child allowances do not increase on the basis of the order or number of children. Child allowance is the same amount for each child (since 2009, 640 SKK, that is 21.24 EUR).

Table 3 shows the amount of allowances to the basic benefit that can be cumulated with the material needs benefit. The important allowance – both in terms of its amount and in terms of the number of recipients – is the activation allowance. Eligibility for the activation allowance is preconditioned by participation in activation work or in education and re-training for at least ten hours weekly. The activation allowance was initially set at 1,000 SK (and is now 1,900 SK). It can only be paid to those individuals/households defined as entitled to the material needs benefit. Additional protective measures for those who are unable to secure their basic living conditions and help themselves in material hardship is the protection allowance. It is the same amount as the activation allowance. The protection allowance is an important measure that helps to mitigate hardships caused by the social insurance reform, namely by the abolishment of the minimum social pension.

In terms of amendment No. 310/2006 coll., citizens taking old age pension are entitled to a housing contribution while their entitlement is not tested (which means that such citizens is not expected to prove their ownership status and to give proof of regularity of their rent payments or housing services payments).

There is no regular adjustment/valorisation of material needs benefits and allowances to them. Adjustment is left to government discretion. If benefits are adjusted, this is completed by September 1<sup>21</sup>.

**Table 3 Amount of allowances that can be cumulated with the material needs benefit**

Allowance to benefit	2002 SKK	2004 SKK	2007 SKK	2008 SKK	2009 Euro (SKK)
Rise of benefit for pregnant woman	--	350	370	390	12.95 € (390)
Health care allowance	--	50	60	60	2 € (60)
Housing allowance for individual adult	1,680	780	1,490	1,570	52.12 € (1,570)
Housing allowance for household with more members	2,900	1,330	2,350	2,510	83.32 € (2,510)
Activation allowance	--	1,500	1,900	1,900	63.07 € (1,900)
Protection allowance	--	1,500	1,900	1,900	63.07 € (1,900)
Benefit for parents who care for child under one year of age	--	--	370	390	12.95 € (390)
Benefit for child that is fulfilling compulsory school attendance	--	--	--	--	16.6 € (500)

## 2.5 Time duration

During the 1990s, there was no time constraint in regards to receiving social benefits. From 1999 (195/1998) to 2003, the rule applied that if the length of unemployment exceeds 24 months, social assistance is reduced<sup>22</sup>. Eligibility for the reduced social assistance benefit was not limited.

Neither the reform of assistance (2004) has put time constraints on the eligibility for basic benefit in material need. The reformed benefit in material need is not limited in time. Only the organisation of its provision was intended to change. Act No. 599/2003 on Material Needs Assistance assumed that public administration (labour offices) would pay basic benefits to a person for the period of 24 months and then this duty would transfer to the municipality (with secured funding from central budget), which may also choose to provide benefit in kind or mainly in kind<sup>23</sup>. However, this plan has not been implemented due various reasons and in the latest amendment of the Act (2008) it was fully abandoned. This change was mainly caused by

<sup>21</sup> This is a paradox. On the one hand, The Subsistence Minimum Act (601/2003 Coll.) stipulates that the government *must* valorise the subsistence minimum by July 15 of the given year. On the other hand, the Act on Material Needs Assistance (599/2003 Coll.) says in Article 16, par. 4 that "the Government *can* amend the benefit sums by September 1 of the given year." (emphasis authors') Unfortunately, neither the social-democratic government has turned this plausibility toward a stronger commitment.

<sup>22</sup> This restriction is related to the differentiation of the levels of benefit according to reasons of material need. At the beginning, the benefit for those in need due to "subjective reasons" (long-term unemployed including) was halved. Gradually, as 'full' benefits were also cut down, the difference in the benefit levels decreased. The 2004 benefit reform ended differentiating between reasons of material need and unified the basic benefit.

<sup>23</sup> In kind provision was already assumed by Act 195/1998 Coll., which says that (3) "Basic living conditions for the purposes of this act are one hot meal daily, necessary clothing and shelter" and defined as an alternative to cash benefits.

municipalities' fears of an increase in administrative burdens and of higher costs of in kind provisions.

As it has been already indicated in the part 2.1.1, since May 2008, the six month time constraint was introduced for participation in the activation work programmes organised as small communal services in frame of ALMP. It implies that the opportunity to increase basic benefit by the activation allowance is now temporally limited.

## 2.6 Conditionality rules

Conditionality rules attached to obtaining social benefits in Slovakia have undergone a non-linear evolution. Unlike the previous sections, we only deal with the present state here. Table 1 outlines the conditionality rules attached to obtaining benefits as they have been designated rather succinctly by Act 599/2003 on assistance in material need. Some allowances have quite strict eligibility rules. For instance, in order to obtain entitlement to the housing allowance, the claimant must fulfil two conditions beside the very fact that she or he is in material need. Firstly the claimant must be the owner or tenant of house/flat. Secondly, the claimant must demonstrate that she or he regularly pays for the costs associated with housing. In case of debts, the claimant must show official verification of the debt and a time schedule for payment. The consequences of such demanding conditionality rules are analysed in part 2.2 of this report, especially in part 2.2.1 on coverage and take up.

## 2.7 Governance arrangements.

Policy decisions are made at the central level. Benefits are also paid by the state administration (labour offices). One part of the employment services and social assistance reform (2004) was an organisational affiliation of social departments of district public administration to labour offices, which were then renamed as offices for labour, social affairs and family (LSAF). The Central Office of LSAF was thus established. Earlier, at the beginning of the 1990s, the Employment Fund and the Employment Services Administration were established. The Employment Fund was aimed at financing both 'passive' protection in unemployment and active labour market programmes. The Employment Service shared responsibility for labour market policies with the Ministry of Labour, Social Affairs and Family (Kalužná 2008: 13). Later, the National Labour Office emerged from both of these institutions as a tripartite body. It functioned from 1997 to 2004, focusing on labour market policies. Two categories of activities were still covered by the NLO. First, there were active labour policy measures which included, for example, organising publicly useful jobs and training. Secondly, it provided unemployment insurance benefits. Social assistance was provided by social departments of district public administration<sup>24</sup>.

As we have already mentioned, as part of social policy reforms (2004), The Central Office of Labour, Social Affairs and Family was created. It became a direct part of the organisational structure of the MLSAF. The aim of this arrangement was to integrate various services for disadvantaged and vulnerable groups and make delivery more efficient. LSAF offices now cover probation and social work with children, counselling services, and organise job-counselling, so they may have the character of one stop shops. However, the reform of employment services was associated with a reduction of the staff as well as an increased number of clients per LSAF worker, and this fact has made providing client-friendly services more difficult.

<sup>24</sup> All institutions had regional and district offices.

It should be added that the integration of employment services and social assistance departments was intended to facilitate the monitoring of recipients of cash benefits and social services and to help prevent undeclared work. As part of this effort, it was made obligatory for jobseekers report at the labour office every two weeks.

Traditionally one-shot benefits can be provided at a municipal level. The municipality makes decisions regarding one-shot benefits and performs counselling for those in material need<sup>25</sup>. A one-shot benefit amount cannot exceed three times the SM. The aim of these benefits is to help with clothing and other expenses.

Most up-to-date websites where more detailed information about minimum income scheme can be found at are: <http://www.upsvar.sk> (Website of the Central Office of Labour, Social Affairs and Family, Slovak only); <http://www.employment.gov.sk/DIS/dis/index.php?SMC=1&lang=sk> (Website of the Ministry of Labour, Social Affairs and Family; Slovak) and <https://lt.justice.gov.sk> (Central website for Consulting legislation process).

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<sup>25</sup> Act No. 562/2008, § 22.

### 3. Assessment of the MI scheme

#### 3.1 Assessment with respect to coverage and take up

The coverage of the population by the MI scheme and the take-up rate are key issues of the minimum income scheme's effectiveness. In order to help people in need they have to participate in schemes that are intended to provide such help.

Benefit taking rate partly refers to existing demand (that grows with growing unemployment and an increasing share of people without resources) and partly to eligibility rules. Changing rate of benefit takers can thus reflect changes in demand and also changes in conditions of entitlement. The data presented in Table 4, which shows the proportion of recipients with their families in the regions of Slovak Republic, show the outcome of both of these tendencies.

The data suggest rather important changes in the proportions of people taking minimum income benefits from 1998 to 2001. The peak was reached in 2001 when almost 12% of persons had income from the minimum income scheme. High reciprocity corresponded to an unemployment rate that reached 19.2% in 2001 (according to the Labour Force Survey carried out by the Statistical Office of the Slovak Republic).

