



Transformation of the Public Sector Changes in the Social Policy

Katarina Poluncova

Department of Public Economy

Social Policy components

- social security policy
- healthcare policy
- education policy
- housing policy
- family policy
- employment policy

The objectives of Social Policy

I. “care objectives”

- a) **dimension of risks**
 - 1. poverty relief
 - 2. insurance
 - 3. income smoothing
- b) **dimension of equality**
 - 1. vertical equity
 - 2. horizontal equity
- c) **social integration dimension**
 - 1. dignity
 - 2. social solidarity

II. “instrumental” objectives

- a) administrative feasibility
 - 1. intelligibility
 - 2. absence of abuse and fraud
- b) efficiency dimension
 - 1. macro efficiency
 - 2. micro efficiency
 - 3. incentives

The Development of the Social Policy in the Czech Republic

We should take into account following factors:

- the political environment
- the economic environment
- the social environment
- cultural factors
- diffusion of cultural and institutional patterns from abroad
- influence of strong, politically active personalities inside and outside the system

Communist Period- till 1989

- ◆ social policy centralized and bureaucratized → ineffective economy
- ◆ full compulsory employment
- ◆ state paternalism → citizens became the passive recipients of social services
- ◆ publicly providing services free of charge
- ◆ existence of “extra services” for the privileged population
- ◆ many subsidies prices of energies and goods
- ◆ social security schemes financed from the state budget- various types of payments made this system unclear and economically inefficient.

Transformation period- 3 parts:

1. Emergency period- December 1989-1992
 - replacing state paternalism
 - objective- protect population against all risks- development of the social safety net
 - active labour market policy
 - implementation of social benefits
 - new institutions and institutes
2. Institutional building 1992-1997
 - neo-liberal approach
 - pension supplementary insurance act
 - state social support act- implementation of income-tested benefits
3. Adjustment within existing institutions 1998- present
 - social democratic government- “making work pay”

Social security policy

Build on 3 tiers:

1. social insurance system
 1. pension system
 2. sickness system
 3. state employment policy system
2. state social support system
 1. income tested benefits
 2. benefits provided without regard to income
3. social assistance system- for people who find themselves in:
 1. material need
 2. social need

Contributions to the social insurance scheme

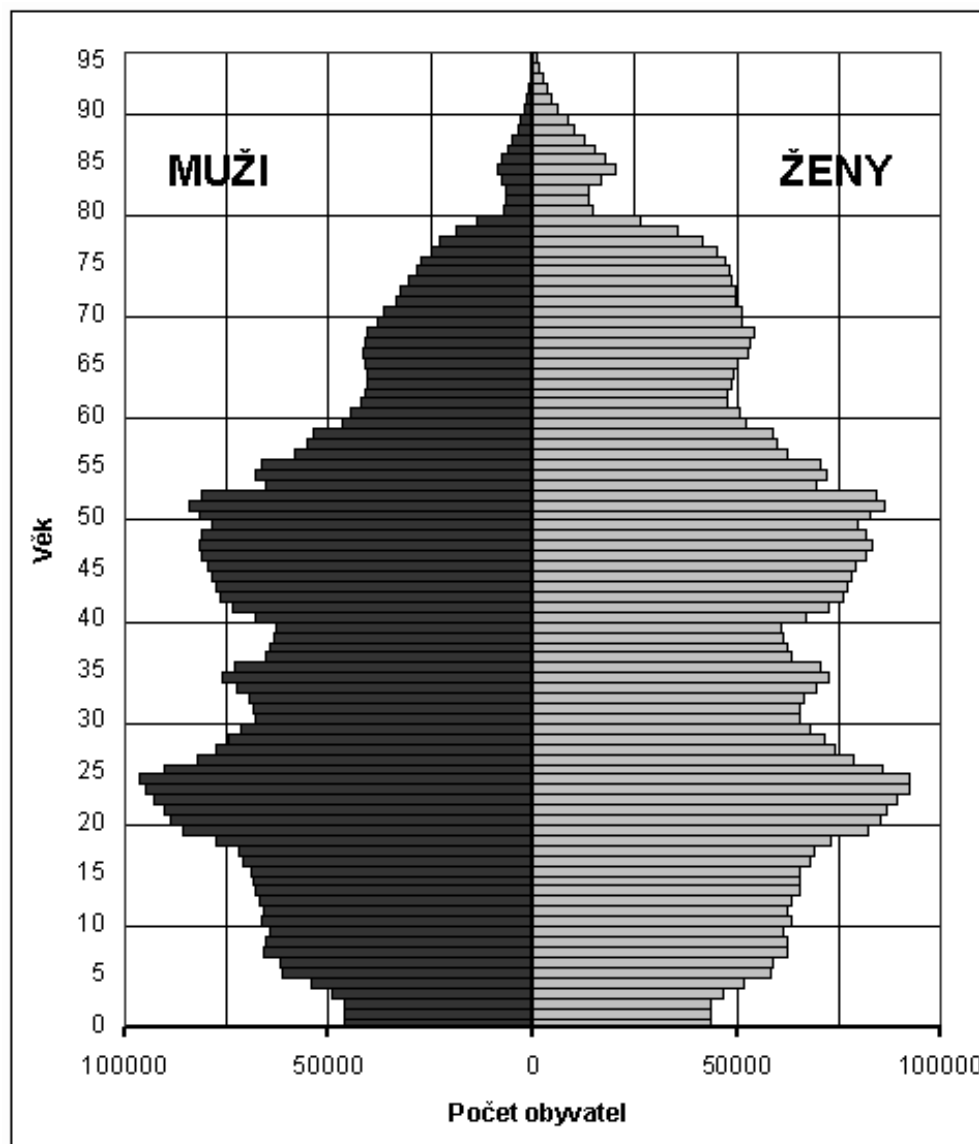
contributions of social insurance system	employee (% of wages)	employers (% of total wage-bill)	self-employed (% of insurance basis)
pensions scheme	6,5	21,5	28
sickness scheme	1,1	3,3	4,4
employment policy	0,4	1,2	1,6
health insurance	4,5	9	13,5
Total	12,5	35	47,5

