

Slovak Republic

**Trends,
Recent Developments,
Active Inclusion and Minimum
Resources**

First Semester Report 2006

Zuzana Kusá

Institute for Sociology Slovak Academy of Sciences



On behalf of
European Commission
DG Employment, Social Affairs and Equal Opportunities

SUMMARY

The report begins with the outline of the economic, social, demographic and geographic backgrounds, conditions and some consequences of the reforms that were held in Slovakia in the recent years and tries to point at some commonly neglected factors of the overall situation in Slovakia. Special attention is given to the structural conditions of unemployment in Slovakia and to opportunities to get off material need. In this part, the report also speculates about effects of the introduction of the flat tax reform and its impact on the access to goods and services of low-income groups.

Under the headline of 'Major trends and emerging challenges, it introduces Active Labour Market Policy, risky protection of the most vulnerable after the reform of social benefits, housing difficulties associated with rent indebtedness, legally and institutionally unclear protection of homeless. After describing targeted support of children that could be considered as the SR good practice, rather extensive attention is given to the reformed *Act on Social Insurance* that promotes meritocracy principle to social safety net. The assessments of some provisions of the Act and their expected consequences by the Trade Union Confederation and the SR Ombudsman are introduced and discussed. Then the attention is given to regional and local risks in health and social services. The last part of the first chapter is devoted to the attempt to introducing the Slovak Lisbon Strategy and National Reform Program and to think over the philosophy of these documents and their possible promoting or impeding impact on social inclusion and social protection development in Slovak Republic.

The Second chapter is devoted to the issues of active inclusion and minimum resources. For active inclusion (that is dominantly understood in Slovakia as work activation and ranked among the ALMPT) has been dealt with in harmony with the domestic tradition in the first chapter, the second chapter is devoted mostly to the recent history of social policy opinions and measures concerning subsistence minimum. The search aims on reconstruction and understanding the background of the turn in perspectives on social protection system in the late 1990s in Slovakia. In spite of considerable effort, the looking for the research data and arguments that would back the turn from the structural explanation of unemployment to imputing the social protection system for creating poverty trap and culture of dependency and to blaming jobless people from low motivation and the system abused, has not yet led to clear results. The Chapter then describes the changes in the social protection systems and debates their consequences for the right of people to live in dignity. The Chapter concludes with speculating on possible explanations of low interest of Slovak academic and wider public to discuss the issue of subsistence minimum.

Contents

Summary	1
Contents	2
First Chapter: key trends, recent policy and legislative developments	3
1.1 Information on the social policy situation and trends	3
1.2 An overview of the economic, social and demographic issues	3
1.2.1 Economic context	3
1.2.2 Demographic context	4
1.2.3 Geographical context	5
1.2.4 Tax reform and macroeconomic indicators	6
1.2.5 Development of wages	6
1.2.6 Employment and unemployment	7
1.2.6.1 Age structure of the unemployed	9
1.2.6.2 Gender structure of the unemployed	10
1.2.7 Facilitating the reconciliation of family and working life	10
1.3 Major trends, new and emerging challenges, the key immediate and long-term risk factors and the main groups at risks	11
1.3.1 Active Labour Market Policy	11
1.3.2 (Risky) protection of the most vulnerable	14
1.3.3 Housing risks	15
1.3.4 Homeless people	17
1.3.5 Targeted support of children	18
1.3.6 Transition to Insurance principle	19
1.3.7 Regional and local autonomy and risk in access to health care and social services	22
1.3.8 Support of local initiatives	23
1.4 New legislation and policy development	24
1.4.1 Slovak Lisbon Strategy	24
1.4.2 National Reform Programme	25
1.4.3 Preparation of the NAP inclusion for the period 2007 – 2009	26
Second Chapter: Active inclusion and minimum resources	26
2.1 History of minimum subsistence – minimum subsistence in Slovakia since 1989	27
2.1.1 Minimum subsistence	27
2.2 Minimum wage and minimum subsistence – enlarging the gap	29

2.3	Social assistance reform in 2004	32
2.3.1	Constitutionality of the Act on Assistance in Material Need	33
2.3.2	Pensions and minimum subsistence	34
2.3.3	Indexation of benefits in material need	34
2.4	Current position including recent legal, institutional or administrative changes	35
	Annex I. References	36
	Annex II.	
	Annex III.	

First Chapter: key trends, recent policy and legislative developments

1.1 Information on the social policy situation and trends

The second government of Prime Minister Mikuláš Dzurinda (2002 – 2006) has made several commitments with impact on social inclusion in its 2002 Program Declaration. The most important were: employment growth and fight against unemployment; the pension reform, the labour market reform and social benefit reform.

The reforms were introduced with the explicit aim to speed up economic growth in Slovakia as “the crucial precondition of any social policy”. The implementation of fundamental reforms in economy and social security system was influenced by the ambition to meet the Maastricht criteria and enter the euro zone as soon as possible.

The reform catchwords were “individual responsibility”, “motivate to work” and “downsize the redistribution”. The government paid special attention to “how will the proposed changes contribute to the decrease of unemployment, to the decrease of financial demands for tax-payers and to the increase of job-seekers motivation¹”.

This threefold attention has framed the social policy in 2002 – 2006. Employment has been considered the main road to social inclusion. Lack of motivation was attacked as the main cause of unemployment and the decrease of tax burden became identical with the public interest.

Under the crucial reforms come

- *The tax reform* (introduction of the 19 % flat income tax and 19 % VAT, stopping the “punishing the successful” and supporting the working parents by the tax relief)
- *The labour market policy reform* (institutional changes, extension on ALMP segment)
- *The social assistance reform* (link up with ALMP, tightening eligibility criteria and cutting cash benefits)
- *The social insurance reform and pension reform* (insurance principle as the decisive one in composing old age pensions, pay-as-you-go principle has been supplemented by individual pension insurance that is obligatory since July 2006 for all newcomers to labour market, one third of pension levy goes to private pension insurance funds; the link to the minimum subsistence was cut).

1.2. An overview of the economic, social and demographic issues

1.2.1 Economic context

First I will roughly outline the economic conditions of Slovakia in the 1990 in order to set forth the causes of unemployment in the country and to stress them in the role of the baseline for a prospective appraisal of the adequacy of the accomplished reform programmes. In the beginning of the 1990s, the Slovak economy got into big depression. The decrease of GDP was by 23 % in 1993 in comparison to 1990. It was the largest decline of the V-4 countries. The decline of agricultural production was yet by 43 % during 1990 – 2000². The public sector (including the state controlled industry) dismissed more

¹ Program Declaration of the Government SR, quoted from Vyhodnotenie záväzkov z Programového vyhlásenia vlády - Sociálna oblasť. (Evaluation of the commitments from the Statement of the Policy of the Government of the Slovak Republic 2002) www.employment.gov.sk/mpsvrsr/internet/home/page_pdf.php?id=1937& accessed on April 26, 2006

² The decline in agriculture was the largest one in V-4 countries. For instance, in Poland the decline of agricultural production was but 12 % (Huba M., et. Al, 2003: <http://www.fns.uniba.sk/zp/stuz/knihy/2003/5.htm>)

than 1.3 millions employees during 1990 – 1995³. Employment in industry had decreased by 24 %, during 1989 – 1994. If unemployment rate was only 1.5 % in 1990, since 1993 it was about 13 – 14 %. After 1998, the unemployment increased to 18 – 19 % under the simultaneous GDP annual increase by 2 – 4 %.

The sharp decline of agricultural production in the 1990s caused high unemployment in the agrarian districts of the country. For instance, the Rimavská Sobota district with 30 % unemployment rate presently, had one third of labour force employed in agriculture in the beginning of the 1990. Majority of originally agrarian areas have not recovered up till now because new jobs have been not made up for those lost in region.

High unemployment seems to be the penalty for the agrarian past⁴ of Slovakia and relatively high significance of agriculture in its economy even in the 1980, for the communist industrialisation accomplished during the cold war, and for directing the economic production according to the USSR import wishes. In the beginning of the 1990s, the Slovak economy sustained sudden loss of sale opportunities for the substantial part of its products after the disintegration of Soviet Union market, but it got into crisis also because of reducing its military production in accord to the peace agreements, and for the sake of opening its domestic market to wide foreign competition. Decreased real wages and falling purchasing power of inhabitants contributed to the decline of the demand for its products.

Since the second half of the 1990, the analyses of social and economic situation in Slovakia, including those written for supranational bodies like World Bank, OECD, focused less and less on the structural problems of economy. The attention shifted to the social protection system. Increasing number of studies pursued the hypothesis that the main cause of unemployment in Slovakia was “generous social assistance” that discouraged people on benefits from taking a job.

The reform social policies of Premier Dzurinda’ both governments (1998 – 2002, 2002 – 2006) were based on the same assumption. Justifications of the revision of the system of assistance in material need did not refer to structural unemployment and permanent shortage of jobs⁵ was not taken into consideration as an important parameter of the labour market situation. The reform documents denounced the system of help in material need for “serving for large part of dependant inhabitants as the *permanent replacement of income* and not as the temporary relief”. They portrayed the social security and social benefit system as widely misused and responsible for creating “the culture of benefit dependency”⁶.

1.2.2 Demographic context

Demographic structure has been marked by three significant birth rate divergences: there were two fertile decades (the 1950s and the 1970s) and one sharp birth-rate decrease (1990 up to 2003). The baby boom in the 1970s can be assigned partly to the coming of the cohorts born in the 1950s into fertile age, and partly to the family policy that had stimulated marriages and birth rate by newlywed loans, massive public housing construction, nurseries and kindergartens.

³ Of which 1.2 millions entered the private economy sector, including self-employment.

⁴ In the first half of the 20th century, the half of inhabitants secured their livelihood from agriculture. Yet a relatively high proportion of people were employed in agriculture in the 1980s (above 15 %)

⁵ In 2003 there were 33 job seekers per 1 vacancy. The job opportunities have increased recently: in 2005 there have been 25 job seekers per 1 vacancy (Report on social situation of inhabitants... 2005)

⁶ MLSA&F web page “Reform of assistance in material need”
http://www.employment.gov.sk/socialna_pomoc/davky_reforma.html

Since 1973, the number of births approached 100,000 and in 1976 – 1979 exceeded 100,000 every year. Already in the end of the 1970s there were projections that the Slovak economy could face some troubles when absorbing the 1970s' baby-boomers, as the Slovak economy did not have sufficient amount of jobs in spite of the massive industrialisation. Yet in the last decade of the socialist regime and thousands of Slovaks, 80 thousands on average, commuted to the Czech regions of Czechoslovakia.

The 1990s' period of economic depression, rapidly increasing unemployment, annulling of newlywed loan systems, cancelling the public housing construction and reduction and charging family services/care for children (besides other factors), resulted in the marked decline of birth rate in spite of the 1970 baby boomers coming into fertile age. The population natural increase dropped to 4 persons in 1992 and even to 0.45 persons per 1,000 inhabitants in 2000. In 2001 and 2003, Slovakia had a slight natural decrease of inhabitants, the first one since the end of the 19th century. In 2004, there was a slight natural increase (0.35 persons per 1,000 inhabitants) again⁷. The average age of mothers in giving their first birth has increased from less than 21 in 1990 to 25.3 in 2004.

As a consequence, the share of population in the pre-productive age of 0 – 14 years decreased from 25.5 percent of the total population in 1989, to 17.06 percent in 2004. The share of population in the economically active age (15 – 59 year-old men, 15 – 54 year-old women) increased gradually, as the 1970s baby boom generation entered this age group. The population in the post-productive age (men aged 60 or older, women aged 55 or older) also slowly increased. In spite of the increase of the average age of Slovakian population⁸, the development of the dependency ratio has been favourable: the proportion of economically active persons in the whole population increased from 57.2 percent at the 1989 to 63.1 percent at 2001. Accordingly, the dependent part of the population decreased from 42.8 percent in 1989 to 36.9 percent in 2001. While the pre-productive age population decreased by 6.9 percent, the post-working age population rate increased only by 1 percent.

There have been four persons in productive age per one pensioner in 2005⁹. Slovakia has low old-age dependency ratio in comparison with other European countries and "low old-age dependency ratio is very favourable for a country that intends to initiate a reform of the old-age pension schemes, as there is no immediate threat of a sharp increase of expenditure on pensions due to ageing¹⁰". Present demographic structure thus has made Slovakia the expedient ground for experimenting with the old age pension reform.

1.2.3. Geographical context

The morphology of the country is an important though often neglected parameter of its social and economic situation. Slovakia is a mountainous country:¹¹ geologically diverse uplands and mountains form 60 % of the territory and make its surface very segmented. The settlement structure is dispersed. There are 2831 towns and villages. Seventy percent of villages (= 1984 villages) have less than 1000 inhabitants. These villages often lack working opportunities and resources to carry on services for their inhabitants. Road maintenance and securing public conveyance is thus the precondition of access to work and services. In Slovakia, there are more than 17,000 km of roads. 10,700 km of roads are of the 3rd category; their maintenance is in the municipalities' competence.¹²

⁷ <http://www.infostat.sk/vdc/pdf/popul2004.pdf>

⁸ An average population age was 35.98 years in 2000 and 37.13 years in 2004, a speed of one year in four years is more rapid than European average age of labour force (where ageing speed is one year in every seven years..)

⁹ Governmental Accountability Office USA 2005

¹⁰ Petrášová A., Svoreňová, M., 2005: p. 30

¹¹ The population density is 109.7 inh/1 km², level of urbanisation was in 1998 56,8 % (in Czech Republic 74,6, Finland 59,9)

¹² <http://www.fns.uniba.sk/zp/21/prac/infra/3.htm>

Dispersed settlement structure increases the transportation time and costs and the transportation time and costs could hamper the job accessibility. In the end of the 1990s, the cuts in the state support of public conveyance and the liberalisation of fare prices brought about the decrease of working mobility (daily commuting). Recommendations¹³ to stimulate the employers' involvement in employees' conveyance by tax relief fell on deaf ears.¹⁴ The temporal reimbursing of travel expenses has been introduced as the ALMP tool for former long-term unemployed in January 2006.

1.2.4 Tax reform and macroeconomic indicators

The tax reform introduced in January 2004 covers the flat 19 % tax on natural person income and legal entity income, the flat 19 % VAT and the increase of the excise tax (beer, wine, tobacco products, alcohol and mineral oils – fuel and oils). It has been intended to stimulate the economy and make the work more payable also by the next fiscal tools (as bonus for working parents, etc.).

The comparison of the revenues of the state budget in 2003 and 2004 suggests that the tax reform helped to increase the revenues of the state budget by 9 billions SK (4.6 %). The revenue increase was almost exclusively due the gains from the increase of domestic taxes on good and services. The revenues from natural person income tax went down from 31.8 billions in 2003 (the last year of progressive taxation) to 25.25 billions SK in 2004 (flat tax introduced), that is by 6,6 billions SK (more than 20 % decrease). The revenues from the legal entity income tax increased mildly by 0.59 billions SK. (2 % increase).

On the other hand, the total revenues from domestic taxes of good and services increased from 123.3 billions SK in 2003 to 144.3 billions SK, that is by 21 billions SK (17 % of increase). Of which the revenue from VAT increased by 15.8 billions SK (18 % increase) and the revenue from excise tax increased by 5.35 billions SK (14 % increase)¹⁵.

The inter-year changes of the tax revenues suggest that the tax burden has been transferred into *consumption*. In 2004, the wage earners saved total 6.6 billions SK (20 % of decrease) on taxes thanks to the flat income tax. On the other hand, the consumption taxes have gone up in prices by 21 billions SK (or by 17 %) for total population, including pensioners and jobless families and persons. On that account, the flat VAT (increased VAT on food, medications, and books) has brought about probably the higher living costs for those who could not enjoy the direct tax decrease. That is to say that the tax reform, especially the increase of taxes on goods and services, has introduced the next burdens for those out of labour market. The tax reform has made the access to goods and services more difficult for them.