**Table 4 Share of recipients of minimum income benefits (beneficiaries with jointly assessed persons) in the regions of Slovakia (in %)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Bratislava</b>	1.39	2.12	2.21	2.52	2.51	1.98	1.21	1.21	1.26
<b>Trnava</b>	5.41	7.51	8.08	8.65	8.56	6.76	4.45	4.30	4.32
<b>Trenčín</b>	3.85	6.78	7.18	7.06	6.58	5.20	3.12	2.90	2.90
<b>Žilina</b>	5.78	9.34	9.61	9.55	8.74	6.98	4.32	4.09	4.00
<b>Nitra</b>	7.81	10.58	11.32	12.26	12.26	10.57	7.35	6.95	6.85
<b>Banská Bystrica</b>	10.14	13.49	13.76	14.52	14.63	13.55	10.82	10.81	11.02
<b>Prešov</b>	11.51	15.94	16.58	16.51	16.03	14.26	10.00	9.95	10.18
<b>Košice</b>	13.47	17.61	18.24	19.09	18.87	17.77	12.95	12.60	12.53
<b>Slovakia</b>	7.74	10.84	11.31	11.75	11.49	10.10	7.12	6.94	6.97

Source: Bednárík (2007): *Analýza osôb poberaúcich dávky v hmotnej núdzi v rokoch 1998 – 2006*

As we can see there are huge regional differences with east-west distinction. The highest shares of people living from minimum income benefits are in the Košice, Prešov, and Banská Bystrica regions. These patterns have been stable during the whole period and replicated regional unemployment, and the long-term unemployment rate, to a considerable measure.

The issue of coverage was mainly perceived from the perspective of public finance in Slovakia. Concerns over the high proportion of benefit recipients were expressed by OECD and other transnational authorities. Due to continuing economic problems and high unemployment, a reduction in the high proportion of MI beneficiaries was only possible by making entitlement to benefits more restrictive. Creating new type of the scheme went hand in hand with a decrease in the proportion of persons benefiting.



Changes in eligibility (tightened eligibility rules) have manifested themselves in a decline of reciprocity in the year 2004 when unemployment was almost the same as in the previous year. Continuing decline in reciprocity since 2004 can be attributed to two different trends: decline in unemployment and decline in coverage due to stricter eligibility rules. Further amendments to the act on assistance in material need and employment services (Act No. 573/2005 Coll.) have helped strengthen the monitoring of job-seekers by increasing the frequency of mandatory labour office visits (every week for a person that is not involved in any kind of activity). Job-seekers that have been rejected due to non-collaboration or owing to undeclared work can have themselves re-registered, but only six months after their removal from the job-seekers' register. The numbers of deleted 'due to non-collaboration' have significantly increased since the launch of the reform in 2004.<sup>26</sup> This was partly caused by the possibility of repeated registration (after six months<sup>27</sup>), therefore it is theoretically possible for a job-seeker to be ruled out due non-collaboration as often as two times per year.

Moreover, since the reform, the Slovak MI scheme consists of a number of partial allowances, this implies that problems in coverage and take up may relate not only to the benefit in material need as whole, but also to its particular elements. In part 2.1.1 we list numerous conditions that must be met in order to obtain a housing allowance. It should be noted once again that the housing allowance is fundamental for the prevention of indebtedness as the basic material needs benefit was set too low by the reform law and it therefore does not suffice for covering necessities such as housing costs. Table 5 shows a gradual increase in the acceptance of housing allowances since 2004, when it was established as part of the MI scheme. A sharp increase in numbers from 2006 onward is a result of a legislative change which occurred in August 2006. This legislative intervention has lessened eligibility conditions for pensioners. In spite of this fact, the share of housing allowance recipients still represented only 58.3% of recipients of the basic benefit in 2007. Keeping in mind that the amount of the allowance is important addition to the low amount of the basic benefit, the proportion of its recipients could be assessed as low. This is especially true in the face of raising housing costs. As we will show later, some vulnerable groups face even more serious problems.

**Table 5 Selected characteristics of housing allowance coverage**

	2005	2006	2007	2008
Monthly average number of recipients	62,091	81,002	114,995	98,300
Share of housing allowance recipients from total number of material needs benefit recipients	35.3%	44.7%	58.3 %	59.3%

Sources: *Reports on the social situation of inhabitants of the Slovak Republic in the years 2005, 2006, 2007, 2008 (Slovak)*

<sup>26</sup> They were higher in some years than the inter-year decrease of registered unemployment. For instance, the number of deleted jobseekers was 34,583 in 2003, 55,370 in 2004 and 81,840 in 2005. The decrease in the number of registered jobseekers between 2004 and 2005 was 49,320: it was the smaller number than the number of those deleted for non-collaboration in 2005. (Stanovisko KOZ...2006; authors' calculation).

<sup>27</sup> The Slovak Ombudsman had objected to the restricted possibility for job-seekers to return to the registers. On the basis of his intervention, a legal correction of this issue was made by Act No. 573 in November 2005 that changes and supplements Act No. 5/2004 On Employment Services. When a job-seeker is removed from the register due the care for a child younger than 10 years or for a close relative who is immobile, the waiting period for re-registering has been reduced to three months instead the former six months. The Ombudsman considers this precondition of a waiting period a "sanction". (Verejný... 2006, 45).

Despite the prominence of the coverage and the non-take up for minimum income functioning, these problems haven't attracted the attention of social policy-makers in Slovakia. This is especially true for the non-take up problem. The political objective was lowering an 'overly high proportion of those living from benefits' and logically, the main policy priorities which were emphasised in relation to the functioning of the minimum income scheme dealt with and had been aimed at solving problems like "benefit dependency", the "misuse of benefits"<sup>28</sup> and the need for activation. Taking into account these concerns, it is reasonable that the issue of non take up was far behind in the list of priorities.

Neglect of the issues of coverage and take-up was also associated with the comfortable belief that all entitled persons participate in the programme. Ensuring take up did not serve as a policy objective which would require special policy interventions.

This disinterest may be based on two assumptions. First, it is believed that the minimum income scheme and all relevant conditions for entitlement to benefits are well-known among the general population and also among vulnerable groups. Secondly, it is believed that the role of the state is to set up the system and the extent to which it is used is the responsibility of potential clients. A lack of concern about the non-take up is well documented in the Reports on the social situation of inhabitants in the Slovak Republic, which are published annually by the Ministry of Labour, Social Affairs and Family. Similarly, the issue of non-take-up has yet to be involved in the NAP/Inclusion.

Only limited attention to these issues can be found in domestic research literature. One rare exception is the UNDP study *Report on living conditions of Roma households in Slovakia* (2006). This study provides empirical evidence on the take up rate of social assistance among poor Roma households living in separated/segregated settlements. This group is routinely expected – by so-called "common sense" – to use the minimum income scheme and have full take-up rate. According to the Report, 72.7% of surveyed households had received "some form of income related to material need in the last month" (Report, 2006: 48). However, this high ratio of households depending on aid in material need did not result in a similarly high proportion of the allowances which are connected with minimum income benefits. The biggest problems appeared in receiving housing allowances and scholarships for pupils and students. Only 15.7% of the Roma households that received any income related to material needs also received housing allowances. This striking gap between the proportions of basic social assistance benefit recipients and housing allowance recipients is a consequence of the strict conditions of housing allowance eligibility (see part 2.1.5). As the Report states (2006: 50), "many households fail to meet these conditions precisely because of the character of their housing – they often lack official approval, they are built illegally without formal recognition of ownership rights, or they are unable to pay the accommodation costs regularly, which becomes a barrier to satisfying the second condition." These conclusions are supported by a comparison of the incidences of housing allowances in various types of Roma settlements. The lowest share of housing allowances was identified in segregated settlements (7.8% compared to 22.8% in mixed settlements and 16.4% in separated settlements) which are characterised by a huge extent of undocumented housing.

Similar findings relate to the utilization of scholarships for pupils and students. The coverage of the population was even lower than in the case of housing allowances. Only 6.2% of surveyed Roma households reported that they received such a benefit. However, we have to keep in mind that this percentage is a proportion of the total sample and not of the households with children in school age that are eligible for this benefit. However, even this imprecise number may indicate a

<sup>28</sup> Misuse of benefits was often used as part of the reasoning for the social policy reforms launched in 2003.

problem since the scholarship has become important supplement of household income after the benefit cuts in 2004<sup>29</sup>.

It is obvious that the benefit non-taking can result both from limited entitlement that is, insufficient coverage, and variously motivated non-participation in MI scheme. The data stemming from a UNDP Report refer more to the low coverage of specific policy measures than to low take up. Unfortunately, the survey conducted by the UNDP was not focused on this problem.

There has never been research launched on the extent of non take up in the Slovak Republic – not to speak about research on the reasons people might have for not making claims. There was not enough political interest in such information/academic research and NGO's did not invest in questioning this aspect of the minimum income scheme, which was perceived to be non-problematic.

It seems however that there is one possibility to seize at least one aspect of this problem in Slovakia, but with a very strong caution towards potential misinterpretations, as its utilization depends on nation-specific institutional arrangements of the minimum income scheme. It could be done through the concept of “discouraged unemployed persons” which refers to unemployed persons who want to work. However, they don't look for a job actively because they don't believe that they could find something. A more precise definition is provided by the OECD (for example): “Discouraged workers constitute one group of inactive work-seekers. These are persons who, while willing and able to engage in a job, are not seeking work or have ceased to seek work because they believe there are no suitable available jobs.”<sup>30</sup> So, as a result of the fact that they aren't active in seeking for a job they should exit from the minimum income scheme, at least in some cases, for instance when non-cooperation with labour offices is very low or when they are completely absent. This exit from the minimum income scheme would be the result of a personal decision based on a lack of hope in the future<sup>31</sup>.