Pension system in the CR

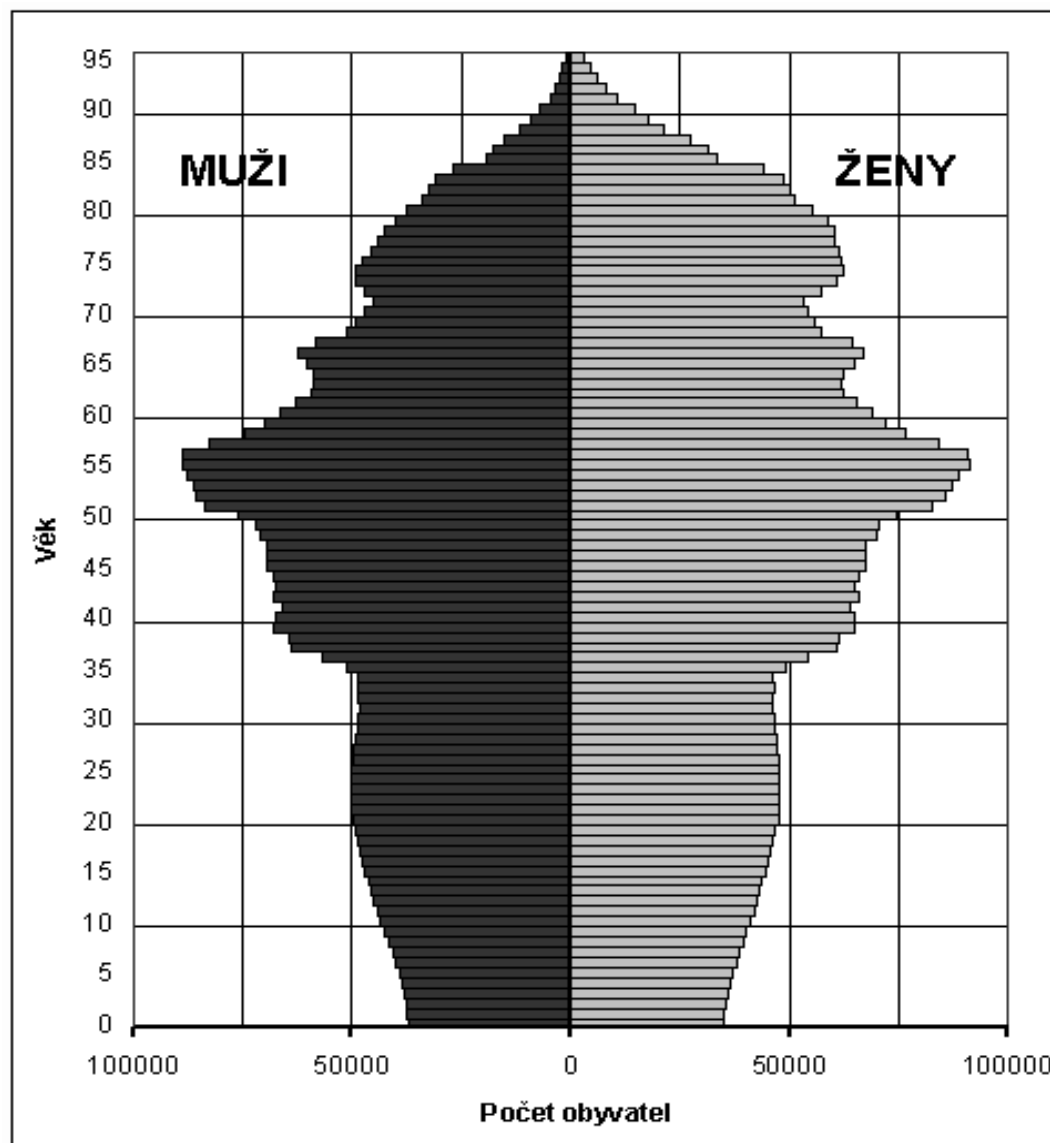
2 tiers:

1. basic obligatory system of pension insurance
 - system is uniform, based on social solidarity with relatively high redistribution of income, current financing- PAYG
 - allowances replacing income in case of old age, disablement and death
 - state guarantees the system
 - retirement age since 31st of December 2012 will be 63 for men and 59-63 for women
2. voluntary additional pension insurance with a state contribution

The tree of life of CR in 1998



The tree of life in 2030- prognosis

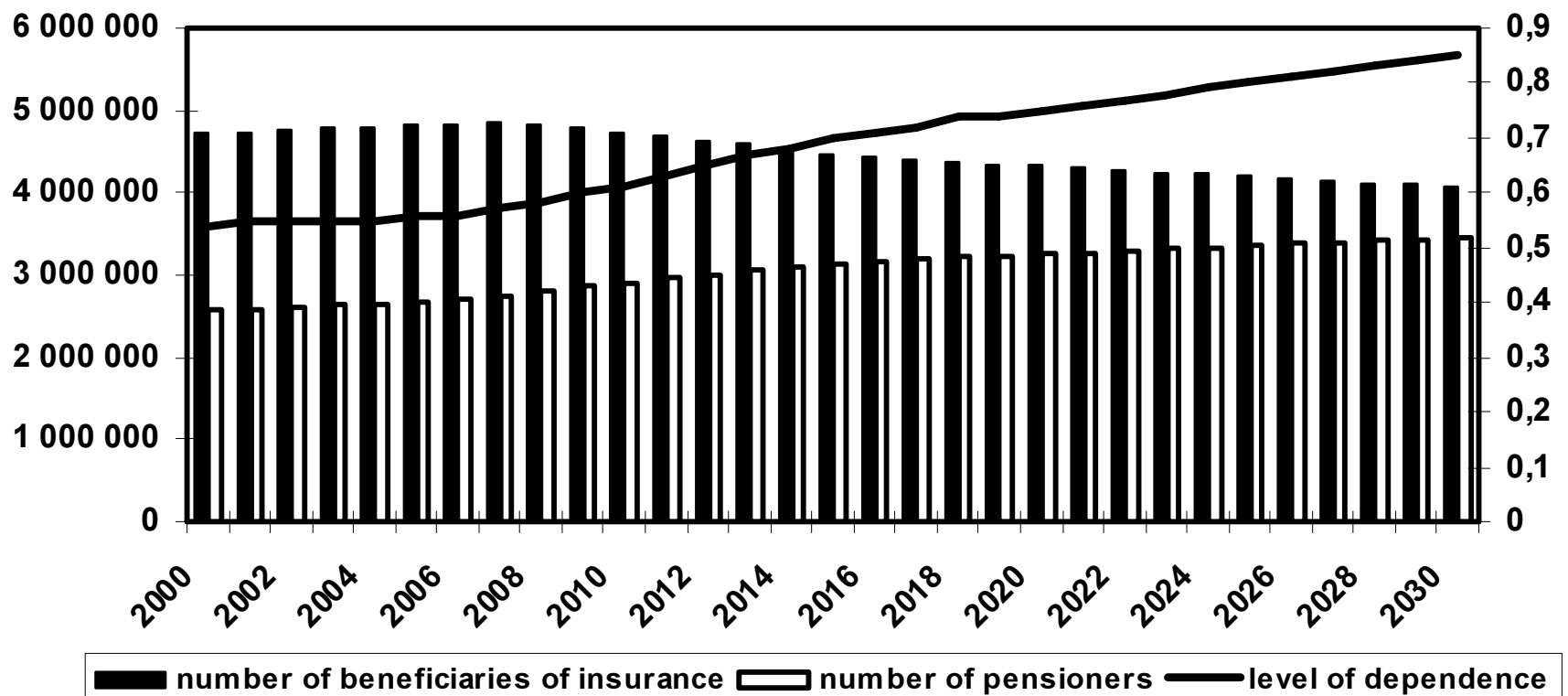


Age structure of population in 2001

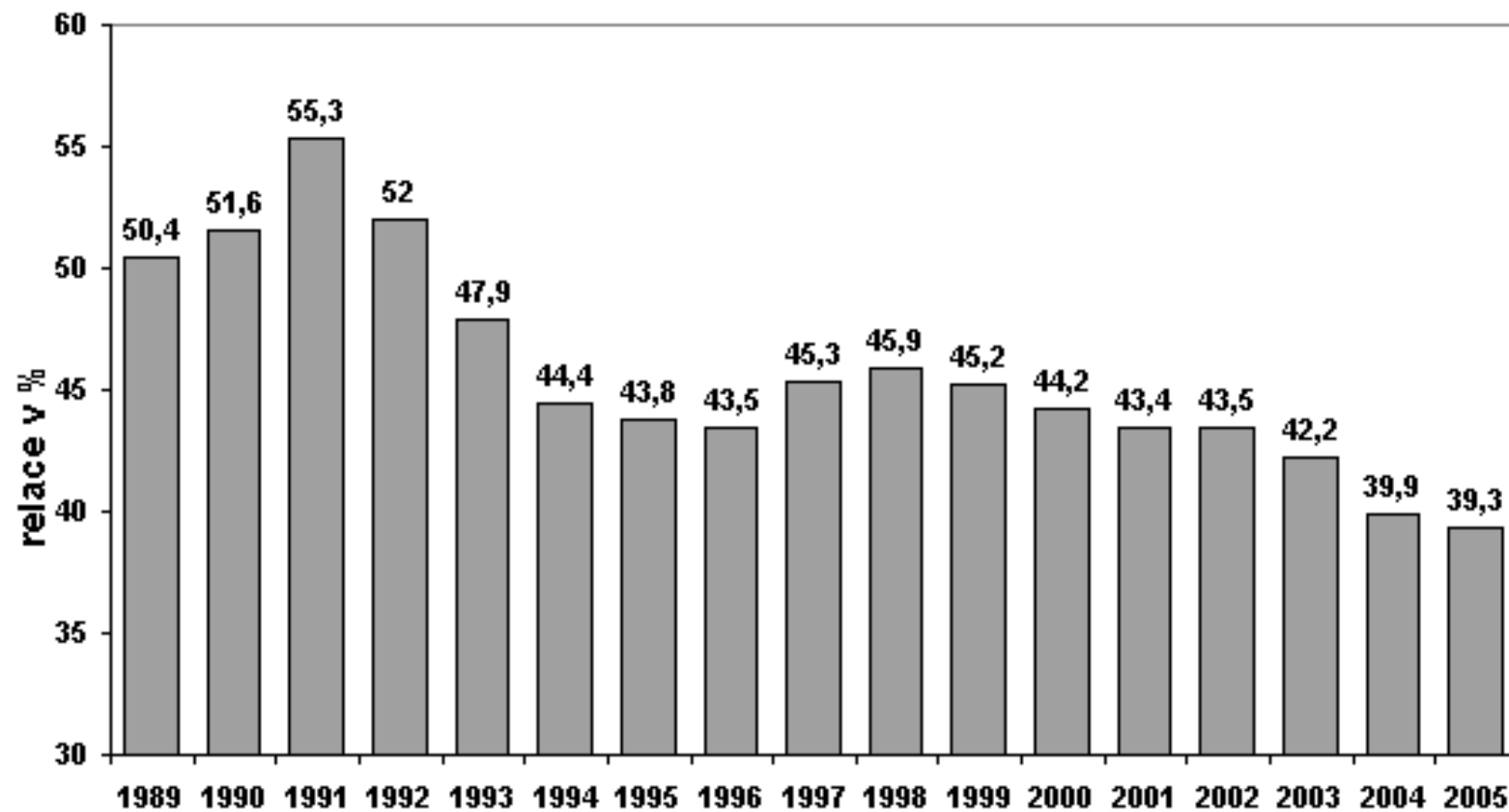
	Age 65+	Age 15-64	Věk 0-14
Italy	18,4 %	67,4 %	14,2 %
Japan	17,6 %	67,9 %	14,5 %
Germany	16,4 %	68,3 %	15,3 %
Austria	15,7 %	67,8 %	16,5 %
Hungary	14,5 %	68,7 %	16,8 %
Czech Rep.	13,8 %	70,1 %	16,1 %
USA	12,6 %	66,2 %	21,2 %
Poland	12,2 %	69,0 %	18,8 %
Slovakia	11,3 %	69,3 %	19,3 %
Ireland	11,2 %	67,2 %	21,5 %
Uganda	1,9 %	49,1 %	49,0 %