Several macroeconomic indicators suggest positive economic development in 2005 in Slovakia. Economic growth as measured by GDP and other macroeconomic indicators has continued in 2004 and 2005. The GDP in fixed prices increased from 784.4 billions SK in 2003 and 826.5 billions SK in 2004 to 876.3 billions SK in 2005 (that is by 6 % in 2005 in comparison to 2004); there was mild increase of consumption prices (inter-year increase by 2.7 %), the increase of wages and employment. The inter-year inflation rate was 8.5 % in 2003, 7.5 % in 2004 and only 2.7 % in 2005. The deficit of the annual state budget has decreased

¹³ In 2001, the Research Institute of LSAF in cooperation with National Labour Office made the survey of the impact of the travel expenses on job mobility. According to the findings, the threshold of tolerability of travel expenses is in the interval from 10 % to 13 % from the monthly net wage; after surpassing this threshold, the willingness to commute and bear travel expenses significantly decreased
http://www.employment.gov.sk/zamestnanost/naklady_na_dopravu/vlastnymat.html

¹⁴ The tax reform was to simplify the tax administration and to abolish any kind of tax relief and exceptions also due the reason they could be misused. The danger of misuse belonged to the most frequent arguments against the proposals to decrease the 19 % VAT at least on groceries, housing and energies. The next argument is that it would support indirectly the rich. The both arguments deploy and deepen mistrust climate and inter-group distance in Slovakian society

¹⁵ The Statistical Yearbook 2004, Tab. 12 - 5

from 56 billions SK in 2003 and 70.3 billions SK in 2004 to 33.9 billions SK in 2005. Proportion of the deficit has dropped from 7.1 % and 8.5 % in 2003 and 2004 respectively, to 3.9 % in 2005.

1.2.5 Development of wages

In 2004, *average monthly nominal wage* of an employee in national economy reached 15,825 SK and it has increased by 10.2 percent points in comparison to 2003. Average real wages increased by 2.5 % on annual basis, but the real wage index reached 102.5 of the year 1998 (= 100 %), since the 2003 was marked by decrease of real wage index to 98.

In 2005, the average nominal wage has increased to 17,274 SKK by 9.1 percent points in comparison to 2004. The increase of the average real wage was 106.3 (1998 = 100 %). The longer period comparison is less favourable: it suggests that the 2005 real wage has not still reached the level of real wage in the 1989.¹⁶

In 2005, the most marked inter-year increase of the average nominal wage was in education (by 10.3 %), in public administration, defence and mandatory social insurance (by 109.4) and in real estate, rental and commercial services (by 9.4 %). Wage index 2005/2002 was the lowest in health care and social assistance (116.0), construction (120.1) and wholesale, retail and repair shops (124.1). The highest 2005/2002 wage increase was in "other social and personal services" (130.6) and in education (130.1). Favourable indicators of inter-year wage increase, however, obscure the fact that the average nominal wages in some "growing" sectors were significantly lower the average nominal wage in 2005 too. For instance, in spite of its highest increase, the average nominal wage in education was 14,224 SKK (almost 18 % under the national average), in health care and social assistance 13,946 SKK (19 % under the national average). Similarly under-the-average wages were in agriculture 13,162 SKK, construction 13,867 SKK and "other social and personal services" 13,334 SKK. The substantially under-the-average wages have been accordingly in public sectors (or, more accurate, in sectors financed through the state budget) and in the sectors employing less qualified labour force. The highest average nominal wage was in financial mediation 34,950 SKK, (by 102 % above the average).

Regional disparities in average wages continue to be high. In 2004, Bratislava region was the only region with the average nominal wage (21,016 SKK) higher than the national average (132.8 %). The average wages in the next seven regions did not reach the national average. The lowest average nominal wage (12,535 SKK) was in Prešov region: it was 79.2 % of the national average wage and 59.6 % of the Bratislava region average.¹⁷ In 2005, average wages exceeded the national average only in Bratislava region, where they reached 23,212 SKK and 134.4 % of the national average. The lowest average wage was again in Prešov region: 13,185 SKK that was 76.3 % of the national average and 56.8 % of the average wage in Bratislava region. That means that the regional disparities in average wage have even slightly sharpened in 2005.

The *minimum wage* has increased to 6,900 SKK in 2005. It is necessary to mention that the respect of the minimum wage institute has been continuously questioned by the Republic Union of Employers (RUZ) who has made the nullification of minimum wage its programme target¹⁸. According to the Trade Unions Confederation (KOZ), KOZ had to make great effort to defend its very existence and the resistance to the RUZ attacks at the minimum wage "has bound and blocked a lot of Confederation of Trade Union power" in 2002 – 2006.

¹⁶ Labour Force Surveys 2005 quoted by The Standpoint of the Trade Union Confederation to Report on Social Situation of inhabitants of SR for the 2005. Relation of Confederation and Government in (dealing with social problems. KOZ Bratislava April 2006

¹⁷ *Správa o sociálnej situácii obyvateľstva v roku 2004*. MLSA&F SR 2005, p. 17

¹⁸ The information about the target to nullify a minimum wage is placed on the main page of its web site: www.ruzsr.sk.

1.2.6 Employment and unemployment

Unemployment is still pressing problem of Slovakia, though employment has developed more favourably in the recent period. In the 2005, the number of employed increased by 2.1 % and absolutely by 45.8 thousands of persons in comparison to the 2004.

The EU accession has influenced the development positively at least in two ways. First, it was the support of the ALMP through the European Social Fund. In 2004 and 2005, about 20,000 thousands jobs have been created mainly by means of the start up grants for self-employment and by subsidising the jobs for disadvantaged jobseekers¹⁹. Simultaneously, the labour market has widened considerably. According to the Ministry of LSAF estimations, about 170 – 200,000 Slovaks work now abroad²⁰, out of them about 80,000 are in the Czech Republic.

Nonetheless, it is difficult to estimate the acquisition of the employment rate due the work abroad. The agreed methodology of Labour Force Survey does not distinguish among those who work abroad and those who get a job at home. If only for that reason, the claims that the employment increase in Slovakia is the credit of the implemented economic and social reforms have to be approached with the cautiousness.

The employment growth has reflected in the inter-year decrease of *unemployment*. According to the LFS data, the number of the unemployed has dropped to the 427.5 thousands persons in average in the 2005. This is the decrease by 53.2 thousands persons or by 11 percent points in comparison to the average of the 2004. Unemployment rate was 16.2 % (comparing to 18.1 % in the end of 2004).

According to the registers of the Headquarters of LSAF, the average registered unemployment decreased from 17.82 % in 2002 to 11.64 % (301,200 persons) in 2005. By the end of the 2005, 333.8 thousands persons were in the LSAF Headquarters' registers. The registered unemployment decreased by 49.3 thousands persons or by almost 13 percent points in comparison to the end of the 2004.²¹

Ministry of LSAF considers the decrease of the registered unemployment to be the evidence of the success of the labour market policy reforms. However, the Ministry and the trade unions do not agree in their evaluations. Trade Union Confederation (KOZ) argues that the registered unemployment has decreased substantially due the administrative measures, mainly by dismissing jobseekers from the registers on the grounds of their non-collaboration. The recent amendment of the Act No. 5/2004 On the Employment Services (by the Act No. 573/2005) has continued the strict monitoring of "inactive" unemployed (the mandatory attendance of labour office is one time per week for the jobseekers who do not participate at activation works or in education or training) but it has trimmed the strict six month waiting period for re-registration to the three months (since the debarment date) for job-seekers who were debarred due their caring for family member²². The table 2 suggests that the numbers of erased on the grounds of non-collaboration due the non-collaboration increased since the launch of the labour market reform in 2004.

¹⁹ For more detail See Table No. 3 in this report.

²⁰ „V Únii pracujú státisíce Slovákov“ (Hundred thousands Slovaks work in the Union) SME 29. 4. 2006 p. 1

²¹ Report on Social Situation of inhabitants of the SR for the 2005. Own calculations

²² In the case of debarring job-seekers from the register due their care for a child younger than 10 years or for their care for a close relative who is immobile, the waiting period for re-registering has been trimmed to the three months. The SR Ombudsman still considers the waiting period term to act as 'penalty'. (Ombudsman... 2006, 45)

Table No. 2: Registered unemployment (Labour, Social Affairs and Family Headquarters) in thousands

	2002	2003	2004	2005
Registered (unemployed) job-seekers by 31 December	504.1	452.2	383.1	333.8
Long-term unemployed by 31. December	238.6	212.3	192.0	170.9
<i>Long-term unemployed of all registered unemployed (in %)</i>	47.3	46.9	50.1	51.2
<i>Proportion of women of all registered unemployed (in %)</i>	45.0	45.2	49.6	50.8
The inter-year decrease of registered unemployment	29.6	51.8	69.1	49.3
The number of unemployed ruled out on the grounds of non-collaboration in the previous year	34.9	34.5	55.3	81.8

© Standpoint of the Trade Union Confederation to the "Report on Social Situation of inhabitants of the SR for the 2005" author' calculation

Table 2 also shows that the long-term unemployment has developed ambiguously. On the one hand, the long-term unemployment decreased in absolute numbers: the decrease was from 238.6 thousands in 2002 to the less than 171 thousands in 2005. On the other hand, the proportion of long-term unemployment has continuously increased. Between 2004 and 2005, the increase has been by 11 percent points. According to the LFS data, the 2004/2005 inter-year unemployment decline has reflected in all age and educational categories of unemployed except the categories of lower secondary education (101.9), of the aged 15 – 19 (100.4), the aged 60 – 64 (129) and the aged 65 + more (114,3)²³.

In the third quarter of 2005, 289 thousands persons were unemployed more than 12 months that is 69.6 % of all unemployed. Of them 129.2 thousands, that is almost one third (!) was unemployed more than four years. Of them 65.9 thousands (15.9 % of unemployed) were without job more than eight years. 104 thousands of unemployed (25 %) have been never employed. The sizeable proportion of long-term unemployment suggests that the ALMP tools have helped probably mainly those who were unemployed for a shorter time only, those who live either in the areas abound with job opportunities or have enough resources (and few commitments) to leave their region and start anew elsewhere.

According to the LFS data, of all unemployed, 27.2 % have lower secondary education (9 classes), 40.0 % have secondary technical education without 'maturita' (= final exam), 28.8 % have secondary comprehensive and professional school (with 'maturita') and 4 % have the university education. The comparison of the educational structure of unemployed and the educational structure of all in economically active age (see the table 8 in the Annex) suggests that unemployment afflicts all educational categories in Slovakia. The main difference is in the percentage of lower secondary education (7.2 % to 27.2 %) and of university education (10.8 % and 4.0 %)²⁴. For that reason, it would be exaggeration to say that the bulk of unemployed have lower education.

1.2.6.1 Age structure of unemployed

The 1970s baby boomers' entry on labour market has been difficult. They have faced unemployment in a greater measure than the older age groups who stay now on labour market. Unemployment afflicts younger age categories more frequently. The highest unemployment is in the group of the 15 – 19 of aged. In the third quarter of 2005, 65.9 % of the economically active of this age group were unemployed (+11.1 point inter-year increase). The group of the 20 – 24 aged had 25.6 % unemployment. The unemployment of the group of the 25 – 29 aged was the average one. In all other age groups, the unemployment was under the average. Totally, 155.3 thousands persons, 37.4 % of all unemployed, were younger than 29 years of age. The one third of the university-educated unemployed has been under 29 years as well.

²³ LFS 2005 No. 3, tab. CR_MN1

²⁴ The Results of Labour Force Survey ŠÚ SR 2005 No. 3, ŠÚ SR January 2006

The 15 – 29-age category constitutes the 26.4 % off all the economically active²⁵. The group aged 20 – 24 seem to be the most threatened by the unemployment: it constitutes 10.6 % of economically active and 17.4 % of unemployed²⁶. Education of this age group of unemployed is *rather the above standard*, if compared to unemployed as a whole. There is not so much university graduated since the usual age of university graduation is about 23. Besides, there is the significantly less of those with lower secondary education (18.8 %) than among the all unemployed (27.2 %) though their percentage is higher than among the economically active population (8.2 %). The 28 % of unemployed of this age group have secondary technical education without 'maturita' (comparing to 40.0 % of unemployed and 35.2 % of economically active population). The 49.5 % of this age group have secondary education with 'maturita', which is the significantly higher percentage than among the all unemployed (28,8 %) and it is above the average also in comparison to all economically active (43 %).

Long-term unemployment is frequent in this age group. 64.3 % of the unemployed aged 20 – 24 has been unemployed more than one year. Fair enough educational structure of this age group makes one to think that the (low level of) education is not primary hindrance of their getting job.

According to the H-LSAF, the long-term unemployed aged 50 and more with lower secondary education are in the highest risk of permanent unemployment²⁷ and being henceforth on reduced welfare. After the pension reform and abolishing the minimum pension in 2004, the aged long-term unemployed are without hope to improve their livelihood after reaching the mandatory pension age.

There is a quite big increase of employment in the age category 55 – 59 and 60 in the 3d Q 2005 comparing to the 3d Q. 2005 – by 3.5 points and 4.1 points respectively (The Results of Labour Force Survey ŠÚ SR 2005 No. 3, p. 55).

1.2.6.2 Gender structure of unemployed

Both the LFS and H-LSAF registers have recorded the tendency of increasing the average proportion of women among unemployed. According to the LFS data, women constituted 46 % of unemployed in 2004 and 48 % in 2005. According to the H-LSAF registers, women constituted the 50.8 % of the registered unemployed in 2005. The LFS data suggest that women make slightly more than the half of unemployed in all the categories under the 55 of age, and they make only 23.6 % of the unemployed aged 55 – 59.

The lower proportion of women in this age category of unemployed was the outcome of the lower mandatory retirement age for women and its dependence on the number of raised children. Lower mandatory pension age seems to serve women the safety measures against unemployment. The option has expired after the 2004 when the pension and social insurance reform has come into effect.

1.2.7 Facilitating the reconciliation of family and working life

Measures for reconciliation of family and working life can prevent risk of unemployment. As of July 2005, there are new rules for parental benefit entitlement. All parents (one of the couple) and persons who substitute parents in care for children, whose child is less then 3 years old, are entitled for the same parental benefit, irrespective of their employment status, provided they care "properly" of a child, or they organize care for a child in child day care facility or and individual care. Parents of small children acquire the advantage to enter the labour market without the income loss. The paternal benefit amount is now at the level of 4,230 SKK monthly since September 1, 2005. In 2005, 131,000 persons took the

²⁵ in the 3Q 2005

²⁶ bid, table EA1, p. 13, see also table 9 in Annex

²⁷ Implementation of ALMP in 2005, H-LSAF Bratislava, March 2006 (Slovak), p. 43

parental contribution. Above 3,000 fathers were among them.²⁸ The total sum spent for paying parental contribution was 6.5 billion SK.

If nanny or grandparent cares for the child, the authorities do not require any proof of qualification or licence of a carer, and even do not register these persons as care takers. However, parents lose the entitlement to parental benefit, if they place their child in a facility that is subsidized from the state²⁹ budget, or in the day-care centres operated by the NGOs that have received the donations on the grounds of “Decide the 2 % Tax” (Act No. 295/2003 On Income Tax). This provision is intended to prevent from the undue public support. However, such ‘fear’ does not seem to take in regard the actual costs of childcare in municipal facilities and their relation to the average wage. For instance, in December 2005, the monthly payment for one child in the neighbourhood Bratislava – Staré Mesto’ municipal nursery was 3,700 SK without meals (that was about 20 % of the average gross nominal wage) if the parents live permanently in the neighbourhood, and 7,700 SK without meals (that is more than 40 % of the average wage) if the parents live outside the neighbourhood.³⁰

The rules for parental benefit entitlement and the high payments in the professional nurseries make informal and less professional care for children more favourable. It is worth to note these rules allow for tolerated expansion of informal work the fight against which was one of the pillars of the Government 2002 Programme. The next thing is that the pluses of increased *individual income* of young families tend to cover the fact that more should be done to support development of affordable and accessible, high quality *services* for working parents/ children.