Discouraged unemployed persons can be surveyed, as data relating to them are regularly collected via the Labour Force Survey since 1994. In the Slovak Republic, the analysis of the so-called discouraged unemployed (or discouraged workers according to OECD) was carried out by Hanzelová and her colleagues (Hanzelová et al, 2007). In 2006 there were 13,300 discouraged persons, which represented 0.7% of all economically inactive people. But – and this is very important – statistical data showed that 2/3 of discouraged persons were registered at the Labour office (Hanzelová et al, 2007: 75), despite the fact that they didn't fulfil the conditions. This means that only 1/3 of them could be viewed as persons who decided not to participate in the official system of assistance. We can see that the LFS data can only provide a rough picture of the extent of non-take up within the assistance programme and they can hardly substitute for more thorough survey of this problem.

<sup>29</sup> Motivation scholarships were intended to motivate children from poor family backgrounds to improve their school outcomes as a means of breaking the cycle of poverty. Since 2009, it has been cancelled and substituted by a benefit to (every) child that regularly (i.e. without unjustified absences) attends school. See part 2.1.2.

<sup>30</sup> This is the definition by the OECD Statistic Glossary which is available at [www.oecd.org](http://www.oecd.org). A very similar definition (with other wording) can also be found in ILO documents.

<sup>31</sup> However, hopeful or not, those without any other income are simply forced to take part in the job-seekers register and in the minimum income scheme by the necessities of life.

### 3.2 Assessment with respect to adequacy

We have already suggested that the high coverage of the Slovak population by MI schemes has provoked various explanations. Among them, theses of the excessive generosity of the minimum income scheme and that of welfare dependency were rather dominant. The Slovak government's Programme Declaration for 2002-2006 apparently responded to the high number of benefit recipients when it declared objectives "to reduce the opportunity to secure one's livelihood due to the large benefits that result from a large number of children" and to create conditions "in which meeting the needs of those who do not work will be limited to *basic living conditions* whilst the income gap between benefit recipients and those on low wages will be widened" (Programme Declaration 2002; authors' emphasis). It has remained implicit what "basic living conditions" might include or must include.

Reforms of the social protection system since 2003 began with the assumption that the previous system was too generous for some household types. Benefits were seen as too generous especially in the case of the minimum income scheme. The government strategic paper which preceded the new MIS act stated that "the original function of the social assistance benefit - to be temporary substitution of income - has been changed in the case of some recipients and it has become an alternative to income from the labour market." (Stratégia, 2003: 5) Later the World Bank arrived at a similar conclusion in its report assessing welfare reforms in the Slovak Republic. According to the World Bank, until the 2004 reforms, the living standards of low-skilled workers "were, for the most part, maintained by very generous social benefits which for some household typologies exceeded their potential labour income." (World Bank 2005: xii). Social assistance was especially generous to households with large numbers of children and potentially low-earning adults. (World Bank, 2005: 7) As result, the adequacy of the new minimum income system was not the key issue in debates about its basic principles<sup>32</sup>.

The decoupling of the subsistence minimum from the social assistance scheme and abolishing its guaranteeing function has resulted in tightened rules on entitlements and cuts in social benefits at the turn of these centuries. Lowering the benefit amount to under the subsistence minimum threshold, that is, eliminating its capacity to meet beneficiaries' material needs (formally defined) had afflicted a considerable portion of people dependent on social benefits. Already in 2002, about 50% of the recipients of material needs assistance in 2002 was considered to be in need because of subjective reasons and were only entitled to half of the amount (Stanovisko 2006). New categorisation of households yet lowered benefit sensitivity to number of children in family. Besides others, the SR Ombudsman presumed that a categorization of jointly assessed persons which ignores the existence of fifth child and next children in families might contradict Article 39 of the Constitution of the Slovak Republic. According to this article *everybody* who is in material need has the right for the assistance that is necessary to secure his or her basic living conditions (Verejný 2006: 63).

<sup>32</sup> An eloquent critique of the misuse of the confusion between the relative and absolute understandings of the generosity of welfare system by the World Bank was given by Škobla (Škobla 2006).

**Table 6 Adequacy of material needs benefit in relation to the 60% of median income threshold for a single person (in SKK, based on EU SILC 2005 – 2007)**

	EU SILC 2005	EU SILC 2006	EU SILC 2007
Amount of material needs benefit <sup>33</sup>	1,530	1,560	1,640
Amount of material needs benefit plus all allowances, excl. protection allowance	4,060	4,670	5,060
Value of 60% of median income threshold <sup>34</sup>	5,664	6,395	7,392
Material needs benefit as percentage of the poverty threshold	27%	24.4%	22%
Material needs benefit plus allowances as percentage of the poverty threshold	71.7%	73%	68.5%

*Note: authors' own calculations*

Moreover, decoupling benefits and the subsistence minimum in early 2000s has also resulted in the fact that the indexation of the cash assistance to meet material needs, as defined by the material needs assistance Act, was not and it is still not a regular procedure. The government is legally committed to index the state social support (that is old age pensions, parental allowance, etc.). Yet, the government can adjust – but is *not obliged* to – the level of material need benefits. As a result, the gap has been increasing between the amounts defined by the subsistence minimum law, and the level of cash benefits based on the Material Needs Assistance Act. For example, as of July 1, 2005, the subsistence minimum for a single person is 4,730 SKK monthly, while cash benefits for an entitled individual can reach a maximum 3,970 SKK, provided that a beneficiary receives all supplements to the material needs cash benefit (the housing supplement, health care supplement, and activation grant). Economic and financial crisis has not yet provided impetus to the setting the issue of regular valorisation of the material needs benefits and allowances added to them at the public agenda. Neither of stakeholders of social OMC process seems to emphasise that approximation of the MI benefits to the level of subsistence minimum could be important if we are to protect the most vulnerable groups against the consequences of crisis.

As we have already shown in part 1.2.5, the new MI scheme allows an increase in the low basic benefit by several supplements. The majority of them were established as conditional allowances. However, even their accumulation does not provide an adequate amount to live above the poverty line. Table 6 shows the relationship between the benefit amount to meet material needs (with and without allowances) and the poverty line in the case of a single person. The poverty line is represented by an at-risk-of-poverty threshold defined at the level of 60% of the median income. Compared to the poverty threshold, the basic benefit's value is very low. It didn't exceed 30% of the line during the period when the EU-SILC data were available.

Adding the three allowances, at their potentially highest value, results in an increase in the proportion of the total amount in relation to the poverty threshold. The benefit for material needs with three allowances represents approximately 70% of the selected poverty threshold for a single person.

<sup>33</sup> Amounts of the material needs benefit (and amounts of allowances) relate to the period before the launch of the EU SILC in the relevant year because income variables refer not to the year the survey occurs but to the previous year.

<sup>34</sup> Data on the 60% of median income poverty threshold were gained from the portal of the Statistical Office of the Slovak Republic [www.slovstat.sk](http://www.slovstat.sk).

**Table 7 Adequacy of material needs benefit in relation to the 60% of median income threshold for a household of two adults and two children (in SKK, based on EU SILC 2005 – 2007)**

	EU SILC 2005	EU SILC 2006	EU SILC 2007
Amount of material needs benefit	3,630	3,700	3,890
Amount of material needs benefit plus all allowances, excl. protection benefit (maximum amount) <sup>35</sup>	8,500	9,450	10,230
Value of 60% of median income threshold	11,893	13,428	15,523
Material needs benefit as percentage share of the poverty threshold	30.5%	27.6%	25.1%
Material needs benefit plus allowances as percentage share of the poverty threshold	71.5%	70.4%	66%

*Note: authors' own calculations*

Similar findings appeared for households consisting of two adults and two children. The basic Material needs benefit is far below 60% of the median income line. This is true for all three years that the EU SILC data are available. As in the previous case, cumulating allowances to the basic amount means a significantly higher proportion of the total sum in relation to the poverty threshold. Both cases show that the relationship between the material need benefit (plus allowances) and the at-risk-of-poverty threshold implies that the adequacy of these social benefits is problematic.

A situation of material need, which qualifies people for claiming the minimum income benefit, is defined through the comparison of disposable household income to the value of the subsistence minimum (relevant for a given household's composition). So, the subsistence minimum serves as an assessment criterion and is defined as a socially accepted minimum income level. Since the direct relationship between the subsistence minimum and the benefit in material need was damaged in 2002, it is important to know whether there is any significant gap between the normative idea of a minimum income level and the legally defined minimum income amounts. For this purpose we provide the calculations of Gerbery (2007a) in Table 8, which compares the total sum of the material needs benefit and related allowances on one hand and the amount of the subsistence minimum on the other. Conditions for providing last resort benefits allow cumulating them with universal benefits and the child allowance provided to families with children. Child allowances are tax free and they are not included in the income of claimants which is assessed in comparison to the subsistence minimum (in order to decide whether there is situation of material need or not). Therefore they may constitute important part of the income of households with children, especially of large families with several children<sup>36</sup>.