The problem of PAYG financed pension system in the CR

Dependence rate indicator



Pensions as a proportion of the average gross wage



Supplementary pension insurance scheme

Monthly payment (Kč)	State contribution (Kč)
100- 199	50 Kč + 40% from the amount over 100 Kč
200-299	90 Kč + 30% from the amount over 200 Kč
300-399	120+ 20% from the amount over 300
400-499	140 + 10% from the amount over 400
500 and more	150 Kč

Sickness insurance scheme

4 benefits:

1. sickness benefit
2. family member care benefit
3. pregnancy and compensation benefit
4. cash maternity benefit

State social support

a) income tested benefits:

- child allowance
- social allowance
- housing benefit
- transport benefit (canceled since September 2004)

b) benefits provided without regard to income (flat-rate benefits):

- parental allowance
- maintenance contribution
- benefits for foster-parent care
- birth allowance
- burial allowance

Social assistance

- residual system for the people who fall into difficult social situation, 2 types:
 - ◆ material need
 - ◆ social need
- state guarantees living standard at the minimum level- socially accepted poverty limit

The development of the minimum level in the Czech Republic

Person, household	1997	1998	2000	2001	2005
<i>sum of money needed for subsistence and other basic needs</i>					
children up to 6 years old	1480	1560	1600	1690	1720
6-10 years old	1640	1730	1780	1890	1920
10-15 years old	1940	2050	2110	2230	2270
15- 26 years old	2130	2250	2310	2450	2490
other people	2020	2130	2190	2320	2360
<i>sum of money needed for paying costs of household</i>					
household with 1 person	1020	1300	1580	1780	1940
with 2 persons	1330	1700	2060	2320	2530
with 3 or 4 persons	1650	2110	2560	2880	3140
with 5 or more persons	1860	2370	2870	3230	3520