Since the January 2004, Children allowance is the universal, not mean-tested, and then most extensive state social support³¹. In 2004, Act No. 600/2003 On children allowance has set the same amount for each child (500 SK) and cancelled the progressiveness of allowance in respect to the age of children and the supplements for children continuing their education set by the Act No. 281/2002. This change seems to favour families with smaller children. In the second chapter of this report we will show that large families have lost due it. In 2005, children allowance was paid to 756,000 persons for 1313,000 children in average. In total, 8.7 billion SK were paid for children allowance. It is worthy to add that the provisions have become stricter: if children do not attend school regularly, the payment of children allowance can be suspended and it is sent to the account of “special receiver” (municipality) instead to their parents. In 2003, children allowance for 1858 children in average went to municipality accounts. In 2005, the number of children whose allowances were sent to special receiver has increased to 6,840 children.

²⁸ Caring fathers represent hardly 2,3 %. That means that the children care is strongly gendered in Slovakia

²⁹ There are different interpretations of this provision in relation to the question if municipal facilities. According to our consultation, the municipality of Bratislava – Nové Mesto has asked M-LSAF for the commentary to the provision. The commentary of the MSAF was that parents can get parental benefit if child is placed in municipal day care centre/nursery but they cannot if child is placed in the municipality kindergarten, because operation of kindergarten is transferred competence of the state and municipality acquired finance for its performance, while nurseries are not laid out legally. After extracting the nurseries from the regulation of Ministry of Health in 1991, they have been de facto in the legal vacuum in Slovakia and their operation is the municipality free choice.

³⁰ http://mesto.sk/prispevky_velke/sliac/poplatkyzajaslev1134569520.phtml

³¹ Smaller universal subsidy is the payment at the occasion of birth of a child or children. Since September 2005 it is 4,460 SK for one child and it increases (but not multiply) if more children are born at once. In 2005, there were 53,000 takers of this payment in total sum 233 millions SK.

1.3 Major trends, new and emerging challenges, the key immediate and long-term risk factors and the main groups at risks

1.3.1 Active Labour Market Policy

The growth of employment has been the key objective of the Government 2002 Programme. The key political instruments have been considered the tax reform and the labour code reform ('flexibilization' of labour relations), the state stimuli for foreign investments and social assistance reform. The Active Labour Market Policy was given important place in the NAP employment 2003 – 2005.

Similarly to the Government 2002 Programme, the NAP inclusion 2004 – 2006 put the emphasis on the employment and makes it the main form of social inclusion (the objective of social inclusion was rather a minuscule in the Government 2002 Programme). The NAP inclusion has taken over the substantial parts of the NAP employment in this regard. It describes the Act No. 5/2004 on Employment Services that prescribes the space for using the ALMP tools. The most important changes in ALMP were introduced in 2004 in their extent and structure, obligatory character, and financing. As it is well known, majority of ALMP tools was financed from the European Social Fund in 2004 – 2005.

Long-term unemployment deteriorates working skills and leads to their loss. Overall de-qualification of long-term unemployed is often taken as the crucial cause of their staying out of labour market. This belief is embodied in the structure of the ALMP tools prepared by the Ministry of LSAF. There is significantly higher emphasis on the increase of employability than on the creation of new jobs.

The high unemployment of young people makes the ALMP targeted to school graduates of special significance. The applicable ALMP was the graduate practice. Rules were strict, low cash benefit (originally 1,500 SKK, now 1,700 SKK) was eligible only for the limited period of six months, school graduate can participate in the next round of graduate practice only after six months. The graduated have to work 20 hours per week without entitlement to conveyance allowances or subsidies for lunch. In regions with dispersed settlement, the travel expenses of graduated on practice would be higher than the received benefit for graduated practice. In 2004, totally 14,462 jobseekers were placed in the *graduate practice* programme, of them 358 got a job after completing the programme. It means that the employability increased by in this programme has turned into the actual employment of graduated but in 2.5 % cases³². In 2005, According the field observation, involvement in this programme could be even higher if the involved receive higher benefit.

Activation works (regulated by § 52 of the Act No. 5/2004) are the most discussed ALMP tool. The opinions vary from viewing them as forced labour to calling them the valuable tool for cultivating and sustaining working habits. This program expresses and embodies the philosophy of the social assistance reform (Act No. 599/2003) to condition the benefit by 'activation' of unemployed. In the first period, the activation works have 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*". The project title encapsulates the ruling opinion on the causes of unemployment in Slovakia. Sporadic critique³³ that this sort of title promoted negative stereotypes of people without work did not lead to its change.

The National Project V was funded by the ESF in the contracted period of 2004 – 2005 (June). Total budget was 526.9 millions SKK, the contribution from ESF 421.5 million SKK. In 2004, the activation

³² Calculation of the Data from the registers of the Headquarters of LSA&F. More in Table 5 in Attachment of this Report

³³ including our one in the earlier reports

works used up 53 % of the resources spent on ALMP. The activation works project is funded now from the state budget. The originally planned number of 100 thousands jobseekers involved in the activation works was exceeded more than two times in 2004. The activation works show that the majority of long-term unemployed were keen to take any accessible work to provide for their families. The great interest in getting work and the (part of) benefit that is preconditioned by work, has demonstrated the sufficient motivation of unemployed by necessity³⁴. However, albeit the high participation in activation works has proved the jobseekers' work motivation, it has also demonstrated that a single high motivation does not suffice to get a job where the jobs simply do not exist. Moreover, there are signals that the program of activation works has led to the cancellation of permanent jobs in public services in the areas afflicted by high unemployment. It becomes the saving measure for the village municipalities that can now get a cheap working force (there is no necessity to pay levies, organisers are paid for each activated) instead of 'expensive' permanent workers. For that reason, activation works seem not to be a fair tool for increasing chance to get employment, i.e., employability.

Cases of occasional refusals to take part on activation works have been sometime used as 'evidence' of low motivation to work and of the rightfulness of the offensive name of the programme. It is necessary to say that refusals were often the result of the finding that not all categories of unemployed were entitled to take activation contribution. According to the Plenipotentiary for Roma Communities Office Report, young unemployed under 25 years of age were as a rule, not invited to join the activation works precisely due the fact that they were not social benefit takers (Správa.... 2005: 19)

Table No. 3: Data on the Active Labour Market Policy measures implemented by the selected NPs

NP	ALMP Measures	2004	2005
NP I	Number of created jobs for of disadvantaged jobseekers	1,778	3,087
	Number of created jobs by self-employment	5,618	9,908
	Number of employers included in the ALMP project	1,192	2,018
NP II	Number of created jobs in <i>sheltered workshops or sheltered workplaces</i>	138	362
	Number of created jobs by self-employment of disabled	107	271
	<i>Number of disabled persons who received work assistant</i>	52	262
	Number of employers participating in the ALMP project	73	1311?
NP III	<i>Number of job-seekers who attended the education and preparatory courses</i>	25,380	35,689
NP V	Number of persons participated on <i>activation works</i>	243,426	165,332
	Number of jobs created for the coordinators of activation works	11,560	7,325
	Number of subjects and organisations who implemented the programs under this measure	4,778	4,864
NP XI	Number of job seekers participated on graduate praxis	9,081	24,838
	Number of employers participating in the project activities	5,074	12,003

© Evaluation of the commitments from the Statement of the Policy of the Government of the Slovak Republic 2002 – social domain March 2006 www.employment.gov.sk/mpsvrsr/internet/home/page_pdf.php?id=1937& the access on April 26, 2006

Some ALMP tools have been reassessed and reshaped to suit more the actual needs. The example is the moving-for-job program. This, also according to the Ministry LSA&F, rather lapsing measure aimed at supporting the procedure of changing the place of living has been transformed into the transport contribution for daily commuting for work. Since January 2006, the contribution is eligible for all former unemployed from disadvantaged groups (school graduates, parents with children, the aged more than

³⁴ However, not the activation contribution helps the overall benefit to reach subsistence minimum

50s) for the period from 6 to 12 months. The monthly amount of transport contribution is 2000 SK maximum³⁵.

The contributions for self-employment and for employment of disadvantaged jobseeker have been also amended to serve more efficiently. The NAP inclusion 2004 – 2006 has planned to create 18,000 new *self-employment jobs* and 7,000 new subsidised jobs for vulnerable categories. The first target has been almost reached. In 2004, 5 618 self-employing jobs were created, of them 2 142 were created by women (38.1 %). In 2005, the next 9,908 jobs were set up. Gender break is unknown. This ALMP tool owes the negotiated opportunity to use pre-payments for its success. Besides pre-payments that are very substantial in the regions where people are drain from savings, there have been the next contributions to the success of this ALMP tool. The precondition that the grant recipients have to maintain their business or livelihood *for two years* without re-registering at labour office and applying for a material need benefit, is the important one. It suggests that people who did not succeed in newly launched business are motivated enough not to announce their failure at labour office, because if they will do it, they shall to pay back their grant. Such precondition seems effective warrant against (declaring) premature giving up in one's business. However, it does not contribute to its success and to well-being of family of not successful self-employee either. Report of Plenipotentiary office (Správa... 2005) has proved our earlier suspicions that self-employment might turn to very risky business in the very regions when it was the most supported: according to the report, in the areas with 100 % unemployment rate the private business is without sense because purchasing power of inhabitants amounts to zero and new entrepreneurs do not find anybody with interest in their products or service.

The pre-payment opportunity was not negotiated for the next ALMP measures implemented through National project II – *Support of employment of citizen with health disability*. Reimbursement principle turned to be serious hindrance for NGOs and petty employers who lacked a sufficient deposit. In the end of 2005, the situation has improved due the new rules. Now the one-shot non-returnable lump sum fee is provided to employers for every new employer (maximum four, when employing disabled five and the fee is higher)³⁶. Employers are required to sustain new jobs for the period of three years. According to the recent (electoral?) announcement of Ministry-LSA&F, this tool has helped to create 9 thousands of jobs.

The table No. 3 shows the numbers of jobseekers, course attendees and employers involved in some of the ALMP measures. It suggests that the ALMP tools have helped more than 27 thousands jobseekers get a more or less stable job. The significance of this number stands out in comparison of overall inter-year employment increase in 2005. The jobs created by the ALMP seem to represent more than the half of created jobs in 2004. This fact proves the ALMP significance in Slovakia.

There are the marked differences in employment effect of individual ALMP tools. The ALMP tools aimed at employability have got rather negligible employment effect. After completion of education and pro-market preparation, 16.8 % of their participants got a stable job. After finishing the practice for graduated, only 2.5 % of participants got a job. The percentage of the activation works participants who got a stable job was even more negligible.

Since January 1, 2006, next amendments of the labour offices registration rules come into effect. Those not involved in some kind of activation (activation works, education and training) have to visit the labour office every seven days, those who study or do activation works one time in 30 days. The repeated registration was made easier (there were numerous objections against the six months' waiting period,

³⁵ Vyhodnotenie záväzkov... 2006 www.employment.gov.sk/mpsvrsr/internet/home/page_pdf.php?id=1937&

³⁶ First call of H-LSAF was announced in November 2006 (support of nearly 3 thousands jobs) the second call in February 2006 „Support of new jobs by non-returnable lump sum contributions“ according to § 54 Act No. 5/2004 On Employment Service

including those of Ombudsman) and new types of employer-focused stimuli for creating jobs for disadvantaged jobseekers have been introduced.

1.3.2 (Risky) protection of the most vulnerable

The 2004 reform batch has been based on the prospect that the rapid economic growth would be accompanied by the employment increase in a long run. Risk of the jobless growth based on new technologies and the increase in productivity was not debated. A conviction of the reform success is evident from the fact that *before the start of the reforms, no studies were launched to calculate their possible impact of the reforms on the living conditions of the most vulnerable groups, such as large jobless families, single parent families and pensioners.* The effects of increasing the VAT on food and housing and deregulation of prices for energies, and simultaneously cut social benefits or old-age pensions computed anew³⁷, or cancellation of the minimum pension were not considered *in advance*.

Belief in job accessibility (“work is not a cake”, “jobs create jobs”) has fuelled the measures to “prevent social security system from serving as permanent substitution of income”. The crucial legal hedges for this purpose were the Act No. 599/2003 on Assistance in Material Need and the Act No. 4/2004 on Employment Services. The latter one, setting the active labour market policy tools as well as the new legal arrangement of employment services has been already discussed. The former one has reformed the social benefit system.

The Chapter 2 will show that jobless people and families had modest social protection (in regard to the period and ratio of income replacement) already before the 2004. Long-term unemployment, single parenthood and many children in family have been the main source of monetary poverty.

Table No. 4 Development in the social assistance coverage

Benefit in material need	2002	2003	2004	2005
Number of recipients of the material need benefit	320,650	278,563	178,621	176,000
Number of people dependent on material need benefit	618,191	543,036	383,279	373,865
Percentage of Slovakian population dependent	11.5%	10.1 %	7.1%	6.9%
Average monthly number of recipient of housing benefit	X	X	54,960	62,091
Average amount of benefit (in SK)**	3,560	2,706	2,940	3,346*
Percentage of housing benefit takers of all material need benefits takers	X	X	33.3	35.2
Total expenditures in billions SKK	11.4	9.0	6.4	7,1
Benefit expenditure as % GDP		0.76 %	0.49 %	

© Report on Social Situation... in the first half of 2005 (2005); Report on Social Situation... in 2005 (2006); Third report on Implementation of Social Chart 2005: p. 104)

(* = 1st half of 2005; ** = the 2002 and 2003 amounts of average benefits do not include the housing benefit that was the separate benefit then. The 2004 and 2005 amounts of average benefits comprise basic benefit together with housing benefit and next supplements.)

The Table No. 4 suggests the success of the reform measures: the total number of those receiving social assistance benefits dropped from some 532,000 in 2003 to 371,000 individuals in 2004 in spite of the fact that the employment rate stagnated in that period. In 2005, 176,000 persons were registered as material need benefit takers in average. Together with their family members, 374, 000 people were dependent on material need benefits³⁸. For the sake of comparison in 2005, 176,000 persons were registered as material need benefit takers in average.

³⁷ The new computation (Act N. 461/2003) was based but on the wages of the 1994 – 2004 period. Such a computation was especially favourable for the economic transformation ‘winners’. On the other hand, it was disadvantageous for many people outside Bratislava, whose working life has been interrupted by unemployment in this period.

³⁸ Správa o sociálnej situácii obyvateľstva SR za rok 2005. (Report on Social Situation of inhabitants of SR for the 2005). No. 9716/2006-II/1 Material for the Government SR Session .MPSVR SR 12. April 2006

In 2005, 104,257 people took the activation benefit (1,780 SKK) in average. Of them 62,091 people took housing benefits. Amount of housing benefit was 1,360 SKK monthly for single person and 2,150 SKK for families in 2005. 21,420 people took the protection benefit (1,700 SKK) designed for those who do not have possibility to provide for their living by work (usually single parents and mothers of children under six).

Total expenditures for benefits in material need have increased in 2005 (7.1 billion SKK) in comparison to 2004 (6.4 billions SK). Though, their amount has remained significantly lower than the expenditures in the pre-reform year 2003 absolutely (11.4 billions SK) and also as the percentage of GDP, the level of average nominal benefit reached the level of the one in 2003. In 2005, the average monthly benefit (basic benefit together with benefit supplements) was 3,346 SKK. Ministry of LSA&F does not open the issue of the ratio of this sum to the amount of the minimum subsistence³⁹ that is the national legal threshold of poverty (material need) in its "Report social situation of the SR inhabitants in 2005 and the real value of benefit in material need was not analysed.

In the base of the recommendation of OECD for Slovak Republic "to secure that the social assistance for people in economically active age is directed to their return to labour market, partly by introducing the income support on the basis of activity"⁴⁰ is an assumption of labour market abundant with jobs, where "work makes work". It seems that it did not consider occasion of stagnating number of available jobs in the not-advancing areas and the consequences of fact that many unemployed could not help staying in a social net.