<sup>35</sup> This calculation is based on two assumptions. Firstly, both adults receive an activation allowance. Secondly, no one in the household is eligible for the protection allowance.

<sup>36</sup> However, in part 2.1.2 we have shown that child allowances have changed substantially in relation to their universality and also in relation to other benefits (possibility to cumulate) since 2004.

**Table 8 Comparison of sum of benefit in material need and allowances and relevant amounts of subsistence minimum for various types of households (in SKK, last two columns in %, 2007)**

Adults (numbers)	Children (numbers)	BB	HCA	HOA	PA or AA	TS	SM	TS/SM (%)	CA	TS+CA/SM (%)
1	0	1,640	60	1,460	1,900	5,060	4,980	101.0	0	101.0
1	1	2,630	120	2,300	1,900	6,950	7,250	95.9	540	103.1
1	2	2,630	180	2,300	1,900	7,010	9,520	73.6	1,080	84.9
1	3	2,630	240	2,300	1,900	7,070	11,790	59.9	1,620	73.7
1	4	2,630	300	2,300	1,900	7,130	14,060	50.7	2,160	66.1
1	5	3,900	360	2,300	1,900	8,450	16,330	51.7	2,700	68.2
2	0	2,850	120	2,300	3,800	9,070	8,460	107.2	0	107.2
2	1	3,890	180	2,300	3,800	10,170	10,730	94.7	540	99.8
2	2	3,890	240	2,300	3,800	10,230	13,000	78.7	1,080	87.0
2	3	3,890	300	2,300	3,800	10,290	15,270	67.4	1,620	78.0
2	4	3,890	360	2,300	3,800	10,350	17,540	59.0	2,160	71.3
2	5	5,210	420	2,300	3,800	11,730	19,810	59.2	2,700	72.8

Notes: BB – Basic benefit, HCA – healthcare allowance, HOA – housing allowance; PA – protection allowance; AA – activation allowance; TS – total sum (BB+HCA+HOA+PA/AA), SM – subsistence minimum, CA – child allowance

Source: Gerbery (2007a): *Princíp aktivácie v sociálnej politike a jeho vzťah k zmierňovaniu chudoby*

The last two columns of table 8 offer the results of the calculation for households of different compositions. In most cases, the sum of the material needs benefit and related allowances, was lower than the subsistence minimum in 2007. This was especially true for households with four and five children where the total sum of the income from the last resort system constituted only approximately 50% of the subsistence minimum for one-parent households and 60% for households with two adults. For childless households, the benefit and allowances gave slightly higher values than the amount of the subsistence minimum only. The situation of families with children in relation to the subsistence minimum has been improved by their adding. Their income in case of material need increased significantly (the third column in the next table). However, despite the cumulative effect of allowances connected to the benefit in material need and child allowance, there is still a clear gap between income from the safety net and the threshold which is defined as socially accepted minimum income.

The important view on the adequacy of minimum income is the perspective of basic needs. However, this perspective has been rather neglected during the last decade. The most recent research on the adequacy of the subsistence minimum through a definition and assessment of the minimum basket was done in the mid-1990s (Filipová - Valná 1999). In addition, the capacity of the present subsistence minimum to cover basic living needs has rarely been reviewed in the Slovak Republic in recent years (Carraro 2006). Consonant views of what should constitute this kind of need were lacking either among policy makers<sup>37</sup> or among the broader expert audience. Recently, the Institute of Labour and Family Research attempted to fill the gap and carried out an empirical survey aimed at identifying views on the subsistence minimum and basic living needs

<sup>37</sup> As the idea of reassessing the value of the subsistence minimum appeared in the Governmental Manifesto of the 2006 – 2010 government, little shift has occurred in the last years. The Ministry of Labour, Social Affairs and Family established a task force for the “reconstruction of the subsistence minimum”. Within the work of the group, several studies have been prepared which analysed various aspects of how the subsistence minimum functions. However, the working group didn't come to any new idea of the subsistence minimum construction which would differ from the previous one.

(Gerbery – Bodnárová, 2008).<sup>38</sup> In part of the study it surveyed the public opinion. The logic of this orientation stemmed from a definition of the subsistence minimum in Slovak legislation which treats it as a matter of public consensus. Two goals of this survey are of great importance: to identify public opinion on what constitutes necessary living needs and a public evaluation of the adequacy of the subsistence minimum.

The authors attempted to find out whether there was a public consensus about basic living needs. Respondents were asked to select items<sup>39</sup> which they consider necessary living needs, which means that no household could make ends meet without them and in the case of their absence, the household would be socially excluded.

There were eleven items which received very strong support from the public as basic necessities. The expression “strong support” means that more than 90% of the respondents assessed that item as necessary. The following items were seen as necessary living needs by more than 90% of respondents: refrigerator (99.4%), ability to regularly pay housing costs (99.2%), one bed for each member of the household (99.1%), bath or shower in the house/flat (99.1%), a house/flat that is dry and has sufficient light (97.6%), washer (97.1%), one hot meal daily for each member of the household (97.1%), school equipment and requisites (86.4%), decent clothing for job or school for each member of household (95.2%), ability to pay possible debts, loans or mortgage (95%), and autonomous housing for the family (93.1%).

It is quite strange that only one item refers to food. Most relate to housing conditions or equipment. On the other hand, there was no item from the “social integration” (travel costs for public transportation, buying newspaper, for example) or “children” (toys and books, school supplies) category that was seen as necessary by more than 90% of respondents. A strong emphasis on housing pre/conditions and the ability to pay bills is a very interesting indication of public opinion in this case. It creates some kind of pressure on existing views on the subsistence minimum and its capacity to cover basic living needs at the minimum level.

**Table 9 Public assessment of adequacy of subsistence minimum amounts for two types of households<sup>40</sup> (in %)**

“Subsistence minimum can make ends meet...”	Subsistence minimum for single adult	Subsistence minimum for household of two adults and two children
Without any difficulty	0.7	0.9
With some difficulties	7.4	5.6
With big difficulties	24.2	40.4
It can't make ends meet	67.7	53.1
Total	100.0	100.0

Source: Gerbery, D. – Bodnárová, B. (2008): *Opinions of Slovak inhabitants about the level, structure and functions of subsistence minimum*. Inštitút pre výskum práce a rodiny, Bratislava (Slovak)

<sup>38</sup> This survey was part of the contract of the Institute with the Ministry of Labour, Social Affairs and Family. This survey has become substantial footing for working group for reconstruction of the subsistence minimum which was established by MLSAF in 2007.

<sup>39</sup> The needs were defined in relation to two key terms – material deprivation and social exclusion (Gerbery – Bodnárová, 2008: 35). Respondents selected necessities from 35 items classified into 7 broad categories (food, clothing, housing, durables, finance, social integration, and “children”). They had to do it for specific household type – a household with two adults and two children attending primary school.

<sup>40</sup> One example of how these questions were formulated: “Imagine the household of a single adult with a disposable monthly income of 5,200 SKK. How would you describe its situation? With a disposable monthly income of 5,200 SKK, a household of one adult can make ends meet....”



The second part of the survey that is important for the MIS discussion covers public assessment of adequacy of the subsistence minimum. Respondents assessed amounts of the subsistence minimum for two types of households (a one adult household and a household of two adults and two children attending primary school). They could judge them by choosing one of four possible responses describing the extent of difficulties related to making ends meet. The report states that “the majority of respondents don’t consider the subsistence minimum in these cases as adequate” (Gerbery – Bodnárová, 2008: 27). More than one half of the respondents expressed the opinion that the amounts of the subsistence benefit don’t allow one to make ends meet. When added to the answer “it can make ends meet with big difficulties”, the subsistence minimum for both types household was seen as inadequate by more than 90% of respondents.

In spite of these first steps towards a restoration of subsistence minimum research, there are still much more neglected topics in relation to the adequacy of the MIS than the themes that eventually get attention. One serious problem is that there is not sufficient interest to harmonise legal discrepancies in understanding basic needs and basic living conditions. On one hand, there is a residual definition of “basic living conditions” as “one hot meal daily, dress and shelter”. On the other hand, there is Article 19 of the Constitution claims that everybody has a right to live in dignity, and there is also a definition of the subsistence minimum as “...the sum of goods and services that are necessary for a household of a certain size and structure to keep meeting its vital needs considered in the given period as necessary for inclusion in common life, though on a modest level”. Lack of consensus allows for arbitrary explanations in this essential domain.