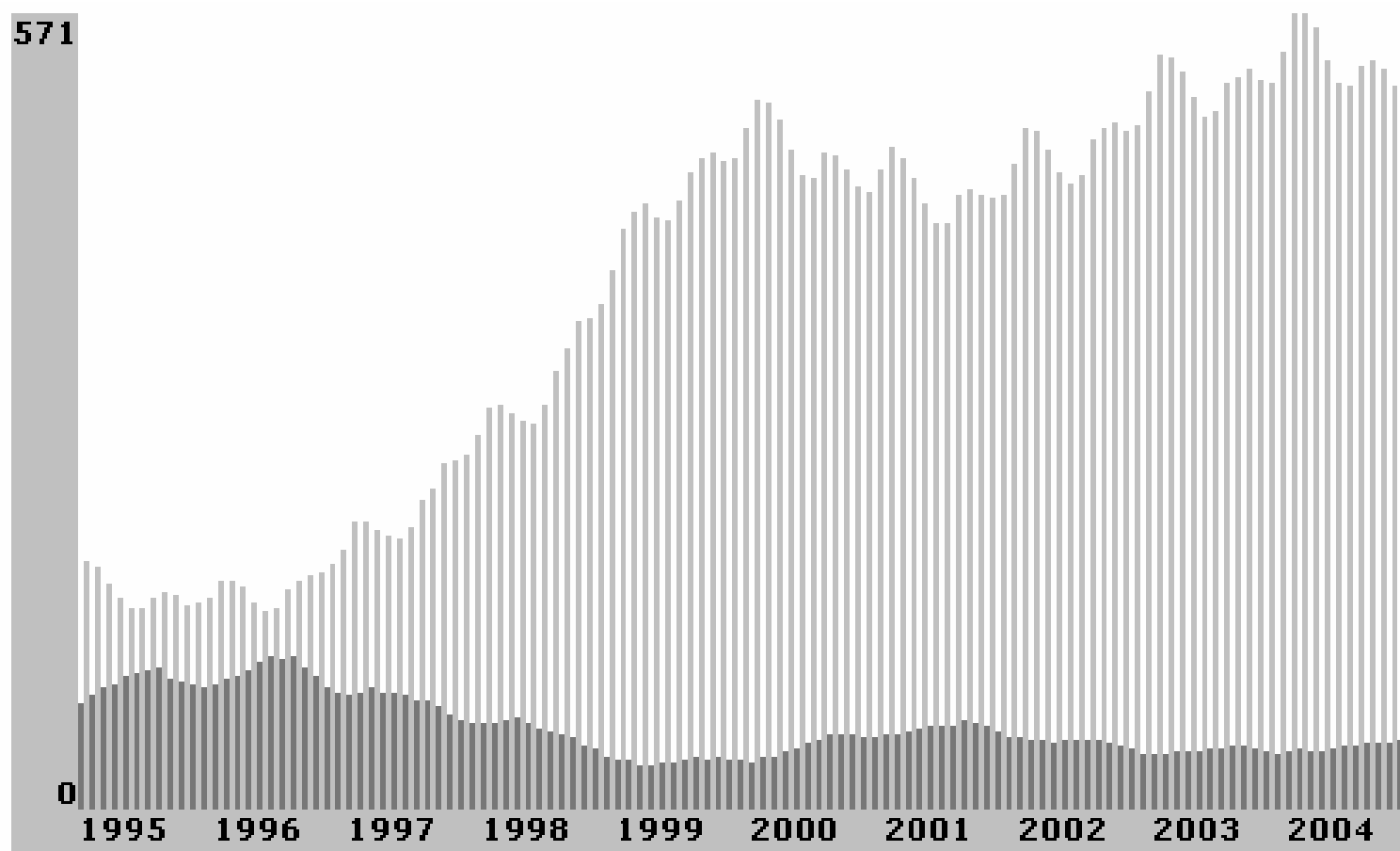
Child allowance calculation

Age of children	Child allowance since 2005 (monthly in Kč) in accordance to household income		
	up 1,1 SML	1,1 - 1,8 SML	1,8 - 3,0 SML
up to 6 years old	551	482	237
6-10 years old	615	538	265
10-15 years old	727	636	313
15-26 years old	797	698	343
	0,32% of SML	0,28% of SML	0,14% of SML

Development of minimum wage

Minimum wage	1996	1998	1999	2000	2001	2002	2003	2004	2005
Kč per hour	13,60	14,80	20	22,30	30	33,90	36,90	39,60	42,50
Kč per month	2500	2650	3600	4000	5000	5700	6200	6700	7185

The unemployment since 1995



Nezaměstnanost (tis. osob) —
Volná pracovní místa (tis. míst) —

Public expenditures in active labour market policy (in thousands Kč)

Výdaje státního rozpočtu na aktivní politiku zaměstnanosti (v tis. Kč)