The Act 599/2003 stipulated that after the two years of benefit-taking the assistance will be transferred from the state to the municipality in order to "tailor" assistance to needy people more suitably. The assistance (in kind or in cash) will be financed by the state budget hereafter. This regulation has been postponed till 2008 because of the disagreement of the municipalities associations. During the decentralisation process, mayors have acquired several competences without sufficient financial backing and they have still to struggle with the lack of resources. For that reason they try to put off this obligation.

1.3.3 Housing risks

The housing construction has not been given priority in the state budget for one and half decade⁴¹. The numbers of new flats dropped from 33,500 finished apartments in 1989 to 6,700 apartments in 1995⁴² and though this number has increased to almost 14,000 in 2005, the resources in the State housing fund are insufficient and have tended to scale down. In the 1990, the highest support of housing construction was in 1997: 1.52 % of GDP. In 2004, the resources for housing construction were slightly

³⁹ The amount of the average benefit is less than the three fourths of the subsistence minimum as determined in the Act No 601/2003 On Subsistence Minimum. On the other hand, it should be added that since 2004 some income (children allowance, scholarships) or some parts of that income (25% of old-age pension etc.) is not taken as income in testing the benefit entitlement. Before the reform all sorts of income were considered as income. In the MLSA&F opinion, that means that the actual income of the recipient could be now higher.

⁴⁰ (http://www.employment.gov.sk/socialna_pomoc/davky_reforma.html)

⁴¹ The state resigned on the systematic housing policy already by the Act No. 138/1991 On Municipal property and by the Act No. 182/1993 On transfer of property of communal flats. The former Act made the care for communal housing the issue of municipal politics. The latter one enabled to shift the housing burden on shoulders of citizens. Municipalities and housing cooperatives offered their members the possibility to buy flats where they lived. At present, majority of houses and flats are privately own. Communal housing presents now negligible percentage of total amount of houses and apartments.

⁴² KUSÁ Z., KUSÝ I., 1999: A Discussion of the Housing Problem in Slovakia. In: *Europe: Expectation and Reality. The Challenge for the Social Sciences* (Ed. By L. Faltan) Slovak Commission for UNESCO, 170 – 182

above 0.5 % of GDP. Absolutely, it was 11.1 billions SK in 1997, 8.9 billions SK in 2003 and 7.3 billions SK in 2004⁴³.

The decreasing support of public housing and the municipalities' effort to sell as much communal flats as possible (on actually affordable prices of the amount of 3 – 4 average wages) to their tenants, has resulted in the prevailing situation when communal flats are resided by households who could not afford to buy them. They are often jobless and face financial problems and indebtedness.

Persisting unemployment and gradually increasing prices for housing and associated (privatised) services (majority of municipalities have their facilities for public utilities – waterworks, public heating, etc. privatised by private, profit-making companies) have jointly formed very complex situation for the municipalities that had struggled with insufficient resources for municipal housing long since. Needless to say that difficult housing situation has faced not a small part of population as well.

The risk of indebtedness has increased immensely after the 2004 when the social benefit reform has been put in effect simultaneously with the deregulation of prices of water and energies and the next services associated with housing. According to the Ministry of Construction and Regional Development data, the net financial costs for housing per one person per year have increased from 12,456 SK in 2002 and 15,564 in 2003 to 23,571 SK in 2004. The increase of housing costs was 151.4 % between 2003 and 2004. The inter-year increase of social benefits was 108.6 % at the same time. Such disproportion could increase the risk of rent indebtedness.

If jobless households get only basic benefit which amount is definitely under the minimum subsistence, they cannot avoid running into debts on rent. A bare social benefit, eventually combined with activation contribution does not suffice to proper nourishment, not to speak of paying for water, electricity or heating. Receiving housing benefit helps only partially. Its present amount does not suffice to cover housing costs, and as the title of benefit ("contribution for housing") suggests, this sort of ambition was not cardinal in its construction either. Nevertheless, taking the housing benefit by a jobless household appears the basic precondition of opportunity to (try to) keep the commitment of decent member of society and pay a rent.

The table No. 4 suggests that but one third of all benefit takers receive housing benefit. It is the consequence of strict criteria for the claim of this benefit. The Act limits the entitlement to those who own or rent the house or flat and can prove either six months of regular rent payment or their willingness to pay instalments of their debt on rent. Provision of this kind leaves those who live in the house or flat owned by their parents without possibility to claim housing benefit. Excluded from the claim are for sure those who have just moved to a new place (or from street to a hostel) and are unable to prove the six months of rent payments. It is justifiably to assume that the most vulnerable are excluded by this rule: homeless people who cannot afford to pay monthly sum, that usually exceeds the benefit increased by activation contribution, for a hostel, and families in hovels built without housing permits who are without access to water and electricity and therefore also without chance to get contribution for their setting up or simply for buying wood for fuel. According our field information, the institute of special benefit addressee that permits municipality to take and handle a debtor's benefit and use its part to pay instalments is not used in the case if rent debts are too large (more than six instalments). It seems that housing benefit is denied to over-indebted households. The exclusive character of housing benefit was many times criticised by academics and social activists as well as by Ombudsman, but critique has rather fizzled out without effect.

It is necessary to mention that communal flats in which jobless families live are not maintained well and there are often broken ducts and taps that cannot turn off well and as the consequence, their tenants

⁴³ <http://www.ueos.sk/mvrr.sr/isvov/s3/m1/cati.asp>

have excessive consumption of waters and their bills are far higher than those of average household. Run down and running spigots were the cause of the enormous water usage in some blocks of flats in Košice, Rimavská Sobota and other towns and subsequent horrible water rate checks the inhabitants could not pay back and therefore run in higher and higher debts. Inasmuch as the water (or heating) suppliers are private profit-seeking companies, the most widespread measures against housing indebtedness is to turn the debtor households out of public heating and electricity. Number of households disconnected of heating, electricity and (with increasing frequency) from water has been grown strikingly since the 2004 social assistance reform.

The last solution is eviction of debtors to emergency shelters and in the case of not paying for them, eviction on street. The cases of debtors' eviction directly on the street are sparse. In such situation, children are taken away from their parents and placed into foster care. Municipalities usually lack suitable facilities therefore they tend to let indebted tenants to live in bare flats that are cut of heating, electricity and water. The cases of buying a building in another town and village and more or less forceful moving the debtors to a new place (and their subsequent exclusion from their well-known milieu, relatives and friends) cease to be rare. It is not possible to say how frequent there are because the information about the indebtedness problem are scattered and there seem not to be any effort to collect information about indebted families and children facing housing problems. Debtors usually handle their situation by moving to live with relatives who are often in similarly difficult situation. In consequence of this solution there are overcrowded flats often cut of electricity and heating and multiplying hovels that are built without building permit on the ground of somebody else.

The last step – eviction from the flat – has been made easier by the recent amendment of the Execution Act (2001) that allows evicting the debtor as early as since the three months of not-paying without a court order. Altogether, the housing benefit seems not to be an efficient tool for helping the most vulnerable in spite of its recent enlargement.

Housing crisis afflicts at most the Roma people due their long-term unemployment and insufficient resources to secure standard living conditions. According to the Plenipotentiary Report, the most serious problem is insufficient access to electricity, drinkable water, and sewerage and rubbish disposal. Problematic turned to be also new housing construction for Roma people: savings on cheap construction material gave rise to the flats that are very heavy on fuel and jobless families cannot afford to live in flats with overcharged running. (Správa o stave riešenia 2005)

1.3.4 Homeless people

The winter 2005/2006 has offered Slovakian public the harsh lecture about legal, institutional and personal capacities and gaps in protection of the most vulnerable. In Bratislava, the capitol of Slovakia, about seventeen homeless people died because of cold. Horrible cases aroused a lot of public discussion in all sorts of mass media, confrontation of “responsible” municipal and central politicians and NGOs and stimulated “looking for causes” of the tragedy. The NGO presentations helped public a lot to learn about institutional gaps (Bratislava did not have a low-threshold hostels and day-care centres), foreign good practice, etc. The risk of other tragedies was diminished by the resolution of Ministry of Interior that built the tented camp in Bratislava that was held in running thanks to municipalities, Ministry contributions, and volunteers. The winter helped to reveal that every involved subject of governance tended to equivocate and abstain from responsibility not due bad will but because the Slovak legislation has many gaps, the capacities and authorities of central government and regional and municipal self-governments are unclear, the institutional and budgetary planning absents. Important outcome of the winter learning was the decision of the ten NGOs working with homeless (Proti prídu, Katolícka charita, etc.) to associate with mayors of Bratislava neighbourhoods and the Bratislava region and jointly continue in effort to create institutional and budgetary conditions that will protect homeless people in Bratislava before winter tragedies. But yet there are many questions that transcend local or regional

level and require amendment of legislature. For instance, confusions continue about benefit entitlement for people without permanent address, there are tendencies to propose restrictions of movement of homeless people and bind them to municipality of origin, etc.

1.3.5 Targeted support of children

The social assistance reform has included the new calculation of cash benefits that does not consider the fifth and any next child in the family as eligible for cash support. Though this rule but amended formally the threshold of the cash benefit 10,050 SKK for a household irrespective of the number of its members that was introduced in 2002, its introduction in concurrence with the changes in the child allowance system which ended the favouring of the multi-children families (2004) has caused the income cuts for large jobless families and affected the living conditions of children in large families. Social unrest⁴⁴ and threat of worsening children's future prospects necessitated the targeted support of children. The programme, the official title was "Some measures for further improvement of the positive effect of reform..."⁴⁵ has started as of May 1 and September 15, 2004. The programme has continued in 2005 and the plan is to make this programme the permanent part of social assistance system as well as the measure of knowledgeable economy⁴⁶, for it has increased the interest in education of pupils from low-income families demonstrably. The main purpose of the project is to improve the access to education to pupils whose parents are in material need.

The Social scholarship Project is implemented by the direct assignment in the frame of SOP-HR, the measure 3.1 "Adaptation of professional preparation and education to the requirements of knowledge society". This project is financed from the EFS and implemented at secondary schools. Subsidies provided to younger children from low-income families at kindergartens and primary schools (subsidies for school meals, subsidies for school utilities and social scholarship) are paid from the state budget. They are supposed to stimulate parents and children to regularly attend the school and to perform better. The entitlement to this targeted support is based on household income test or on the percentage of pupils from the households in material need situation in the school and – in the case of scholarship – on the performance of pupil. The level of social scholarship varies from 600 SKK (15€) monthly to 1 200 SKK (31€) monthly, depending on students' performance or their proved effort to improve it.

Since the amendment valid since January 2006 the eligibility was extended to all children in schools where 50 % of children come from the families taking the material need benefit. Since the January 2006, all children from low-income families (by minimum subsistence minimum line) are eligible for the subsidy. That means that now supported not only children from families of material need benefit recipients but also from families of pensioners and from working poor. The extension of support should be welcome also because it can mitigate the risk of children stigmatisation and being ashamed by associating them with their poor family status as well as the risk that cleavage could emerge between children and their 'good-for-nothing' parents.

There are some positive signals from the teachers that this programme could be a working strategy. Yet the question remains, if, in the long run, this very limited (in amount) and basically in-kind and conditional assistance, is the sufficient for lifting up children from poor families and to improve their chances to better lives and to avoiding intergenerational transmission of poverty.

⁴⁴ Probably by temporal coincidence closely after the Roma rebellions in Eastern Slovakia in February 2004

⁴⁵ MPSVR Ordinance No. 1757/04-II/1, municipalities and other school founders can apply for subsidies (125 euro per pupil per year) for providing school meals and school supplies for children from the families in material need. School founders can apply for subsidies for all the pupils in the case that the 70 % of their parents are in material need

⁴⁶ Slovak Reform Programme 2006...

According to official estimations of the Ministry of LSA&F, in 2005, the total sum for these programmes was 427 millions SK. This sum covered subsidies for school meals for 80,900 children in the average, subsidies for miscellaneous for above 70,000 children and 20,058 children (pupils from primary schools and secondary schools) received scholarships⁴⁷. Targeted subsidies were provided more frequently in Košice, Banská Bystrica and Prešov regions, that suffer from the above the average unemployment and significantly lower average wages.

On the other hand, the recent amendments have made the school meals and other subsidies for schooling accessible for a wider range of children and give the municipalities with high unemployment the possibility to provide all pupils by (almost) free meals and school aids. It deserves to be welcome since this kind of provision could mitigate the potentially dividing and stigmatising effect of strictly targeted support. These amendments might signal the rising awareness of the government to the importance of social inclusion policy.

1.3.6 Transition to Insurance principle

Act No. 461/2003 On Social Insurance belongs to the most voluminous and complex legal documents of the legislation of the SR. It regulates social protection and support for the majority of life situations. The Act' scope and complexity hampers to give its just analysis here. On the other hand, it cannot be walked around or bypassed, because the Act has introduced the significant change in the social protection system in Slovakia.

The government and the governmental experts speak about general political and expert consensus about the inevitability of changes in the welfare system⁴⁸ that were in the roots of the social protection reform. It seems, however, that it would be more accurate to speak that rather narrow range of experts and actors (of similar opinion) were invited to discuss the issues and the consensus was outcome of not noticeable alternatives and structurally secured lack of objections.⁴⁹

According to the Ministry of LSAF, Act No. 461/2003 on Social Insurance has created "modern and flexible insurance system that can flexibly react to a changing external environment: labour market, demographic or economic development". Trade Union Confederation perceives the same Act as the cogent evidence of "restrictive efforts of the government in social insurance".⁵⁰

The Act puts majority of social protection and support on the meritocracy principle basis. It secures "consistent relation between the former income of which insurance was paid and the amount of benefit". Orphan pension has been also shifted on insurance principle. It means that if deceased parents did not pay insurance for a mandatory period, their orphans cannot claim orphan pension. Support in unemployment is also based on the meritocracy principle and this principle was strengthened by this Act. Unemployment benefit can be claimed provided that claimants paid unemployment insurance for the full three years of the fourth year period before their registering as unemployed. The maximum period of taking unemployment benefit is six months. If jobseekers still do not manage to find job and are (men-tested as) in material need, they can receive benefit in material need since then. The Act sets the stricter preconditions for the next applying for the unemployment benefit. The precondition is to work off three years (and pay three years) since the last UB taking. The condition of three years of

⁴⁷ Duration of the project is May 17, 2004 – February 28, 2006 (21.5 months). Amount allocated on the national project from ESF is 401.2 million SKK. Amount allocated directly on scholarship is 379.1 million SKK.

⁴⁸ Evaluation of the implementation of the Government Program (2002 – 2006), p. 4

⁴⁹ Instead of supporting a preparation and subsequent thorough discussion of various reform alternatives, the government secured the massive support of the already selected and favoured model. During the short period, academic and NGO sector was unable to consider and evaluate consequences of the intended reform steps. (Bodnárová 2005....)

⁵⁰ Stanovisko KOZ SR k Správe o sociálnej situácii obyvateľstva v roku 2005

employment and unemployment insurance payment is met with difficulty in the regions with high unemployment. Short period of UB taking and stricter eligibility criteria diminish protective character of this measure.

The important changes have been made in the pension calculation formulae. Since January 2005 pension were calculated from the wages of last ten years (1994 – 2004). The change of computation period helped to increase the pensions of the transformation 'winners' considerably but it disfavoured those pensioners whose working earnings worsened in transformation period. Since July 2005 pensions were calculated from the wages in period of the year 1984. Those with minimum wage could not get pension that will reach the minimum subsistence.⁵¹ The Ombudsman criticised the way of calculation of earlier pensions...and the time line of 1994 for calculation of pension that is unfavourable for many pensioners. These issues were erased in the act revision in April 2006.