### **3.3 Effectiveness of MI scheme in terms of poverty reduction and incentives/disincentives to work**

#### *3.3.1 Effectiveness of MI scheme in terms of poverty reduction*

The poverty reduction effect of social transfers in Slovakia was slightly higher than the EU average in 2004 (Joint Report, 2007: 26). During next two years this effect didn’t change, it circulated around 40%. Table 10 offers more details. Social transfers not only reduce numbers of poor people, but they also reduce the gap between their incomes and poverty threshold. This reduction is expressed by indicator of “the relative median at-risk-of-poverty gap” which shows difference between median of equivalised total net income of persons below the poverty threshold and the threshold itself (it is expressed as % of the threshold). As the table 10 shows, the gap (after social transfers) has been decreased during last years. However, this is only a general picture of the social protection system’s effectiveness. The minimum income scheme could have distinctive effects, especially for some types of households. Unfortunately, there are few available analyses (such as Petrášová – Svoreňová 2005) which focus on this aspect of the minimum income scheme in Slovak Republic. As result, there is a lack of information about effectiveness of the minimum income programme in terms of poverty reduction. It is striking that government bodies have no interest in this type of knowledge, which could contribute to improving basic anti-poverty measures.

Paradoxically, one possible source of data on the effects of the minimum income scheme comes from abroad, from comparative studies. The Slovak Republic hadn’t been part of cross-country comparisons of this type for a long time, but the situation has started to change in recent years. For instance, an analysis from Jansová (2007) was presented at the ESPANET conference in Vienna as her preliminary research outcome. Jansová analysed minimum income schemes in

Central Eastern Europe with focus on the question “to what extent do minimum income schemes guarantee minimum protection in the new EU countries” (Jansová 2007: 2). According to her calculations, based on EU SILC 2005, the relative change in pre- and after- minimum income benefits was 23,6% in Slovak Republic. The Czech Republic had the most effective minimum income protection against poverty with a 47% reduction in the total at-risk-of-poverty rate and Slovenia with a 32% reduction (Jansová 2007: 17). As these results are partial, in case of the Slovak Republic they should be verified through an analysis of all available waves of the EU SILC. Despite this fact, the preliminary conclusion is that the last resort scheme in Slovak Republic has not provided very effective protection against poverty, compared to general effectiveness of the social protection system.

**Table 10 Effectiveness of social transfers in poverty reduction**

	EU SILC 2005	EU SILC 2006	EU SILC 2007
At-risk-of-poverty rate before social transfers (excl. pensions) – in %	22	20	18
At-risk-of-poverty rate after social transfers (excl. pensions) – in %	13	12	11
Absolute change – in percentage points	9	8	7
Relative change - % reduction in the total at- risk-of-poverty rate	41	40	39
Relative median at-risk-of-poverty gap (%)	23	20	19

Source: Statistical Office of the Slovak Republic (2008) authors' own calculations; EUROSTAT, available at: [http://epp.eurostat.ec.europa.eu/portal/page/portal/living\\_conditions\\_and\\_social\\_protection/data/main\\_tables](http://epp.eurostat.ec.europa.eu/portal/page/portal/living_conditions_and_social_protection/data/main_tables)

### 3.3.2 Effectiveness of MI scheme in terms of disincentives and incentives to work

Since the second half of 1990, due to a stagnation of the average wage and a sluggish minimum wage increase, the difference between the MS and MW had been gradually decreasing. In 1998 and 1999, the net average minimum wage was even lower than the SM<sup>41</sup>. The small gap between the minimum wage and SM was considered to be a strong disincentive for unemployed to accept jobs that are not paid significantly above the minimum wage. The issue of the discouraging “generous social assistance” and the thesis of ‘culture of benefit dependency’ became a part of the policy agenda<sup>42</sup>.

Disincentive elements embodied in social protection have represented one of the most frequent issues in discussions about social policy reforms in Slovakia since the early 90s. As previously mentioned, the disincentive effects of tax and benefit systems have been a main argument for social policy reforms since 2003. The elimination of financial de-motivation consisted in widening the gap between social benefits and potential earning. The following table offers a look at one of the indicators describing this relationship – a net replacement rate for 2001 - 2006.<sup>43</sup> The indicator is regularly calculated by OECD using countries' specific tax-benefit models. There are several net replacement rates depending on the duration of unemployment. We will focus only on long-term unemployment because during this period the unemployed are involved in the minimum

<sup>41</sup> A similar situation happened with the relation between the SM and MW in the Czech Republic. However, it was dealt with differently.

<sup>42</sup> For a detailed analysis of the political discourse of benefit dependency, see Drál 2006.

<sup>43</sup> The net replacement rate is usually defined as “the ratio of net income while out of work divided by the net income while in work” (Carone – Immervoll – Paturot – Salomäki, 2004: 10). Net income from work is often expressed as a percentage of the average wage (at different levels).

income scheme. Thereafter, we look only at two levels of potential labour income (67% of the average wage and 100% of the average wage) because we assume that the higher income which used to be calculated (150% of average wage) is not very relevant for the long-term unemployed.

Looking at Table 11, there is a clear decrease in the values of net replacement rates during the period 2001 – 2006. While in 2001, for low-earning (67% of AW) single persons and lone parents, there was a rather small difference between out of work and in work incomes, since 2004 it has widened. Net replacement rates became half as much, which implies weaker financial disincentives. A similar change has occurred in the case of a one-earner married couple (at 67% of the AW), irrespective of the presence of children. The relationship between net labour income and income while out of work during long-term unemployment has been unchanged only in the case of a two-earner married couple (it remained at a stable low level).

**Table 11 Net replacement rates for 6 family types: case of long-term unemployment (OECD calculations)**

	67% of AW					
	No children			2 children		
	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple
2001	75	115	51	103	122	64
2004	28	46	52	46	56	57
2006	28	44	53	46	53	57
	100% of AW					
	No children			2 children		
	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple
2001	52	79	41	77	98	53
2004	20	31	43	35	39	48
2006	20	30	44	34	38	48

Source: <http://www.oecd.org/dataoecd/17/19/39720308.xls>

Model-based calculations of financial de-motivation should be interpreted very carefully. People's behaviour (also in the minimum income scheme) is framed by a broader context of values, norms, beliefs, and previous experiences (one's own or provided by other people). Financial rewards represent only one, though important, factor. In this connection, Hanesch (1999: 76) pointed out that "even if replacement rates are high, it doesn't imply that social assistance recipients will not look for work. In the main, people receiving social assistance wish to find work. Regardless of the presence or absence of financial incentives, work gives social status, increases social contacts, and is seen as desirable in itself." Taking into account these comments, we may conclude that after the 2003-2004 social and tax reforms, social protection system in Slovak Republic has been rather characteristic by dismantled financial disincentives than by their dangers.

Another perspective could be gained when examining the relationship between minimum income amounts and the statutory minimum wage. The minimum wage represents probable wage floor for social assistance recipients entering the labour market. Therefore it is interesting to trace its linkage to minimum income parameters. Since we lack a study of the relationship between minimum wage and the material needs benefit from a long-term perspective (except the study of Svoreňová – Petrášová (2005), which covers more than a decade), we will only look at the comparison of the minimum wage and the subsistence minimum which was carried out by Bárošová (2008). She compared the net statutory minimum wage with the subsistence minimum

for a single adult during the period of 1991 – 2007. For the purposes of our text we selected data concerning only the period since 1998. As we can see in Table 12, the gap between the net minimum wage and the subsistence minimum has been continually widened. Between 2001 and 2007 the gap has doubled. The data suggest that in the case of single persons there is no strong financial disincentive to enter to the labour market. However, several questions remain unanswered. What is the capacity of the statutory net minimum wage to cover necessities enabling a decent life including the costs of participation in the labour market? For example, the at-risk-of-poverty threshold, defined as 60% of the median income, based on the EU SILC 2007 (with a 2006 reference period for income variables) was 7,392 SKK for a single person (see table on page 6). In comparison, the value of the statutory net minimum wage was 6,581 SKK, which represents 89% of the poverty line. Even one year later it is still below this line. Thus we could assume that the widening gap between the minimum wage and the subsistence minimum resulted in a decreased capacity of the subsistence minimum to represent an efficient criterion for identifying households that are at risk of poverty and need help of the minimum income scheme.

**Table 12 Comparison of minimum wage and subsistence minimum for single adult (in SKK, %)**

year	Gross minimum wage (in SKK)	Net minimum wage (in SKK)	Net minimum wage as the share of subsistence minimum (in %)
1998	3,000	2,550	85.0
1999	3,600	3,093	95.0
2000	4,000	3,484	107.9
2001	4,920	4,163	109.8
2002	5,570	4,693	119.4
2003	6,080	5,095	121.0
2004	6,500	5,629	122.9
2005	6,900	5,975	126.3
2006	7,600	6,581	132.1
2007	8,100	7,014	137.7

Source: Barošová (2008: 30) + authors' supplement concerning the subsistence minimum

#### **4. Link between MI schemes and the other two pillars of the active inclusion strategy**

In the last two decades, social security/social assistance has been commonly perceived as consisting of three parts and comprising employment and other types of counselling and facilitating access to various services. All recent strategic documents in the field of social inclusion recognise that it is important to supplement the minimum income scheme with support for labour market inclusion and assistance towards access to various kinds of services. Emphases that appear in strategic documents need not however be reflected in all levels of public policy practice. In the next part we outline the situation of the other two pillars of social assistance and attempt to assess their link with the minimum income scheme on one hand and their character from the perspective of active inclusion.

First of all we will look at the macro figures concerning expenditure on the MI scheme and LMP. As table 13 shows, total expenditure on labour market Policies (all types of interventions) raised during the period 2004-2006. In 2006, they accounted for 0.654% of GDP in 2006. Expenditure on the LMP consists of three types: LMP services, LMP measures and LMP support (out-of-work income maintenance – mainly unemployment benefits). We are interested mainly in LMP measures which refer to the public labour market interventions. They comprise six main categories (training, job rotation, employment incentives, direct job creation, supported employment and rehabilitation, and start up incentives). Expenditure on LMP measures increased between 2004 and 2005, but then slightly decreased to 1.45% of GDP in 2006. In comparison to expenditure on the LMP support which includes out-of work income maintenance (mainly unemployment benefits) and early retirement, expenditure on the LMP measures is lower.

Total expenditure on social protection as share of the GDP decreased in the three selected years. However, look at the longer period suggests that there is tendency which one can hardly overlook: there is a small but obdurately continuous decline in the share of resources Slovakia has been providing for social protection. In 1998 the expenditure represented 20% of the GDP, two years later it was still 19.4% of the GDP. Majority of the expenditure on social protection relates to social benefits. Within the social benefits the MI scheme represents only minor role. The same is true in case its share of the GDP. When comparing expenditure on MI scheme to expenditure on the LMP measures (both as % of the GDP) we can see that MI scheme more “visible” programme from this point of view.

**Table 13 Selected features of public expenditure on LMP and social benefits with emphasis on MI scheme in Slovak Republic**

	2004	2005	2006
<b>Total LMP as % of GDP</b>	0.500	0.604	0.654
LMP services as % of GDP	0.093	0.170	0.173
LMP measures as % of GDP	0.070	0.169	0.145
LMP support as % of GDP	0.337	0.266	0.339
Total expenditure on social protection as % of GDP	17.2	16.7	15.9
Total expenditure on social benefits as % of social protection expenditure	96.5	96.4	96.2
Expenditure on "social exclusion" category as % of total social benefits	3.1	3.2	3.6
Expenditure on "social exclusion" category as % of GDP	0.5	0.5	na

Source: EUROSTAT, available at:

[http://epp.eurostat.ec.europa.eu/portal/page/portal/labour\\_market/labour\\_market\\_policy/main\\_tables](http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_market_policy/main_tables))

Source of the data in the last row: Social Protection Expenditure and Receipts 2006, EUROSTAT

#### **4.1 Support for MI recipients through (personalised) employment and training programmes**

There is a widespread consensus that the protective function of the minimum income scheme should be accompanied by a supply of "activation" measures. These measures are intended to help develop skills and capacities to participate actively and to be included in the life of society. In practice, despite recognising a diversity of participation, the large majority of activation measures support inclusion into the labour market as the main precondition for a fully fledged participation in societal life.

Activation measures have a long tradition in Slovak social and employment policy. Their numbers, coverage and scope have varied over time. In general, they focus on two aspects of the labour market: its supply and demand sides. On one hand, they pay attention to the demand side, which could be achieved directly or indirectly (Hanzelová et al 2007). Measures aiming at supporting the demand side of the labour market are based on interventions with employers. These interventions are of diverse nature and, as a rule they are tailored to the needs of employers who have their say in the policy-making process<sup>44</sup>.

On the other hand, activation measures focus on the supply side, which implies improving skills, qualifications, and human capital of the unemployed in general. Not all policy interventions are relevant in relation to safety net participants. However, active labour market policy tools are aimed predominately at this category.

An institutional reform of employment services (2004), which also brought about their integration with social assistance services (see part 2.1.6 on Governance arrangement), was accompanied by changes in activation measures for the unemployed and for minimum income recipients. A substantial change in the social assistance benefit meant that minimum income recipients could supplement the basic amount by allowances that they could earn through activities in so-called activation work. Activation work is directly aimed at recipients of the material needs benefit.

<sup>44</sup> Their influence is also strengthened due to the tripartite process and the regular consultation of policy-making with social partners.

According to Act no. 5/2004 on Employment Services, activation work supports the working habits of long-term unemployed citizens who receive the material needs benefit and relevant allowances (§ 52). At the start of the programme, activation work had been supplied by the National Project V under the title “the *Activation of the Unemployed and the Unemployed with a Low Motivation of those Dependent on Material Need Assistance*”. National Project V was funded by the ESF in the contracted period of 2004 – 2005 (June). It is quite surprising that the ESF officials did not object to the title that expresses and promotes negative stereotypes of people without work.

Activation work has mainly taken the form of minor municipal public works. Moreover, their aim is to support educational development, provide social services and otherwise assist in the socio-cultural development of a given municipality. They can be organised either by the municipality or by a legal or physical entity which has non-profit orientation.

Since the very beginning of the programme there has been extensive interest in taking part in activation work. It is necessary to say that not all categories of the unemployed were entitled to take the activation contribution. According to the Report of the Office of Plenipotentiary of the Government for Roma Communities, unemployed younger than 25 year were not invited to participate in activation work on the grounds that they had not been recipients of the benefit<sup>45</sup> (Správa... 2005: 19)

Although high participation proved the jobseekers' work motivation, it also demonstrated that strong motivation does not suffice to get a job where jobs simply do not exist. Moreover, there were signals that the programme of activation work has led to the cancellation of permanent public service jobs in areas afflicted by high unemployment. Activation work became the saving measure for small municipalities that could obtain a cheap work force (there is no necessity to pay levies, organisers are paid for each activated worker) instead of ‘expensive’ permanent workers. For that reason, various authors assume that activation work is not a fair tool for increasing the chances of employment (for instance, Magdolénová 2006; Brutovská 2006<sup>46</sup>).

An amendment to the Act on Employment Services (approved in 2008) introduces a new form of activation work in the field of social services (§ 52a). This new form is called, rather clumsily, volunteer work. The goal of this work is to obtain practical experiences that are required in the labour market. The voluntary work includes such tasks as helping to care for disabled persons, immigrants, provision of social services, etc. This type of activation work could also be used in the case of ecological disasters or calamities. An important condition applies: to be eligible for participation in this programme, an education above the lower secondary level is required. The next important change introduced by the amendment to the Act on Employment Services has been a limited possibility of repeated participation in the programme – it cannot be repeated under new conditions and can last a maximum of 6 months. This step was based on assessments of the effectiveness of activation programmes driven by the effort to avoid a “lock in” effect, which means that the recipients of the material needs benefit could remain involved in this one measure of active labour market policies and abandon other activities which should shift

<sup>45</sup> If they lived in their parents' household, they had the status of jointly assessed persons. See part 2.1.3.

<sup>46</sup> Brutovská pointed out that the “sufficiency of financial resources for the realization of the measure and an effort to maximise number of unemployed participated in the programme led to a situation where existing paid jobs in the regular labour market were abolished and re-established as activation work positions. As result, subjects of the activation work obtained a “low-cost” workforce and additional financial resources.” (Brutovská 2006: 7) Brutovská also noted that this created the unintended effect of “safety,” which meant that persons could be “locked in” in activation work.

them closer to (or directly into) the labour market. While the act was being prepared, there was also an excessive optimism about economic development in the country that overlapped with emerging fears about a shortage in the Slovak labour force. The question is whether this kind of reasoning has sufficiently taken into account the extent of existing opportunities for minimum income recipients. It could be argued that, paradoxically, it calls the importance of activation work into question because it suggests that activation work is not sufficient for labour market integration.

**Table 14 Review of basic characteristics of activation work in the Slovak Republic**

	2004	2005	2006
Number of subjects organising activation work	4,778	4,864	4,876
Number of created places	219,876	137,446	218,071
Number of participating jobseekers	NA	165 332	236,699
Proportion of material needs benefit recipients (%)	NA	82%	85%
Total sum of financial resources (SKK)	985 964,553	828 673,574	1 094 856,385
Average sum of financial resources for one created place (SKK)	4,484	6,029	5,021

Source: UPSVAR (2007): *Implementation of active labour market policy measures 2006*, s.6 (Slovak)

Activation work is one of the most commonly utilized measures of the active labour market programmes. In 2005, 137,446 jobseekers participated in this kind of measure, 82% of them were represented by minimum income recipients. One year later, the number of persons included increased, as did the proportion of welfare beneficiaries. These “crude” figures tell us little about the character of the programme; they require additional information explaining its strengths and weaknesses.

There have been several efforts to evaluate effects of activation work. An official assessment of the measure was made by the Central Office of the LSAF<sup>47</sup>. The report, published in 2007, identifies following weaknesses:

- a misuse of the measure and unjustified enrichment, especially in marginalised Roma communities;
- signs of usury;
- difficulties in monitoring activation work participation when there are large numbers of participants whose work is organised by one subject, especially in marginalised Roma communities;
- long-term participation (more than twelve months) (UPSVAR 2007: 15).