Nullification of the institute of social minimum pension has been the next substantial and (more or less publicly reproached) change introduced by the new social insurance system. According to the new rules, those with the pension under the minimum subsistence may apply for the benefit in material need and enhance their income this way. In spite of the promises of MLSAF, the amendment of the Act No. 461/2003 On Social Insurance on April 2006 has not restored the automatic going the lowest pensions up to the minimum subsistence level. It warrants minimum income for old-age pension taker "by means of the use of the social assistance system tools"⁵². The exigency to apply for material need benefit at labour office and to go through one's household income-testing remains the necessary precondition in this issue. As income-testing appertains to the whole household, that is, revenues of all household members are jointly assessed, the pension below the minimum subsistence (MS) will be not advanced above the MS automatically. Getting the benefit in material need depends on overall financial situation of (pensioner's) household and not solely on the level of his or her individual income.

That means that this provision of the new Social Insurance Act denies entitlement to those pensioners who live in households with the overall income that is above the MS as calculated for household unit of appurtenant size. This provision approaches to pensioner not as individual but as the household member. According to the new rules, pensioners' families are responsible for improving their financial situation first. Only in the case that they are demonstrably incapable to meet this expectation, the pensioners' entitlement arises.

Social consequences of this provision have not yet become a subject of serious debate. There are several questions that deserve discussion. It is not clear if households/families are capable to bear new responsibility. We do not know the state of moral consciousness and willingness to bear this moral commitment:⁵³ Last but not least, we do not know how will be the consequences of cancelling the entitlement for individual minimum income for psychological well-being of seniors and for their sense of personal autonomy and dignity.

Since its enactment till March 2006, the Act On Social Insurance had been 13 times amended in the Parliament with almost 300 alterations made within it. The parliamentary opposition, trade unions, Slovakian Ombudsman, disabled people associations, and finally the parties in power have argued that

⁵¹ This was amended in April 2006 when the Act on Social Insurance was (again) amended in 300 amendment proposals.

⁵² Vyhodnotenie záväzkov z Programového vyhlásenia vlády - Sociálna oblasť. (Evaluation of the commitments from the Statement of the Policy of the Government of the Slovak Republic 2002) www.employment.gov.sk/mpsvrsr/internet/home/page_pdf.php?id=1937& accessed on April 26, 2006

⁵³ Social insurance reform seems to be backed by the emphasis on family responsibility for their members' well-being. It is worthy to note that simultaneously families have been seized by the massive campaigning in favour of individual insurance system often under the catchword "not to be burden for next generation" (one advert has exemplified this principle by young people with seniors sitting permanently in their backs wherever they move).

the Act was not adequately prepared and the same holds for its numerous amendments that usually did not lean on the assessment of effects of the previous one. Ombudsman points out that the frequent changes in social insurance legislature have contributed to legal insecurity of people in precarious life situations, and especially of seniors.⁵⁴ The KOZ criticises the gradual increase of the mandatory retirement age⁵⁵ and introduction of the uniform retirement age of 62 for women irrespective of the number of raised children (that is, the nullification of the reliance of the women' earlier retirement age privilege on the number of raised children).⁵⁶

The next serious objection of the SR Ombudsman points at the severity of the Social Insurance Act in sustaining the claim for pension, old-age, invalid, or orphan. On the grounds of new regulation many claims for invalid pension have been refused because claimants did not fulfil the mandatory years of insurance. Yet though pension claimants wish, they could not return to work to meet the condition to their poor state of health. Similarly, new legal regulation has caused that children lose entitlement to the orphan pension if their dead parents did not pay insurance for sufficiently long period. According to Ombudsman, orphans that are not entitled to orphan benefit, often do not meet condition for material need benefit as well. In order to reduce similar detriments on social protection, the Ombudsman proposes to reintroduce the institute of "removing the Act severity" into the Social Insurance Act.⁵⁷

In April 2006, the last complex amendment of Social Insurance Act has passed in the parliament. The proposal has been submitted as the joint effort of all parliamentary parties and – according to some critics in pre-election spirit – attempted to "tune up" numerous flaws in this legal document. For instance, the amendment improves the protection of widowers (extends the coverage and provides the pension also to men who widowed before January 2004 without the amount limit due the concurrence with the old age pension. Also it increases orphan pension from 30 % to 40 % of the pension of deceased parent.

The amendment has widened the scope of persons for whom (and instead of whom) the state pays contribution to social insurance. Since the August 1, 2006, the state will pay pension insurance contributions for already insured person with the permanent residence in the SR who cares regularly for child less than 6 years of age and for child with permanently bad health condition also after 6 years of age.⁵⁸ The amendment grants the state pension insurance also for persons who care personally and all-day for a close relative. Originally, the Act No. 461/2003 did not deal with caring persons separately, for individual responsibility for pension insurance was posited as general principle. It can be said that the Act amendment of April 2006 has partly mitigated the hegemony of insurance principle. On the other hand, the amendment has made the entitlement for an earlier pension stricter

Early in 2004, Parliament approved *Act No. 43/2004 on Old-Age Pension Savings*. The act required all labour market newcomers to participate in the privatised system. More than 1 third of pension contribution rate will be diverted to an individual saving account managed by a private savings fund. Idea of personal responsibility and meritocracy principle sounded well for public and especially for younger generation. Massive campaigns funded by the government by means of loans from the World

⁵⁴ Ombudsman ... 2006: 57

⁵⁵ The working age is protracted in spite of labour market difficulties of jobless people above 50. Recent amendment of the Social Insurance Act penalises early retirements and makes the aged people' next stay on labour market more advantageous (permits simultaneous work and pension taking and valuating the work above the retirement age). These measures stimulate older people to stay at labour market as long as possible in spite of obvious labour market difficulties of jobless people .

⁵⁶ Programové... by the Confederation of Trade Union.. 2006

⁵⁷ Ombudsman presents the case of the widow with three children whose claim for widow pension (and her children to orphan pension) was refused because her deceased disabled husband did not work enough and did not fill the condition of the entitlement for invalid pension till his death. According the new rules, policyholder should pay social insurance at least five years during the ten years before the pension to meet condition for entitlement for invalid pension.

⁵⁸ Lendacký, M. 2006: Národná správa o stratégiách sociálnej ochrany a sociálnej inklúzie. Vybrané zmeny

Bank have attracted higher number of persons to enter the private pension schemes than it was expected. The system of old age pension insurance covers 8 private companies with 1,115 thousands savers. The private pension companies administered 9 billions SK in the end of 2005. Overall expenses for pension insurance allowance were 104.6 billions SK in 2005.⁵⁹

By the use of income from privatisation of Slovak Gas Industry (SGI) the government created financial basis for the establishment of the obligatory capitalising pillar of pension system. The government ordered that 65 billion SK from privatisation of the SGI were saved in the Slovak National Bank. It established Reserve Solidarity Fund in the Slovak Insurance Agency that will receive 4.75 percent of the contributions collected from each contributor.

There is not clear how long it will meet the pension needs and how potential deficit in the public pay-as-you-go pension system will be covered after the exhaustion of privatisation opportunities. The new pension system thus already started to run deficit. Trade Union Confederation (KOZ) has got several reservations towards the pension reform. First, in spite of social partners' requirements, the government did not submit the assessment of the financial costs of the pension reform to dispel the fears of pension system insolvency in near future. According to KOZ assessment, in 2010 the Social Insurance Agency will lack nearly the half of the resources necessary for the pension payments.

1.3.7 Regional and local autonomy and risk in access to health care and social services

The issue of regional disparities seems to enter the public and political agenda due Slovakia' accession process and the opportunities to draw support from the EU structural and cohesion funds. In its 2002 – 2006 governmental period, the government has approved some strategic tools of mitigating the regional differences (for instance, specially tailored ALMP tools offering more stimuli for job creating in areas with high unemployment, setting up local partnerships for social inclusion in frame of the SDF to stimulate bottom up projects, as well as new rules for foreign investments stimuli to favour locating investment in the disadvantaged areas). Higher attention has been given to the reform of territorial self-governance and the consequences of the transfer of competences from the central government to regions and municipalities have been now studied and discussed more thoroughly. The mitigations of regional differences have not been yet observed and Differences in macro-indicators like GDP per capita, unemployment rate, job opportunities, wages have even slightly increased in the recent period.

Regional self-government has been established in 2001 only and the eight higher territorial units (self-governmental regions) have started their second four-year period of functioning in November 2005. Through the decentralisation process, self-governing regions and municipalities have acquired numerous competencies in public transport, health care, education, culture and in the domain of social services. In theory, the transferred competencies facilitate responsiveness to local needs. In practice, a lot of difficulties emerged due inadequate financial backing of transferred competences and lack of skilled human resources. In spite of preserving solidarity elements in fiscal decentralisation (municipalities get the tax sharing dependant on the number of inhabitants and calculated from the average wage in national economy and not from the average wages in the region or district which are, moreover, increased in dependence to climatic conditions), municipalities' resources do not suffice and operation of some public and social services is under threat. Problems and restrictions afflict mainly day care and individual care services for seniors and disabled, but also services and care for children, cultural and leisure activities; some services are cut down or/ and have disappeared.⁶⁰ Difficult adaptation to the parallel reforms and transferred competences in health care, education, social

⁵⁹ www.employment.gov.sk/mpsvrsr/internet/home/page_pdf.php?id=1937& accessed on April 26, 2006

⁶⁰ Kusá, Z., Kvapilová, E.: THIRD REPORT 2005 Report on Regional Social Inclusion plans and programs in Slovakia. The Group of non-governmental experts in the fight against poverty and social exclusion Contract reference: No. VC/2005/0084

services and the insufficient municipal budget to cover new duties mean significant risk for general access to services on territory of Slovakia.⁶¹

The issue of (plausibly endangered) access to social services has not yet been set on the agenda of mass media, public service broadcasting inclusive. It could be consequence of the delay in passing the Act on Social Services and Act on Long Term Care that was influenced by unclear jurisdiction of Ministry of Health and Ministry of LSAF, as well as by the protests of the NGOs and the clients and persons with disability' associations, against the wording of the new Act proposal. According to experts, the fact that the Constitution of the SR does not mention the right on social services (the Constitution mentions only the right for healthcare and right to be helped in securing basic living conditions) contributes to overall neglecting of the issue of social services in political and public discussion. That is why the new Act was not submitted to commenting process. Accordingly, Slovakia is still short of the standards (in terms of quality and accessibility) and new legal framework for social services. The 2002 Government Programmes has been not accomplished in this aspect.⁶²

For that account, the legal regulation and financial backing of social services, and – last but not least – standards of social services quality, remain the important task for the new government and they also need to be included into the prepared Strategy for social protection and social inclusion and placed on some prominent place.

The necessity to give appropriate attention to the state of social services has increased in the relation to worsened position of disabled people in the recent period. Due to the health care and social assistance reform, the provisions for the compensation of severe health disability became stricter. Several thousands of disabled people lost their pensions in the 2004. Table no. 5 suggests that in 2005, the support of disabled has increased considerably comparing to the 2004. However, the decline of support in 2004 was menacing one.

Table No. 5 Changes in financial compensation of health disability in 2005 – 2005

Year	Average monthly number of taking the financial contributions for compensation of health disability	Expenses in the given year in thousands SK
2002	199,358	5 086 024
2003	207,727	5 010 690
2004	121,518	4 097 877
2005	173,853	5 048 975

© (Evaluation of the commitments from the 2002 Government Program Declaration ... 2006: p.22)

1.3.8 Support of local initiatives

Social Development Fund⁶³ has been set up as promising tool of social inclusion and supporting local bottom-up initiatives that could contribute to balance living conditions in the regions and mitigate regional differences. The main purpose of the SDF was to increase employment of marginalized groups by means of social inclusion partnerships that are formed on various territorial levels. SDF supports

⁶¹ The Monthly of the town Dunajská Streda informed under the headline „Less money – less care” about the consequences of financial decentralisation that limited the range of operation of the municipality caring service in town. The service had to reduce the number of caretakers..

⁶² Evaluation of the commitments from the Statement of the Policy of the Government of the Slovak Republic 2002) www.employment.gov.sk/mpsvrsr/internet/home/page_pdf.php?id=1937& accessed on April 26, 2006 p. 24). However, the proposal of the new act on social services, even though it was not officially commented because of earlier elections, it was being prepared under cooperation with experts and was introduced at the seminar in HTU Prešov to the expert public.

⁶³ See National Action Plan for Social inclusion of the SR 2004 – 2006.

projects exclusively from the most troubled territorial units. Whole amount of the ESF resources for the period 2004 – 2006 is above 600 millions SKK,

However, in 2005, projects initiated by local partnerships were not financed due unclear administrative rules. Similarly to other projects dependant on financial reimbursements from the central government (MLSA&F) they landed under existential threat due to delayed financial transfers. Instead of promoting inclusion, such approach has produced lack of trust among partners and clients, and in political institutions. On the basis of negotiations with the European Commission the accordance of grants supplementation from the level of the Social Development Fund as the final beneficiary to final users was confirmed. At present, the transformation of the NP VI implemented by the SDF to the Intermediate Body under managing Authority is being carried out. The transformation was recommended by the EC and approved by the Monitoring Committee. It is supposed that the new system will improve and make more effective the flow of financial resources of the ESF in the area of social inclusion.

The more successful SDF project is the Program Supporting Community Social Work in the municipalities. The Ministry of LSA&F approved it for the period 2005 – 2007. The priority is Roma communities. In 2005, the SDF supported 179 projects submitted by town and village municipalities. Community fieldwork running in the frame of this programme, involves now the 218 community social workers, 387 assistants of community social workers, and 10 district coordinators. According to the SDF representatives, the municipalities' interest in community fieldwork continues to increase. However, the funding is not sufficient to meet the interest of all municipalities.

The SDF is very well targeted and constructed measure and its significance for the “helping the most vulnerable” objective is indisputable. The MLSA&F tries to elaborate specific monitoring and evaluating measures of the effectiveness of supported projects. We think, however, that at least equal effort should be put in enlarging resources for the SDF. The practical significance of SDF has increased actually since the fiscal decentralisation. The SDF seems to be one of but few institutional tools that are able to counterbalance dividing trends and to promote bottom up initiatives of horizontal integration in backward regions.

1.4. New legislation and policy development

We have already suggested that ‘fine-tuning’ of the implemented reforms has marked the pre-election 2005/2006 period. The fine-tuning was the program of new Ministry of LSAF who has substituted for not-favoured Minister Kaník, signatory of Slovak Joint Inclusion Memorandum. We have already outlined some of amendments of the reformed Social Insurance Act, new regulations of the social assistance reform or ALMP. We have mentioned continuous attacks on the institute of minimum wage from the side of the employers' representation. That is why we deal but with preparation of strategic documents in this part.

1.4.1 Slovak Lisbon Strategy

Our earlier report has analysed the *Strategy of the development of Competitiveness of Slovakia till 2010: Lisbon Strategy for Slovakia* (further ‘Slovak Lisbon Strategy’) rather extensively⁶⁴. The document was inspired by Wim Kok's report on Lisbon strategy and elaborated by a rather narrow group of experts close to the Ministry of Finance. The NGOs and experts wished to maintain the National Strategy of Sustainable Development (that had been the outcome of long-term discussions and bottom-up efforts),

⁶⁴ Kusá, Z., Kvapilová, E. Second report Assessment of implementation of the Slovakian NAP inclusion (July 2004 – July 2005 period)

in position of the pivotal strategic planning document for the future National Reform Program and the next programming period. In spite of their protests, the Resolution No. 140 and No. 557 of the Slovak Government has made the Slovak Lisbon Strategy the *referential frame of all national plans and initiatives as well as the budgetary priorities*⁶⁵. This authority concerns particularly the usage of the Structural funds of the EU in the programming period 2007 – 2013.

As far as social inclusion and social protection is concerned, The Slovak Lisbon Strategy stresses the systematic focus on education and employment as the key developmental tools and anti-poverty measures. The Strategy proposes to keep the following basic principles and objectives: a) to put emphasis on co-responsibility of individual and her family for solving their situation; b) to avoid discouraging individuals from work and creative activity by the social policy; c) to diminish *absolute poverty* (that is, to decrease number of people whose income do not cover their basic life requirements and d) to sustain effective social (protection) net. Worth to mention is that “basic life requirements” are not specified.

The Slovak Lisbon Strategy has its continuator in *the Action Plan of the Measures for preventing and alleviating poverty and social exclusion in Slovakia for the period of 2005 – 2006* (APPAP) The document was prepared by the M of LSAF. The APPAP aims at development of knowledge of poverty, institutional tools of mitigating poverty and preventing its reproduction. The practical measures proposed in the APPAP target mainly on poverty of Roma settlements and children. Substantial emphasis is put on the access to education to all social groups without discrimination.

The APPAP launched the work on setting up the indicators of absolute poverty and absolute poverty of children⁶⁶ with the aim to disseminate the findings to wider expert public on February 2006. Up till now, wider expert public has not been informed about the findings. The focus on absolute poverty seems to arise from the critique of the common indicators that appeared already in the NAP/incl, suggesting that some of the indicators (i.e. at-risk-of-poverty rate) might not be accurate to capture poverty and social exclusion in Slovakia.

1.4.2 National Reform Program

“National Reform Program of the SR 2006 – 2008” (NRP) passed by the Government on October 12, 2005 is the next strategic document relevant for social inclusion processes. The NRP develops on the Slovak Lisbon Strategy and defines the main principles of economic and social policy of the Slovak Republic by 2010. The aim of the NRP is that Slovakia “by means of rapid and long-term economic growth” would catch the living standard of the most advanced EU members as soon as possible.” The NRP has the two pillars: finishing structural reforms and sustaining their results and the development of knowledge economy and “it focuses on the development of the five priority areas that will be the best promoters of the growth of creative potential of the Slovakian economy. They are education, employment, information society, science, research and innovation and enterprise environment”⁶⁷.

Social inclusion appears in NRP as the part of *creative potential of economy*. *The employment and education are considered the main and the most efficient tools of social inclusion. Besides “the necessary integration of marginalized group in education and work process”* (p. 10, p.18), the NRP deals with the next tools of social inclusion mainly in the NRP (III.4 part) Inclusive labour market and

⁶⁵ “secure funds for reaching the aims and fulfilling the tasks resulting from the Strategy... provisions from the respective chapters, namely by reassessment of the expenditure reasons of the budgetary chapters and by transfer of expenditures from those budgetary chapters that are not in harmony with the spirit and aims of this strategy”.. (Resolution of the Government No. 140/2005)

⁶⁶ There is no reference to utilisation of the EU-SILC data in relation to the work on absolute poverty indicator and the APPAP does not mention the EU-SILC at all in spite of the fact that the M of LSAF assigned the research work to a foreign consultant who could have experience with the EU-SILC methodology

⁶⁷ <http://www.euroinfo.gov.sk/index/go.php?id=1322>

inclusive society (85 lines in total). The NRP acknowledges the importance of the implementation of new types of social services and programmes (aimed at their provision within the natural family and broader social environment, development of low-threshold services, implementation of field-type social services). It stresses the necessity to implement the new legal regulation in the area of social protection of children and to continue the special support for families with children in material deprivation and for low income families to promote equal chances (primarily of children). NRP states (p. 19) that this support will be of individualised nature (scholarships, school stationeries, etc.). The last but not least social inclusion tools are improvement of performance of institutional framework like labour offices and establishment and maintenance of the local partnerships of social inclusion as the tool of tailored social assistance and support for local initiatives as well as the Programme of support for community social work in municipalities (via Social Development Fund).

NRP stresses 'the individual and family responsibility for the solution of their situation' and use of the social policy to motivate individuals to be active and reduction of *absolute* poverty. (The meaning of this concept is unclear in the document and it is commendable to remind that 'absolute poverty' is not used in Slovak social legislature). Policies focused on increasing employment have to be primarily based on "*reduction of the tax burden, reduction of the regulatory and administrative burden of employment*"⁶⁸, support of international as well as cross-border job mobility⁶⁹, continuing modernisation of employment services and system of consultancy and education for the unemployed" (National... p. 7 – 8).

NRP continues the NAP inclusion in its commitment to support the establishment and maintenance of local partnership of social inclusion through the Social Development Fund and to subsidise further (from the state budget) programme of community social work in municipalities and "strengthen the local solutions and responsibility in the area of assistance in material deprivation". (p. 20). The aim on the spreading out the access to Internet accentuates *rather its economic dimension tool than meaning for democratisation and social participation*.

The NRP attachment suggests that "reducing tax and levy burden" is Slovakian solution to the common objective "to ensure *inclusive* labour market, enhance work attractiveness"(p.42)⁷⁰. The common objective "Expand and improve investment in human capital" is met in the NRP by the already existing measures of social scholarships and subsidies for meals and teaching aids aimed at children from families in need, subsidy program for the establishment of nursery schools in poor municipalities and increasing the number of teacher's assistants and special pedagogues. Strategy pushes forward 'subsistence' approach to poverty. Its emphasis on the *reduction of the deficit of public finances* and securing an approximately balanced budget, on preventing "further increase of the rate of public redistribution of sources in economy, and on creating the space for its decrease by systemic removal of ineffective activities" (National... p.3) seems to put limits on future plans to mainstream the social inclusion policy.

1.4.3. Preparation of the NAP inclusion for the period 2007 – 2009

Finally, it is necessary to mention that the preparation of the National Report of Strategy of Social protection and Social Inclusion has already started in Slovakia. On the first consultation meeting that was organised by the Social Inclusion Unit of the Ministry of LSAF SR on April 26, 2006, officials from governmental institutions, social partners, scholars, NGOs and associations have been acquainted with the report guidelines and got some other information. Besides the fact that the NAP inclusion will be

⁶⁸ There is the risk that such headline may cover the next lowering the protection of labour

⁶⁹ This goal has been already criticised by experts and NGO for it seems 'to export unemployment'. Decrease in levy that could result due to this measure is also at stake

⁷⁰ The question of the outcomes of (further) reducing the taxes for the public finance and for development or sustaining public programmes and services is not raised

incorporated in the Strategy, the information about preparatory work and consultation timing has been not yet available. On the other hand, suggestions were that the SPSI Report for Slovakia would be delayed due forthcoming general elections.

Second Chapter: Active inclusion and minimum resources

We have already dealt with the topic of this chapter in the previous part of this report. When we have described the social assistance reform and social insurance reform, we have suggested how have been secured minimum resources for people without job, for children from jobless families, for seniors and disabled people in Slovakia. We have also partially dealt with how the access to services is secured and we have suggested that it seems to be more complicated after the competences transfer from central government to municipalities and HTU mainly in regions, crucial and painful topic.

2.1 Minimum Subsistence in Slovakia since 1989

The claim that people would give up the gained rights but with great difficulties seems not to hold for Slovakia. Once, in the recent past of the 1990s, the subsistence minimum was the pillar of social security system in the SR. The pillar is still there, but it resembles rather a lonely hinge without sails and with but few running riggings. The majority of them were ripped and cut down by reform storms. It is worthy to note that social scientists did not bewail its destruction. Rather they have applauded a lot. The objective of the (social and economic) reforms implemented after the 1989 was to “remove ineffective over-employment “ and to secure parallel cushioning afflicted persons and to forestall social conflicts that could emerge with its removal. The basic institutional tool had to be “social safety net”. Employment services and the active labour market policy were its important part from the very beginning. Gerbery and Kvapilová remind that employment services represent the pivotal part of social safety net that was intended by the fathers of social reform to become “temporary institution which aim was to alleviate employees’ transition from one production sector to another one and to protect those who could not work (seniors, sick persons) against poverty” (Gerbery – Kvapilová 2005: 12).

Coping with “temporary unemployment” has turned to be much more difficult that it was expected. Average unemployment rate reached 6.6 % as early as in 1991 as the consequence of the military industry conversion. In 1992 unemployment reached 11 % and since that period it has always been double digit. In 2000, the registered unemployment got across 500 thousands that were more than 18 % of registered unemployment.

The pressing problems with high unemployment framed the opinion development about the social safety net. Initial optimistic idea did not assume that unemployment would be so protracted problem and the transition between sectors of domestic economy will not exist as the extinct jobs and economy branches like agriculture, building industry, wood processing industry were not substituted by some new opportunities in many regions.

2.1.1 *Minimum Subsistence*

The Act No. 463/1991 on Subsistence Minimum was signed by the president Vaclav Havel and Alexander Dubček, the chair of the Federal Assembly of Czechoslovakia of that time. After the split of the Czechoslovakia, the Act continued to serve as the referential point of social policy in the Slovak Republic during all the 1990s. The preamble of this Act referred to the article 30 paragraph two, of the Human Rights Declaration, and by that it suggested the human rights background of the minimum

subsistence institute (MS). This Act was in operation till 1997 and was several times amended due to valourising the amount of MS by inflation increase.

In the second part of the 1990s, the research on MS has been revived and a relatively strong group of experts did the complex analysis of multi-sourced data (structure of monetary expenditures of private household, the data from Microcensus 1996, nutrition and diet research, as well as public opinion surveys), that became the basis for the construction of MS in the Act. The MS was constructed in this research as the socially accepted “threshold of net income that should *temporarily* secure basic needs of household unit on a very modest level”. Construction of this sort was closer to a base subsistence approach than “the minimum version of socially accepted standard of living in dignity”. The construction was based on the optimistic understanding of the labour market and economy development and in spite of the experiences from the 1990s it presumed that “people will leave on minimum subsistence income only for a short period and that they have a real opportunity to improve their situation by their own effort”⁷¹.

The substantial characteristic of minimum subsistence income has been preserved. Alike to the previous period, the Act 125/1998 on Minimum Subsistence and on setting the amounts for state social benefits continued to function as the referential point of social security system. Minimum Subsistence (further only “MS”) served as the eligibility threshold for social assistance and the warranting line below which the amounts of old-age pensions, unemployment benefits, parental benefits, birth allowance and social assistance benefits had not fall. The Act warranted the (state) assistance in securing minimum living standard in the case of “persistence of validated situations”. On the other hand, the act presupposed strengthening participation of non-governmental subjects in social assistance and “rising the motivation and responsibility of citizen for their social situation”. The Stating report of the Act includes the (enlightening) proposition that social needs have to be satisfied “primarily on the working performance basis.

Work of the expert team in the ground of Act on MS was not sufficiently known by wider expert public. Information gap was also the outcome of the poor distribution of publications on MS research⁷² and insufficient access to Internet in that period. Therefore, numerous misunderstandings emerged among academic experts as well NGOs activists and social partners and they have continued up till now. Many experts considered the relation between MS and poverty threshold to be unclear, they did not know how to relate monetary poverty threshold to the institute MS poverty and they suspected that MS construction was arbitrary administrative act. Such suspicions are disseminated more widely (for instance published on the internet) than the information of the SI construction.

For instance, Petrášová and Svoreňová argue that “subsistence levels were never calculated on the basis of needs, thus the measurement of the extent of poverty was not possible”.⁷³ They perceive subsistence minimum income determined by the government as a surrogate “instead of setting a “poverty line”. Experts also criticised the absence of the “poverty line” definition. Critique of this sort seems to be unaware of the fact that the Act on Minimum Subsistence defines the poverty line as material need threshold and that ‘material need’ is the expression from the Human Right Declaration paragraph 30, to which the Act on Minimum Subsistence referred⁷⁴.

⁷¹ Filipová - Valná 1999: 24

⁷² Filipová, J. - Valná, S. Životné minimum VÚPSVR Bratislava 1999

⁷³ Petrášová – Svoreňová, 2005, 53

www.ilo.org/public/english/protection/secsoc/downloads/publ/sp_expenditure_slovakie.pdf

⁷⁴ One source of the differences was a fair discontinuity in the living conditions research in Slovakia since the beginning of the 1990s. Many experienced scholars departed the field and there were significant cuts in research institutions. Newcomers entering poverty research in the second half of the 1990s were prone to terminological confusions. Lacking

Objections that the amounts of MS differed only by family structure and size and they did not take in regard the costs of living in the particular geographic regions (OECD Report Slovakia 2002) seem to be unfamiliar with the research on which the MS construction was based. The research included the comparison of regional costs of individual items of “minimum consumption basket”. The study came to the (partly unexpected) conclusion that the regional differences of living costs are not substantially in Slovakia: numerous items of costs of living varied but partially and the regionally different savings and costs mutually balanced out. For that reason the regional dimension was not included in MS calculation. (Filipová – Valná 1999)⁷⁵

If many objections against the MS institute were made due unknowingness, some were grounded factually. Serious objection was directed against the relation between MS and the minimum wage. In 1998 and 1999 the net average minimum wage was lower than the MS⁷⁶ and the difference between MS and minimum wage was small also before and after this period. The small gap between the minimum wage and MS elicited the target of strong criticism for the assumed provision of strong disincentive for the unemployed to look for jobs or to accept jobs that did not pay significantly above the minimum wage. However, it is necessary here to remind that the MS was constructed as “threshold of net income that should *temporarily* secure basic needs of household unit on a very modest level” and it is hardly correct to call “the very modest level of securing basic needs” to be “too generous.” The small distinction between MS and MW seemed to be the outcome of significantly tardier average wage development and of sluggishness of minimum wage increase.

Without research of the process of the tripartite negotiations of that period and knowing how strong and frequent were the then attempts to increase the minimum wage, we cannot make inferences why they failed. We can, however, guess that the employers’ threats of dismissals in the case of increasing the minimum wage could be sufficient for blocking the MW substantial increase in situation of high unemployment, the over-plus of labour force and low negotiating power of employees (there were almost no strikes and demonstrations in that period).

In the beginning of the 2000, the thesis of the generosity of social protection as the barrier of the employment growth received the authority in Slovakia. Relative view on social protection dominated: social benefits were compared to the MW and from the perspective of *employment earnings*, provided benefits seemed “very generous.” The fact that the subsistence minimum was calculated according to family size and without maximum limit was also sharply criticised. Critics suggested that the missing limit makes possible that “large families enjoy higher level of income that they would receive from employment”.⁷⁷ The authors with diverse political backgrounds claimed the dependency culture thesis and contributed to the idea that cutting the benefits would make seeking the job more attractive. The analyses focused only on the benefit – wages relation and they were rarely supplemented by the information of labour market demands and jobs that would be available for those “dependant on social benefits.” We can conclude that the then criticism was unilateral and without attempt to acquire the evidence if there are job opportunities available for providers of large families supposedly profiting from benefit taking.

knowledge of the history of field they tended to suspect terms like ‘material need’ or ‘income under minimum subsistence’ to be relicts of the vocabulary of “the communist regime that did not want to admit the existence of poverty”.

⁷⁵ The finding of negligible regional differences in living costs deserves attention. It means that the cost of living is similarly high in all regions and that low average wages and low household income in the regions with high long-term unemployment are not balanced or “neutralised” by lower costs of living. Well, a hint to lower living costs cannot serve as the apology of the regional differences in average wage.

⁷⁶ Similar situation happened with relation of SM and MW in the Czech Republic too. However, it was dealt differently.

⁷⁷ Petrášová – Svoreňová, *ibid* p.53

In the next part of this chapter we will describe gradual cutting of social assistance which aim was to widen the gap between the benefits and low pays and to increase the job-seeking attractiveness. The reduction of social benefits was also advocated by “budgetary restrains”. The government and mass media promoted the understanding that *social expenditures are unreasonable high* and that that they are the cause of the state budget deficit. The claims of big social expenditures were, however, exaggerated. Cross-national comparisons can show easily that in the 1990s, the proportion of social expenditures on the overall expenditures in Slovak Republic were rather under the European average.