According to this assessment, three of these risks are linked to marginalised Roma communities, and two are related to the behaviour of target groups. Only one risk is seen as a partial impact of the programme setting. Instead, risks and potentially low effectiveness are primarily located outside design of the programme.

<sup>47</sup> Until 2007, the reports were published at the HLSAF website ([www.upsvar.sk](http://www.upsvar.sk)). Since then, they have not been available.



The Institute of Public Affairs (IVO) offered another view on activation work. According to the authors, activation works have strong potential toward formalism, which makes them “ambiguous” (IVO 2006). But this argument regarding activation work requires more empirical evidence. There is a general agreement in the academic and research communities that further in-depth studies are necessary.

Active social policies (including active labour market programmes) play an increasingly important role in Slovak social policy. This is part of a more general trend, shared by the most European countries. This is clear both in policy interventions and policy discourse. Programmes for the minimum income recipients have increasingly relied on an activation approach. This could be demonstrated by changes in the structure and level of the minimum income benefit as well as by a widening gap between out of work and labour incomes. However, this so-called passive policy has not been crowded out. On the contrary, it has always been a stable part of the social protection system. Nevertheless, as has been previously suggested, the implementation of this passive policy is not adequate to meet its original objectives – to secure a decent level of life.

Although very important, activation work represents only one social policy intervention. The Act on Employment services offers other programmes which should also be seen as support for material needs benefit recipients. One of them is the so-called the Individual Action Plan. The Individual Action Plan (further IAP) is a document which determines a time schedule of measures that are assumed to increase the opportunities of jobseekers in the labour market (according to §43 1, 6 of the Act).<sup>48</sup> After mutual agreement on its form and content, the IAP becomes binding for the jobseeker. Jobseekers registered at the Labour Office for more than 24 months and other types of disadvantaged jobseekers are obliged to accept the Labour Office’s offer to create the IAP. Refusal of the offer could lead to removal from the register of jobseekers.

An obligation to adhere to the IAP for the long-term unemployed (which are represented mostly by MI benefit recipients) is thus enhanced by sanction. It is noteworthy that despite the rigor of this requirement, there was minimum political interest in assessing this measure’s effectiveness. There is little empirical evidence for what influence IAP creation might have on the trajectories of the long-term recipients of MI benefits. One exception is a study carried out by Hanzelová and Kostolná (2006), originally aimed at evaluating various dimensions of public employment services. According to the authors, the implementation of the IAP was characterised by a lack of personal capacities with mandatory education level. This was partly due to the large numbers of jobseekers who applied for this programme. As a consequence, the content of the IAP often became merely formal and contained activities which naturally occur when looking for job and are not the result of individual planning and counselling. Moreover, the study suggests that labour office employees indicated that the biggest problem of the IAP measure was the simple fact that there weren’t a sufficient number of vacancies. Since the IAP cannot secure more job opportunities in depressed areas and even jobseekers with IAP cannot find suitable jobs, this has a negative impact on the jobseekers’ trust in the IAP, and in employment counselling in general. (Hanzelová – Kostolná 2006)

<sup>48</sup> As result, it is a non-financial measure, in contrast to activation work.

#### 4.2 Support of MI recipients in terms of access to quality services (degree and extent of in-kind support. For MI schemes or populations at risk)

The provision of services has been traditionally understood as an important part of social assistance in Slovakia. At the end of the 1980s, services that were part of social security were understood very broadly: for instance, besides obvious services such as work rehabilitation and care for elderly, the law also listed services such as culture and recreation and free loans (article 73, par. 6 of Act No. 100/1988 Coll. on Social Security devoted to social services and counselling). Act No. 543/1990 Coll. on the State Administration of Social security recognised a responsibility for assistance with housing, education and counselling (and imposed it on municipalities). Though provision of part of the services mentioned in these two acts had long been abolished, it is important to recall this earlier legislation for at least two reasons. Firstly, it is important to strengthen/raise public awareness that Czechoslovakia/Slovakia once had the tradition of a broader understanding of the social inclusion process and its comprehensive conditions. This is a tradition we can be proud of. Surprisingly we can even learn from ourselves when looking for social policy patterns worth following. Secondly, it is important to study the broader context of the Slovakian trajectory in terms of social assistance and the MI scheme.

*Access to housing:* Housing policy is the policy programme that has undergone the most profound decline since 1990. After shifting responsibility for housing policy and assistance with housing to municipalities, the process of the privatization of housing was launched (with the consequences that today barely 3% of the whole housing stock are municipally owned apartments<sup>49</sup>). The decrease in housing construction has been radical. The numbers of new flats dropped from 33,500 finished apartments in 1989 to 6,700 apartments in 1995. Since then, the situation has slightly improved: more than 14 thousand apartments were finished both in 2005 and 2006 and almost 16.5 thousand apartments in 2007 (Informácia 2008). In 2007, the index of finished municipal/communal rental apartments was 147.2 in comparison to the previous year.

**Table 15 The intensity of support for housing construction and housing**

Year	Public support for housing construction and housing as a share of the Slovak Republic's GDP [%]	Index of development of public support for housing construction and housing as a share of the GDP (year 1993= 100)
1993	0,97	100,0
1994	0,79	81,4
1995	1,35	139,2
1996	1,52	156,7
1997	1,56	160,8
1998	1,06	109,3
1999	0,72	74,2
2000	0,95	97,9
2001	0,79	80,4
2002	0,79	81,4
2003	0,73	75,3
2004	0,54	55,7
2005	0,48	49,5
2006	0,40	41,2

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<sup>49</sup> Concept of housing policy till 2010 (2005) Slovak.

Large groups of young people are facing a lack of affordable housing. The young generation does not have the resources to live independently from their parents. Meeting the housing needs of citizens living on the benefit is a difficult and complex problem. Since 1989, housing costs have increased several times and have become unbearable for the jobless households (see table 16).

One important issue that is easily overlooked is that no counselling was provided for people who had problems with their rent payments during the 1990s when the privatization of housing stock was at the forefront and municipalities made many arbitrary decisions about the concentration rent-debtors in one street. Because of an increase in rent indebtedness, numbers of jobless Roma families left their town flats and returned to village settlements where housing costs were minimal. The concentration of poor inhabitants in rural areas or in destitute neighbourhoods was not accompanied by any policy interest, at least in terms of monitoring the process. Poor access to housing and a non-existent housing policy has chiefly been criticised by NGOs, however only in the recent period.<sup>50</sup>

According to many experts, the crucial strategic document concerning housing for the poorest social groups is the *Comprehensive Development Programme for Roma Settlements* (approved by the government in 2003). It has made the segregated communities the target of pilot social inclusion policy programmes.<sup>51</sup> However, their financial backing has been insufficient and proceeding and monitoring sluggish.

**Table 16: Development of expenses for housing, 1995 – 2005**

	Net expenses for housing per capita/per year <sup>52</sup> in private households in total [SKK]	Index of development of net expenses for housing per capita/per year (year 1995=100) in %
1995	5 471	100,0
1996	6 151	112,4
1997	7 020	128,3
1998	7 434	135,0
1999	9 154	167,3
2000	11 100	202,9
2001	11 772	215,2
2002	12 456	227,7
2003	15 564	284,5
2004	23 571	430,8
2005	24 606	449,5

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The programme of the construction of lower standard communal apartments (with a size of less than 40 m<sup>2</sup>) for citizens in material need (2001) is a targeted programme chiefly intended to promote Roma integration. Since its approval, the Ministry of construction and regional development has invested about 200 million SKK (EUR 6 060.6 thousand) annually in the

<sup>50</sup> On December 5, 2007, the Centre on Housing Rights and Evictions (COHRE) named Slovakia as the winner of the 2007 Housing Rights Violator Award. The award was for their “systematic violations of housing rights and continued failure to abide by their international legal obligations.”

<sup>51</sup> These programmes have more or less deviated from the principle of comprehensive development that requires simultaneous implementation of various measures (from housing and infrastructure to social field workers and teacher’s assistants) to reach a synergetic effect and sustainability.

<sup>52</sup> Housing expenses include rent payments, payments for services related to housing, water, electricity, gas and other fuels.

construction of low standard apartments. The state non-returnable contribution covers 80% of the building costs. However, construction has usually been located in segregated areas or segregated settlements. The living conditions of some Roma have been improved, but their segregated position has continued<sup>53</sup>. The next problem is that the rent payment is often high for households on social assistance and on thus rent indebtedness has also emerged in social housing (Hojsík, 2008).

*Kindergartens:* Political awareness of the significance of pre-school education has been revived in the last decade. A lower coverage for children from low income households was first mainly reflected by the level of participation in the labour market. Kindergartens have been under municipal administration and the tendency was to increase parents' financial responsibility for running the service. High fees for kindergartens began to be seen as barrier to employment. The Act on Employment Services (2004), which introduced an "allowance for family services", should be a remedy for this problem. It has been designated for MI recipients who are registered as jobseekers and are taking part in education and labour market preparation. The allowance is determined according to child-care costs reimbursement (for children under the age of 6) and was up to SK 1,200 per month for the first child and 900 SKK for any other child.