2.2 Minimum Wage and Minimum Subsistence – enlarging the gap

The permanent living on benefits was embarrassing because of budgetary considerations long since. Slovakian governments were repeatedly criticised by international monetary institutions for insufficient decline of public expenditures and the budget deficit. There was also growing domestic criticism of the changed nature and purpose of social benefits: “instead of being of temporal assistance they became the permanent substitution of income for a large part of dependent inhabitants”. The core of this criticism was the thesis of poverty trap and dependency culture: limited life opportunities and permanent risk of shortage of people dependant on social benefits turned to be seen as the consequence of the generosity of the benefit system. The second government of M. Dzurinda (2002 – 2006) openly avowed the idea that the reduction of social benefits is the way out of poverty and associated it with belief that there are job opportunities in Slovakia. The well-known fact of small number of vacancies reported to labour offices (in 2001 50 job-seekers per 1 vacancy was Slovak average) ceased to be seen to document the sluggishness of employment creation and the difficulties the unemployed face in finding job. Instead, it was seen as the indication of hidden work while being on benefits: „In (present) system, the phenomenon of poverty trap as the key factor of creating the benefit dependency culture is strikingly present. OECD has written about this (pre-reform) system that it was unjust because it secured social assistance for approximately 12 % of inhabitants without adequate control. For that account the abuse of system is frequent and widespread.” (Reforma pomoci...2003: 1).

The sources of the evidence for this statement are, nonetheless, unclear. The mentioned OECD 2002 Report makes several comments on poverty trap created by the welfare system in Slovakia and stresses the necessity to ensure tight control of eligibility requirements (OECD 2002: 77, 86). However, the reported estimate of hidden or informal employment is referred as “the *estimate made by the Slovak authorities*” (OECD 2002: 96)⁷⁸. On the other hand, the report is explicit about necessity to decrease public expenditure and to enlarge the small distance between social benefit and minimum wage:

„Another priority in controlling public expenditure should be to limit the growth of social assistance, which has increased at a 22 per cent average annual rate during the past five years, in part reflecting the increase in unemployment. Social assistance is based on the Minimum Subsistence Income (MSI), which is constitutionally guaranteed to all Slovak families and is calculated according to family size. Although the size of the social assistance benefit varies according to employment status and willingness to work, it is applied uniformly across the country. In practice, the MSI assures social assistance that is *very generous relative to wage levels*; benefits for a family with two or more children can exceed the average net wage, making employment financially rewarding only for those with more skilled jobs where pay is significantly higher. The level of social assistance and the high tax rates needed to finance it thus reduce incentives to work, particularly for low-skilled persons with large families. With the massive job destruction associated with the transition to a market economy, a substantial number of job losers have been content to live on such assistance for extended periods of time. More than 60 per cent of the

⁷⁸ That means that in this particular case, the OECD report serves as the mediator (and probably as the promoter) of the Slovak authorities’ self reference and it cannot serve as the source of the data validating.

unemployed receive social assistance benefits, which have no time limits, to bring their income up to the MSI. Indeed, this is *probably a major factor* in the upward trend in the rate of unemployment, which is one of the highest in the OECD area and represents the most serious economic and social problem in the Slovak Republic today.“ (OECD 2002: 14, italics zk).

It is worthy to note that the OECD report is very approximate in assessing social benefit as major factor of unemployment. It suggests it with probability and without reference to any data. Simultaneously, the report contains fairly detailed information about the massive jobs destruction in Slovakia during the 1990s (OECD 2002: 79 table 15) and insufficient number of vacancies. However, these data are not considered when the poverty trap thesis is introduced and discussed⁷⁹.

The restriction of social protection, and the gradual demolition of the pivotal institution of social safety net in Slovakia, started earlier - already in 1998. The Act No.195/1998 On Social Assistance, signed by then the premier Mečiar, introduced the first substantial overhauling of social assistance provision. The important part of the Act was the regulation discriminating between subjective and objective reasons of material need. The Act distinguished between *the state of material need due subjective reason* and *the state of material need due objective reason*. On the basis of the different cause of poverty the Act provides different amounts of the social benefit. Those classified as in material need “due to subjective reasons” had to receive only 50 % of subsistence minimum. Those classified as in material need “due to objective reasons” received the full amount of benefit⁸⁰. The Act also sets the lists of objective and subjective causes of poverty for the sake of determining of the amount of benefit. The point 6 of the Paragraph 7 of the Act lists the subjective causes of material need. I would like to point to the item of the list that had particular relevance for the next development. It was the item (d) of the list of subjective causes of poverty that names the case when “citizens are found in the labour office registers of unemployed ... longer than 24 months.” This provision – and definition of the cause of long-term unemployment - came into effect one year later comparing to the whole Act, in January 2000. Since that period, all long-term unemployed were classified as in need due to subjective reason and provided accordingly.

The Act 195/1998 set the legal definition of the long-term unemployment as having subjective causes and this might suggest important political and ideological turn in perception of unemployment. Certainly, by moving attention from structural conditions to personal causes of unemployment this definition promoted the shift in political and public administration discourse of long-term unemployment. The Act and its subjective-objective discrimination did not attract scholar interest probably because long-term unemployed and poor were publicly blamed and victimised long ago. High proportion of Roma among long-term unemployed strengthened the ethnic stereotypes and negative perception of jobless people. Therefore it might be said that this provision of the Act rather embodied than changed the perspective on unemployment in the country. And no doubt, the imputation of subjective responsibility for long-term unemployment became the fertile soil for the next overhauling of the welfare system, especially for psychologically- blended programmes of increasing responsibility and motivation.

The distinguishing between subjective and objective reasons of poverty was praised later by the OECD as the step on the way of decreasing unemployment rate: “The introduction of the concept of “subjectively in need” – which halves benefits for persons who are voluntarily unemployed – is an important step and it should be applied to the maximum extent possible.” (Ibid: 15). However, it is also

⁷⁹ OECD 2002 Report draws its optimism from the expectations of the employment growth in the service sector of Slovakian economy and due to increase of self-employment. Fiscal and monetary reforms were also expected to promote employment increase.

⁸⁰ The Act dealt also with the problem of working poor. It provided for those who work and are in material need, the social assistance to top up their income to 120 % of subsistence minimum. This provision was, however, repealed in January 2001.

appropriate to speak about this step as about blaming and punishing of long-term unemployed, who were in extremely difficult situation since January 2000, when they were entitled only to 50 % of the benefit, that is, but the half of the MS income that itself can “but *temporarily* secure basic needs of household unit on a very modest level”.⁸¹

In 2000, the Act on Minimum Subsistence was amended again in a way decoupled social assistance benefits from the minimum subsistence. As a consequence, since that time, the annual increase of the MS ceased to lead into automatic increase of social benefits. In that time, the connection of old age pension and MS was preserved. The increase of MS directly influenced increasing the old age pension, parental allowance and some minor state support allowance.

In 2002, The Act 195/2002 was still valid and the distinguishing between subjective reasons and objective reasons of poverty that directly influenced amount of social benefits was in operation. In 2002, the amount of social benefit for single person who was in material need owing to objective reason was 3,490 SK as maximum, the benefit for next adult person in household was 2,440 SK and for child 1,580 SK. Housing benefit for low-income families varied from 1,680 SK monthly (single person households) to 2,900 SK (for household of four and more persons).

In 2003 the restrictive measures envisaged in the 2002 Program of the Government (by intents “to downsize the redistribution” and “decrease of financial demands for taxpayers”) came into operation. The benefits were cut for both the categories of needy and the maximum amount of benefit was set for the single benefit taker and for household. Individual who become poor owing to ‘objective reasons’ could get 2,900 SK. Single people who become poor owing to ‘subjective reasons’ could get 1,450 SK as the maximum. Amount of benefit for child living in poor household was 1,600 SK. Relation of the number of children and amount of benefit was cut by the law. The amended Act on Social Assistance determined the benefit ceiling: maximum amount for one household was set on 10,500 SK irrespective to number of children.

It is worthy to mention that the Ministry attempted to legitimise this amendment by the public opinion survey probing the rate of agreement with the opinion that social benefit should not exceed 10,500 SK per one household. The agreement rate was high, above 75 %. Thought the suggestive way of putting the question might be criticised (the wording of the question tore a respondent’s sight from the fact that households substantially differ in number of household members dependant on social benefits and that the amount ceiling could have negative impact on the living conditions of large households). However, the fact is that this amendment had passed without noisier protests. Neither political opposition nor NGOs tried to attract attention to negative consequences the benefit ceiling had for living conditions of large jobless households. We can only speculate about the reasons of such silence. Besides the strong ethnic prejudices in Slovakia and widespread inclination to link poverty and laziness, there was also strong pro-free-market public discourse. The mass media of that period emphasised healing effects of the flexibility of labour relations and the decreased tax burdens that would stimulate jobs creation. There seemed to be implicit belief that households and individuals dependent on the cut benefits would be in tightness only for a short period.

⁸¹ Cuts in social benefits inflicted every second benefit- taker. According the Ministry of LSAF, “in 2002, around 50% of recipients of assistance in material need in 2002 were considered to be in the system because of subjective reasons and they were entitled but to fixed lower amount of assistance in material need.” (Comments ... 2006) The table No. 7 shows the differences in amounts of benefits also in 2002. The amounts of lower benefits (“subjective reasons”) are introduced in brackets. Their amount is identical with then the SM.

Table No.7
Comparison of the amount of the material need' benefits and amount of subsistence minimum

Benefit receiver:	2002, January 1		2006, January		2006, January
	Material need due	subjective objective	Basic benefit and Maximum benefit (Bb +	activation contribution + housing benefit +	Subsistence
	reasons	reasons	health care allowance)		minimum
1 adult	1,895	(3,490)	2,970	(4,670)	4,730
2 adults two children	6,380	(9,090)	6,050	(9,450)	12,330
1 adult one child	3,475	(5,070)	4,750	6,450)	6,880

© KOZ 2006, MLSAF SR 2006

2.3 Social assistance reform in 2004

We have already shown in the first chapter of this report, that the social assistance reform was linked to the labour market reform also institutionally. The declared aim of the fusion of the institutions and the registers of unemployed and social benefit receivers was to increase the control of public expenditures and to improve protection against abusing welfare system. The organizational fusion made easier the introduction of the new welfare rule: conditioning the part of benefit by “expressed willingness to work”. The ceiling of amount of benefit, which was already set by the amendment coming into effect in 2003, gained now more elaborated “systemic” form. Several categories of households with determined amounts of benefits were legally fixed.

Number of children in family play only small role in benefit differentiation. For instance, the basic benefit is the same for the family with one child and for the family with three children. Benefit for family with four children is higher, however, again, the amount of benefit does not increase if family has five and more children. If basic asocial benefit for single person was 1,450 SK (now 1.580 SK), for single parent with from one to four children it was 2,160 SK (after increasing 2,500SK) and for single person with more than four children 3,160 SK (now 3,710 SK). The basic amount for childless couple was 2,530 immediately after reform (now 2,710), benefit for couple with from one to four was 3,210 SK (now 3,700) and for couple with more than four children 4,220 SK (now 4,965 SK). The amount of social benefit per household family was further cut by the joint assessment of household members and by repealing the individual assessment of the jobless singles under 25 who live with their parents⁸². The joint assessment of households seemed to be the substantial factor of the decrease of the number of social benefits takers and the overall amount of social expenditures in the 2004 when employment stagnated and unemployment remained high (see table No. 2).

2.3.1 Constitutionality of the Act on Assistance in Material Need

In May 2004, the former president Schuster submitted the Act No. 599/2003 On Assistance in Material Need to the Constitutional Court to decide if the Act is in compliance with the Constitution and respecting a basic human right on life in dignity. The Constitutional Court has not adjudicated this submission up till now. The SR Ombudsman has recently criticised the consequences of the calculation

⁸² According to the MLSAF, when comparing the social assistance scheme before and after the 2004 reform, it is inevitable to mention that since 2004 some income or some parts of that income is not taken as income when calculating the amount of the benefit in material need (for instance 25% of old age pension or student scholarship are not taken as income). Before the reform all sorts of income were considered as income.

of material need benefits for large families. His annual report points at the discrepancy between the material need benefits and the *subsistence minimum* defined as “the threshold of material need and the sum of goods and services that are necessary for the household of a certain size and structure to keep meet its vital needs considered in the given period as necessary for inclusion in common life, though on the modest level”.⁸³ The Ombudsman objects the rule leaving out of the account the size of the household and he raises the question, if the categorization of jointly assessed persons that ignores the existence of children in the families with more than four children is in harmony with the article 39 of the Constitution of the Slovak Republic. According to the Article 39, *everybody* who is in material need has the right for the assistance that is necessary to secure her basic living conditions. The Act on Assistance in material need does not grant this right to the fifth child and the children next in succession in family. (Ombudsman 2006: 63). It is probably redundant to add that the Ombudsman’s annual report seems to pass almost unnoticed. Ombudsman’s hints at unconstitutionality of the Act On Assistance in Material Need have not aroused any discussion accordingly.

As we have already suggested, the Program Declaration of the Government of the SR for 2002-2006 period explicitly avowed the aim to reduce the opportunity to secure one’s livelihood due to the large benefits that copied the large number of children. The government intentionally created the conditions “in which meeting the needs of those who do not work will be *limited to basic living conditions*, whilst the income gap between recipients of benefits and those on low wages will be widened. The changes to the system of social assistance will lay stress on limiting advantages and incomes associated with unemployment and giving the long-term unemployed more incentive to seek employment by retaining an entitlement to a portion of benefit when they take up employment” (JIM 2003).

Simultaneously, the opportunity to improve one’s situation by activity was secured by the possibility to get activation contribution in the case of participation in a sort of public works or in education and re-training. However, prior to praising this “rewarding activity” solution one has to bear in mind, that activation contribution was at the level *maximum* 1,500 SK (now 1,700 SK) and can be paid *only* to those individuals/ households defined as entitled to social assistance benefit⁸⁴.

Activation benefit is “activity-tested” benefit based on rewarding instead punishing principle. The reformers were enough proud of the principle change. However, it represents neither the reward for first step to employment, nor a kind of “in-work” benefit that could make employment more rewarding.” (OECD 2002, p. 15)

The authors of the social reform believed, that the decreased benefits would push people out of social net and incite their effort to enter the labour market. However, handling and fighting the long-term unemployment by cutting the benefits did not seem efficient. The LFS data for 2004 and 2005 suggest permanently high and even increasing proportion of long-term unemployed who are condemned to live from benefits bellow the subsistence minimum. Does it mean that by decoupling social benefits from subsistence minimum did the reformers shoot the wrong guy? Are there any traces of increasing reflection of consequences of the decoupling? Unfortunately, there are no signs of consideration and thinking over of negative long-term consequences of the low benefits that could lead to irreversible erosion of human capital. The public expenditures savings seem to be the criterion of efficiency and basic meaning of the implemented reforms.

⁸³ The Ombudsman’s definition of the threshold of material need (subsistence minimum) is close to definition of poverty that can be considered as common. It officially appears for the first time in a decision of the EC Council of December 19, 1984: “by poor we mean people, families or groups of people of whom the resources (material, cultural and social) are so limited that they are excluded from the minimal standards of living recognised as acceptable in the member state where they live.”

⁸⁴ M of LSAF considers as inevitable to mention that: “important measure of protective character for those who are unable to secure their basic living conditions and help themselves in material hardship is protection allowance (in amount it is a mirror of activation allowance).

2.3.2 Pensions and subsistence minimum

Subsistence minimum has sustained to be the pillar holding the lowest level of old age pension since first Act on Subsistence minimum passed in the 1991. There rule of amending old-age pension was not explicit, the periodicity was not established. For more than decade, the increase of pension depended more on the composition of political constrains, demands and wishes. There was political effort to protect the lowest old-age pension for individual pensioner from decreasing bellow 1.1 of living minimum for a couple. Due the irregular amendment the relationship between the average pension and the subsistence minimum considerably varied⁸⁵. The ratio was 119.1 percent in 1991 and it climbed to 154 percent in 1994. In 1996 and 1997 the lowest old-age pension reached even 171 per cent of subsistence minimum. Only in the beginning of the 2000s, the amended Act on Subsistence Minimum sets July first as the annual date of amending the subsistence minimum (according to the fix formula taking in regard the increase of living costs and real wages) and all sorts of associated state benefits and allowances, including old-age pensions. In 2001, the ratio of average old age pension to subsistence minimum was 152.6 per cent of subsistence minimum.

2.3.3 Indexation of benefits in material need

Benefits in material need were decoupled from subsistence minimum in early 2000s. The indexation of *the cash assistance in material need* defined by the Act on assistance in material need 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 do it – the level of material need benefits according to some standard rule. As a result, there has been increasing gap between the amounts defined by the subsistence minimum law, and the level of cash benefits based on the Act on Assistance in Material Need. For example as of July 1, 2005 subsistence minimum for a single person has been 4 730 SKK monthly, while cash benefits for an entitled individual – cash assistance in material need, can reach maximum 3 970 SKK, provided that a beneficiary receives all supplements to material need cash benefit (housing supplement, health care supplement, activation grant). Such legal situation is not only confusing, but also reflects a still substantial space for arbitrary decisions over defining the levels of social assistance benefits in material need. In a situation when the position of Social Partners significantly weakened⁸⁶, and changes in the level of benefits were not a subject of parliamentary scrutiny, the government gained even more powers over these issues. General unconcern to the living conditions of people dependant on social benefits⁸⁷ reflects in lacking public discussion on “decent living conditions” and “minimum income” in Slovakia.

As I have already suggested, instead of debating decent subsistence minimum, the Ministry of LSA&F promoted the work on the concept of absolute poverty threshold in Slovakia (with the use of the special loan from the World Bank). The Ministry did not keep the plan to disseminate absolute poverty concept to wider expert public in February 2006. Unexpected hesitations with publishing this research do not mean that the government resigned to the concept of absolute poverty. The National Reform Program also embraces the ambition to measure absolute poverty in Slovakia and to compare the absolute poverty rates among the EU member states as well.

⁸⁵ Petrášová – Svoreňová, 2005: 154

⁸⁶ On September 22, 2004 National Council of the SR repealed the law regulating social dialogue. Instead, a consultative body to the government, the Council of Economic and Social Partnership was established, which powers are much weaker.

⁸⁷ Of course, that there are several aid programs target at fight with children poverty and aimed at promoting children' motivation to education increase, etc.

2.4 Current position including recent legal, institutional or administrative changes

Similarly to many other EU member states, the Slovak Republic has utilised the space of the Open Method of Coordination in the field of social inclusion. It has managed to implement the social and economic reforms that could seem to go to the opposite direction than the Strategy of Social Cohesion of Council of Europe. The recent social security/protection reforms were accompanied by campaigns against the redistribution, against “punishing the successful” and framed by the suspicions about the general inclination to misuse public programmes. Such campaigns helped to disconnect the fight against poverty from the objective to secure the life in dignity. However, has this objective been ever shared and considered universal by the public opinion in Slovakia? For the sake of punctuality we should remind that the intention to drop the objective to warrant people resources for a decent life was suggested already in JIM.

It seems that the continuing long-term dependence of hundred thousands people on benefits could wear the resolution of Slovakia to keep human rights commitments, namely the commitment to secure an adequate income for all to live in dignity. The issue of subsistence minimum, its updating to changed costs of “minimum basket items” has not been opened in any strategic documents prepared by the government of the SR. Logically, the issue of income enabling life in dignity is equally neglected. It is reasonable to assume that also strong ethnic stereotypes and racial or ethnic coloration of poverty in Slovakia can diminish the chance that there will be sufficient political will to pose this issue. Therefore, the challenge is to mobilise wider public and, particularly, the NGOs working with vulnerable groups to emphasise the necessity to re-open the issue of subsistence minimum and the life in dignity.

In spite of favourable statistical data on employment increase and decrease of unemployment in Slovakia, it is necessary to take regard that these data do not cover only the increase of jobs on the territory of Slovakia, but to more or less extent also the jobs acquired in ‘diaspora’. Massive work migration seems to have complex outcomes. Some of them cannot be predicted now. The negative effect of dividing families, of absencing young people in regions, is already observable. Therefore, we can still say that the unemployment is the most complex problem in Slovakia. Lack of jobs is followed by low wages and low quality of living conditions that is the combined effect of low average wages and restricted investments (and access) to the (non-for-profit) services of various kinds.

The consequences of some reform (for instance the health care reform) for the access of people to a quality health care have not been yet thought over sufficiently, as there were not thought over the consequences of nearly total privatization of care for housing, in spite of the fact that this process has lasted more than one decade.

Last but not least, the chronic difficulty seem that Slovakia is short of general debate about poverty, social inclusion and social cohesion that would not favour in advance one view or alternative.”⁸⁸

⁸⁸ The caricature of public debate was the ‘debate’ on pension reform and health care reform that were funded from the loans of World Bank. Of similar sort is the recent debate on the proposal of levy reform and social system reform (Sulík, R.: *Odvodový bonus. Zmena paradigmy*. Bratislava Trend 2006) promoted by RUZ and subsidised by ILO.

References

OECD. 2002. The Labour Market: Addressing High Unemployment and Developing Human Capital. Measures to Encourage Work and Job Search OECD Economic Surveys: Slovak Republic. Volume 11. June 2002. Paris: OECD. <http://www.foreign.gov.sk/files/Economic-survey.pdf>

BODNÁROVÁ, B. et al., 2005: Transformácia sociálneho systému na Slovensku, stav, výsledky, riziká narušenia sociálnej súdržnosti a modely riešenia Výskumná úloha v rámci prierezového programu výskumu a vývoja „Účast' spoločenských vied na rozvoji spoločnosti“ (Transformation of social system in Slovakia: Situation, outcomes and risks. Final research report) Stredisko pre štúdium práce a rodiny Bratislava 210 p.

COMMENTS ON THE FIRST SEMESTER 2006 Report from an Independent Expert on Social Inclusion *Ministry of Labour, Social Affairs and Family of the Slovak Republic Social Inclusion Department* 31. July 2006.

DRÁL, P., 2006: Ethnicised Laziness? Roma in the Slovak Social Policy Discourse. Thesis CEU Budapest.

FILIPOVÁ, J., VALNÁ, S., 1999: Životné minimum VÚPSVR Bratislava.

GERBERY – KVAPILOVÁ 2005: Nové kontúry sociálneho štátu na Slovensku. Inštitucionálne základy sociálnej súdržnosti. In: Bodnárová B. et al. (Ed).. Transformácia sociálneho systému.... 4 – 35.

<http://www.employment.gov.sk/mpsvrsr/internet/home/page.php?id=581&lang=sk&>

Komu dať svoj hlas? Fakty o vládnutí na Slovensku. To whom cast one's vote? Facts about governing in Slovakia. Confederation of Trade Unions, March 2006. Bratislava, 8 p.

KUSÁ Z., KUSÝ I., 1999: A Discussion of the Housing Problem in Slovakia. In: *Europe: Expectation and Reality. The Challenge for the Social Sciences* (Ed. By L. Falt'an) Slovak Commission for UNESCO, 170 – 182.

LENDACKÝ M., 2006: Národná správa o stratégiách sociálnej ochrany a sociálnej inklúzie. Vybrané zmeny v dôchodkovom systéme SR od 1. VIII. 2006. PPT presentation Bratislava 25 April 2006 MPSVR SR seminar.

METODICKÉ USMERNENIE Ministerstva práce, sociálnych vecí a rodiny SR na zabezpečenie aplikácie výnosu Ministerstva práce, sociálnych vecí a rodiny Slovenskej republiky zo 7. septembra 2004 č. 3950/2004-II/1, ktorým sa dopĺňa výnos Ministerstva práce, sociálnych vecí a rodiny Slovenskej republiky z 25. februára 2004 č. 37/2004-II/1 o poskytovaní dotácií v pôsobnosti Ministerstva práce, sociálnych vecí a rodiny Slovenskej republiky.

National Reform Program of the Slovak Republic. Material of the Government SR October 12, 2005. Unofficial Translation. 49 p. (http://www.euroinfo.gov.sk/index/open_file.php?file=rozne/NPR_slovak.doc)

Neplatiči v mestských bytoch. Vranovský hlásnik .2004
http://www.vranov.sk/hlasnik/archiv/4_2004/strana3.html

PETRÁŠOVÁ, A., SVOREŇOVÁ M., 2005: Social Protection Expenditures and Performance Review. Slovak Republic. ILO Subregional Office for Central and Eastern Europe Budapest, 375 p.

Programové vyhlásenie vlády Slovenskej republiky na roky 2002 až 2006. Hodnotenie plnenia z aspektov KOZ SR. (The Statement of Policy of the Government of the Slovak Republic for the years 2002 – 2006. Evaluation of the performance by the Confederation of Trade Unions). KOZ Bratislava March 2006, 24 p.

Realizácia nástrojov aktívnej politiky trhu práce v roku 2005. Ústredie PSVR marec 2006.

Reforma pomoci v hmotnej núdzi (Reform of Assistance in Material Need)
http://www.employment.gov.sk/socialna_pomoc/davky_reforma.html).

SPRÁVA O SOCIÁLNEJ SITUÁCII OBYVATEĽSTVA SR ZA ROK 2005. Report on Social Situation of inhabitants of SR for the 2005 No. 9716/2006-II/1 Material for the Government SR Session MPSVR SR 12. April 2006.

SPRÁVA O STAVE RIEŠENIA záležitostí rómskych komunit v jednotlivých regiónoch Slovenska. Informatívny materiál z rokovania vlády SR č. UV-21868/2005 21.12. 2005, f. bod vypustený.

STANOVISKO KOZ SR k Správe o sociálnej situácii obyvateľstva v roku 2005. Vzťah KOZ SR a vlády SR pri riešení sociálnych problémov. Standpoint of the Trade Union Confederation to Report on Social Situation of inhabitants of SR for the 2005. Relation of Confederation and Government in (at?) dealing with social problems. KOZ Bratislava April 2006.

Stav sociálnej ochrany na Slovensku k 1. V. 2004 (Stredisko pre výskum práce a rodiny Bratislava Bednárík a spol.) Na základe schémy porovnávacích tabuliek systémov sociálnej ochrany Európskej únie (MISSOC) pripravil R. Bednárík.

Sulík, R.: Odvodový bonus. Zmena paradigmy. Bratislava Trend 2006.

Štatistická správa o základných vývojových tendenciách v hospodárstve SR v 1. až 3. štvrtroku 2005, ŠÚ SR 2005 No. 3.

Tretia správa o implementácii Európskej sociálnej charty predložená vládou Slovenskej republiky za rok 2003 – 2004. MPSVR SR, 165 p.

The Council of Europe A new strategy of Social Cohesion. Strasburg March 2004.

Verejný ochranca práv. Správa o činnosti v roku 2005. (Report of activities of Public Defender of Rights/Ombudsman of the SR in 2005. March 2006
<http://www.vop.gov.sk/doc/00011/16/0000516/sprava2005celok.pdf>.

Vybrané údaje o regiónoch v Slovenskej republike. Selected Data on Regions in the Slovak Republic. ŠÚ SR 2005 No. 2

Vyhodnotenie záväzkov z Programového vyhlásenia vlády - Sociálna oblasť. (Evaluation of the commitments from the Program Declaration of the Government of the Slovak Republic 2002) www.employment.gov.sk/mpsvrsr/internet/home/page_pdf.php?id=1937& accessed on April 26, 2006.

Výsledky výberového zisťovania pracovných síl. ŠÚ SR 2005 No. 3, január 2006

ANNEX I List of the most important reform legislature

- Act No. 463/1991 On subsistence Minimum
- Act No. 125/1998 On subsistence Minimum
- Act No. 195/1998 On Social Assistance (with numerous amendments),
- Act No. 599/2003 On Assistance in Material Need (effective as of January 2004),
- Act No. 281/2002 On children Allowance and on contribution to children allowance
- Act No. 658/2002 amending the Act No. 281/2002 ON children Allowance and on contribution to children allowance
- Act No. 600/2003 On Children Allowance
- Act No. 461/2004 On *Social Insurance*
- Act on Tax
- Act No. 5/2004 On Employment Services

Paragraphs of Act No. 5/2004 regulating ALMP:

- § 32 offering reimbursement of the part of travel expenses of job-seekers that are linked to his/her taking part on entrance interviews of entrance examination
- § 43 offering reimbursement of the part of travel expenses of job-seekers linked to their activities designed in their individual action plans.
- § 46 Education and preparation of job-seeker and person interested in job for labour market
- § 47 Education and preparation of employee for labour market
- § 49 Contribution for self-employing activity (self-employment grant)
- § 50 Contribution for employment of disadvantaged job-seeker
- § 51 Contribution for praxis of graduated
- § 52 Contribution for activation work
- § 53 Contribution for moving for the job (labour mobility)
- § 54 projects and programmes
- § 56 contribution for setting up sheltered workshop or sheltered workplace and for their preservation
- § 57 contribution to a disabled citizen for operation or doing self-employed activity
- § 59 Contribution for the work of work/employment assistant
- § 60 Contribution for paying operating costs of sheltered workshop or sheltered working place and for paying transport expenses of employees

ANNEX II - Statistical data

Table no. 1: Economic activity of the population (Labour force survey) in thousand persons

Indicator	1999	2000	2001	2002	2003	2004	2005
Population as of January 1 of which:	5 393,4	5 398,7	5 402,5	5 402,5	5 380	5 379,7	5 389,2
Economically active population aged 15-64	2 573,0	2 608,2	2 646,2	2 622,3	2 626,7	2 650,5	2 645,7
of which a) employed (as of 31. 12)	2132,1	2101,7	2123,7	2127	2 164,6	2170,4	2216,2*
b) unemployed (LFS)	--	481,2	507,5	486,2	458,8	480,2	427,5
Unemployed in % (LFS)	--	18.6	19.2	18.5	17.4	18.1	16.2
Registered jobseekers (H-LSAF) in %	19.2	17.9	18.6	17.4	15.6	14.3	11.6
Economically inactive population	2 820,4	2 790,5	2 750,1	2 774,3	2 768,3	2 721,1	
of which a) persons younger than 15			1 036,4	1036,4	1 036,4	959,8	
b) students			483,6	464,4	490,8	491,9	
c) persons on parental leave			54,9	49,8	48,4	53,8	
d) pensioners			1 056,7	1 039,3	1 018,8	1,029.1	
Economic activity rate in total (per cent)	60.0	60.3	60.7	60.2	60.3	60.2	59.5
of which: a) men	68,7	68,6	69,2	68,5	68,4	68,5	68,4
b) women	52,0	52,6	53,0	52,6	52,9	52,5	51,3

(c) Social Trends in the Slovak Republic 2004 Statistical Office, Report on Social situation of Inhabitants 2005... Statistical Yearbook 2004 (tab. 4-1, 4-15), own calculation

Table 8: Educational structure of inhabitants of Slovak Republic and its comparison with the educational structure of unemployed (LFS) in %

	Primary /lower secondary education (9 classes)	Secondary technical education (without final exams)	Secondary education with final exams	University education	total
Inhabitants in economically active age*	8,2	35,2	43,0	13,6	100,0
Unemployed (LFS 3 Q 2005)	27,2	40,0	28,8	4,0	100,0

(c) LFS 2005/3, Tab. EA2, +

Table 9: Age structure of economically active inhabitants of Slovak Republic 15 + more and its comparison with the age structure of unemployed (LFS) in %

	15-29	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 +	total
economically active inhabitants	1,4	10,6	14,4	13,5	12,4	13,5	13,9	12,8	6,0	1,2	0,3	100,0
Unemployed (LFS 3 Q 2005)	5,7	17,4	14,3	12,0	11,6	11,0	11,8	10,2	4,9	1,0	0,2	100,0

(c) LFS 2005/3, Tab. EA1,+