Participation in education and labour market preparation services has not been widely sought in areas with a job shortage. Since the allowance to family services is conditioned, it was focused but on the narrow range of families living on the MI benefit. The programme of free meals in schools of all types (see next paragraph) for children from low income households has a much broader scope. In recent years, the meaning of kindergarten has been more often discussed from the perspective of access to education and increasing opportunities for education. Kindergartens are starting to be seen as tool for breaking the cycle of poverty in families and a necessary condition for increasing the chances of children from a disadvantaged environment for higher education. Access to kindergarten is the topic of various policy documents and its development reflects present European regulation in this domain. An important change has been introduced by the new School Law (2008), which makes pre-school education free to all children from families in material need for the duration of schooling.

It is too early to assess the effects of this legislative change. However, this measure fails to remove some of the causes of low attendance of pre-school education, such as lacking pre-school education facilities in some rural areas and especially in removed settlements. Besides the unresolved issue of affordable transport, there are also some material barriers for families, such as a lack of clothing, shoes and other items to ensure that the child feels dignified<sup>54</sup>.

In 2004 other programmes aimed at children from minimum income families were launched. These are programmes for school meals, school supplies and the so-called motivational scholarship. These programmes have been a compensation for the parallel cuts in social assistance that severely affected large families and, in spite of spending the family budget almost solely on food, resulted in near starvation conditions. Teachers' reports of pupils that could not

<sup>53</sup> Mušinka argues that several programmes that are targeted towards the Roma with the aim to promote their social inclusion include segregation practices as one of their side effects and isolate the Roma from the majority. (Mušinka 2006: 253-26).

<sup>54</sup> The share of children from the age cohorts that attend kindergarten has been increasing since 1995, with the exception of the share of children younger than three years. This share had been increasing until 2004, when it reached 20%. Then it decreased to the level of 13%. The share of children aged 5 and 6 has been stagnating in the last years. The highest kindergarten attendance/coverage is among 5-year-olds: close to 85%. As the new school act allows school attendance for this age group free of charge, this share may increase to up to 90 %. The share of 4-year-olds has been approaching 75 %, and that of three-year-olds is approaching 63 %. (Herich 2008).

concentrate on lessons because of hunger were rather frequent in 2004. However, the programmes were justified by the MLSAF as targeted measures for children from poor families to stimulate regular school attendance and to perform better (to have bigger chances on the labour market). Entitlement to this targeted support depends on the household income test or on the percentage of pupils from households in material need who attend the school and – in the case of the scholarship – on the pupil's performance. Since 2005 the meal and stationery programme is open to all children in a school where more than 50% are children from low income households. Subsidies are paid from the state budget. Since January 2006, all children from low-income families (determined according to the subsistence minimum line) have been eligible for the subsidy. This means that, besides children from families of material need benefit recipients, children from pensioners' families and from working poor households are also eligible for these programmes.

*School meals:* School meals are an important service in kind provided to children attending school of all types. A contribution (since January 2009) of 1 euro per meal as maximum can be provided by the district office of LSAF to pupils in material need under the condition that parents also contribute by from 0,03 € do 0,17 € per meal taken. Preconditioning the donated meal according to parents' contribution is significant and is often reported as creating hindrances to accessing this service. There is no systematic evidence for how parents are willing to participate and what share of pupils is not covered by this programme. For instance, according to a newspaper report, in Košice, the second largest Slovak town, the school meal programme has been used by only 50% of eligible children. LSAF officials explain the high non-take up first of all by work migration of the parents who moved abroad with their children. The unwillingness of parents to pay requested contribution for meal is seen as another barrier. (Korzár 2008)

*School supplies* are bought by schools based on their assessments of pupils' needs. The endowment is 500 SK per child for each half of a school year.

*Motivation scholarship:* The level of motivation scholarship varied from 600 SKK (15€) monthly to 1 200 SKK (31€) monthly, depending on students' performance or a verified effort to improve on their part. Since January 2009, the motivation scholarship at elementary school was abolished and substituted by another allowance (see part 2.1.3).

**Table 17 Access to Social services**

	2005	2006	2007	2008
Number of pupils receiving subsidies for school meals for children in material need (pre-school and elementary education)	80,900 (11%)	96,274	90,373	64,322
Number of pupils receiving stationary subsidies	64,673 (10.9%)	91 869	85 718	60,900 (the second half of the school year)
Number of pupils receiving subsidies for scholarships (average)	20,058 (3.5%)	31 071	39 159	18,524
Total expenditures	427.3 million. SK	543.1 million SK	496.7 million SK	416 million SK

Source: Reports on the social situation of inhabitants of the Slovak Republic in 2005, 2006, 2007, 2008

In 2008 because of a decrease of households in material need in comparison to 2007, the number of children covered by the programmes also decreased.

*Teacher assistance programme:* The programme of the Ministry of Education (Regulation No. 19 of June 15 2006) is designated for pupils with language and social barriers. Such a pupil is defined as being from a socially disadvantaged environment and who is 1) is in material need and lives in a segregated settlement 2) lives in an unsound household environment, including hygienic conditions and a high number of household members per dwelling, so there are no proper conditions for doing homework at home, 3) does not speak the language of instruction, 4) is in material need and did not attend kindergarten and 5) is in material need and his parents did not finish 9 classes of compulsory education. Schools with classes attended by 9 or more pupils classified as disadvantaged can ask for teacher assistants. The role of the teacher assistant is to provide individual support to children during instruction.

*Community social work* is another programme targeted primarily, but not exclusively, towards segregated Roma communities. Its aim is “to eradicate the causes of their social deprivation by means of the permanent work of a community social worker, a social worker and an assistant to the community social worker.” Though the hopes pinned on social work are more than daring here, the programme is significant as an employment programme. In 2005 - 2007, the community field social work programme employed 245 community social workers and 411 assistants of community social workers. Community social workers worked in 176 settlements in this period, which represents less than one third of all settlements with a numerous Roma population (600 settlements). The project has been funded from the state budget and since 2008 EU funds are utilised. Towns and villages that have at least 100 inhabitants that could be classified as belonging to a vulnerable group can apply for the resources to set up community social worker position/s.

*Health programmes:* The deterioration of parents’ care for their children’s health, insufficient hygiene (a shortage of hot water), a lack of finances to pay for prescriptions and travel costs to the clinic seem to contribute to a decreased level of children’s vaccination in recent years. Analyses show that poor families could not “manage the transfer of responsibility from health care institutions to parents... and are unable – socially and economically – to secure the appropriate health care for their children” (OGPRC 2006, p. 77)

In November 2004, 40 health assistants began their training, which was part of a pilot project, approved in 2003, to improve the access of Roma to health care. In 2007 and 2008, 30 health assistants have been working in 127 separated and segregated Roma communities. They have been affiliated to the district offices of public health. Besides their education and assistance work, they also monitor the health and living conditions of Roma (MHC 2008).

*Access to legal services:* Improvement in access to legal services for people in need has been made thanks to the establishment of the Centre of Legal Aid. The Centre offers free legal aid to people with a low income (less than 1.4 times the minimum subsistence amount) in three regional centres. The Centre was established by the Act on provision of legal aid for people in material need and it is a state budgetary organisation connected to the budgetary chapter of the Slovak Ministry of Justice. The Centre provides legal aid to persons whose financial situation does not allow them to pay for legal services with an aim to secure effective access to justice. The preliminary consultation is paid. At first, the SKK 150 (EUR 4.5) fee seems to be low. However, it is equal to the daily portion (1/30) of the income of a two member household combining social assistance and activation work. Besides this, a limited number of these offices located in the regional seats does not make the legal services accessible to poor people living in remote rural areas, and especially for Roma from the segregated settlements.

**Table 18: Expenditures for social protection as a share of the GDP (in %)**

year	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Total expenditures for social protection as % from GDP</b>	<b>20.0</b>	<b>20.2</b>	<b>19.4</b>	<b>19.0</b>	<b>19.1</b>	<b>18.2</b>	<b>17.2</b>	<b>16.7</b>	<b>15.9 (preliminary data)</b>

Source: *Social protection in Slovak Republic (ESSPROSS) in the years 1995 – 2006*. Statistical Office of the 2009, p. 24 (Slovak)

The final Table 18 shows expenditures for social protection in Slovakia as a share of the GDP. The share is calculated by the ESSPROS methodology. Data are presented for almost the full ten year period, which overlapped with the first half of the EU's fight against poverty and exclusion decade and also with Slovakia's EU accession process and EU membership. The table suggests a tendency which one can hardly overlook: there is a small but obdurately continuous decline in the share of resources Slovakia has been providing for social protection. These global data provide more evidence for the insufficient efforts of successive Slovak governments in the domain of social cohesion. However, they may also be read as evidence of a failure of the organisations of civil society to advocate for people in risk of social exclusion. Last, but not least, it may be evidence that the research is not capable of providing relevant findings which would revive the public debate and increase awareness of the link between social protection and social cohesion.

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