

Útvar hodnoty za peniaze Ministerstvo financií SR

Spending review

Labour market and social policies

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Útvar hodnoty za peniaze
Ministerstvo financií SR

Five main areas

- Employment policies
- Social inclusion
- Social insurance expenditure
- Operating costs (administration + investments)
- Pension savings schemes performance

Three main organisations

- Ministry of Labour, Social Affairs and Family (MPSVR)
- Labour, Social Affairs and Family Offices (ÚPSVR)
- Social Insurance Agency (SP)

Summary of topics

area	topic	status/plan
employment policy	prioritization of receiving groups	pilot 1 published in 2016
employment policy	efficiency of public employment services	pilot 1 published in 2016
employment policy	efficiency of ALMP tools	pilot 1 published in 2016
social inclusion	social benefits	impact on motivation to work
social inclusion	family benefits	better targeting
social inclusion	mothers at work	IFP work in progress
social inclusion	children in danger	compare costs of different types of care, assess impact of more terrain work, evaluation of alternative care
social inclusion	support for disabled	ALMP tools to asses; pensions to be assessed by IFP
social inclusion	long term care	system setup
social inclusion	socially disadvantaged communities	huge topic, shared with education
social inclusion	homelessness	assess costs, potential to improve value
social insurance	rules & exemptions	analysis with MPSVR
social insurance	paygo pension scheme	parameters not in scope
social insurance	annual declaration of social insurance payments	to be assessed by IFP/other MF body
operating costs	efficiency of local labour offices	pilot 1 published in 2016
operating costs	Social insurance agency	assess costs, potential to improve value
pension savings scheme	performance	evaluate performance
pension savings scheme	tax reliefs for voluntary savings	assess impact

Employment policy

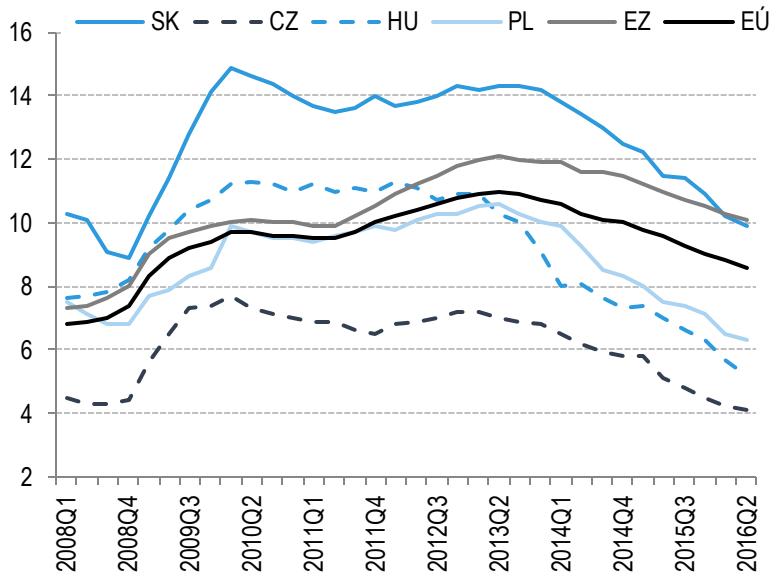
in mil. eur	2014 R	2015 R	2016 B	2016 ER	2017 D	2018 D	2019 D
TOTAL, of which	154	189	196	288	261	288	314
EU sources + co-financing	73	43	163	118	230	261	288
from previous years	35	115	0	116	0	0	0
state budget	46	31	33	53	31	27	26

R – reality (actual spending), B – budget, ER – expected reality, D – draft

Source: RIS

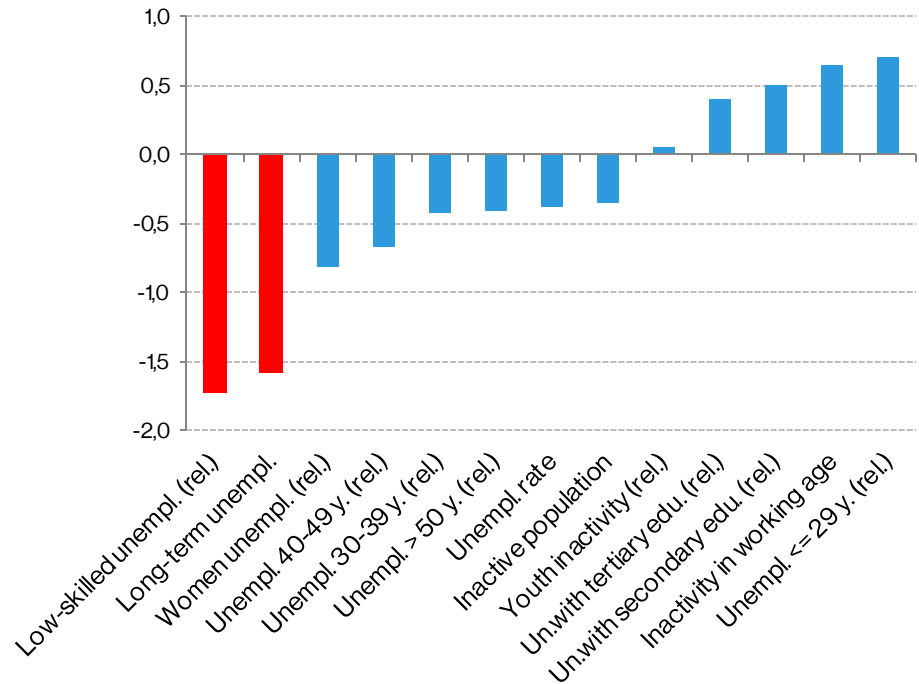
Employment policy

Unemployment rate quarterly, Labor force survey (% EA)



Source: Eurostat

Labor market groups by priority – standard deviation from EU average, 2015



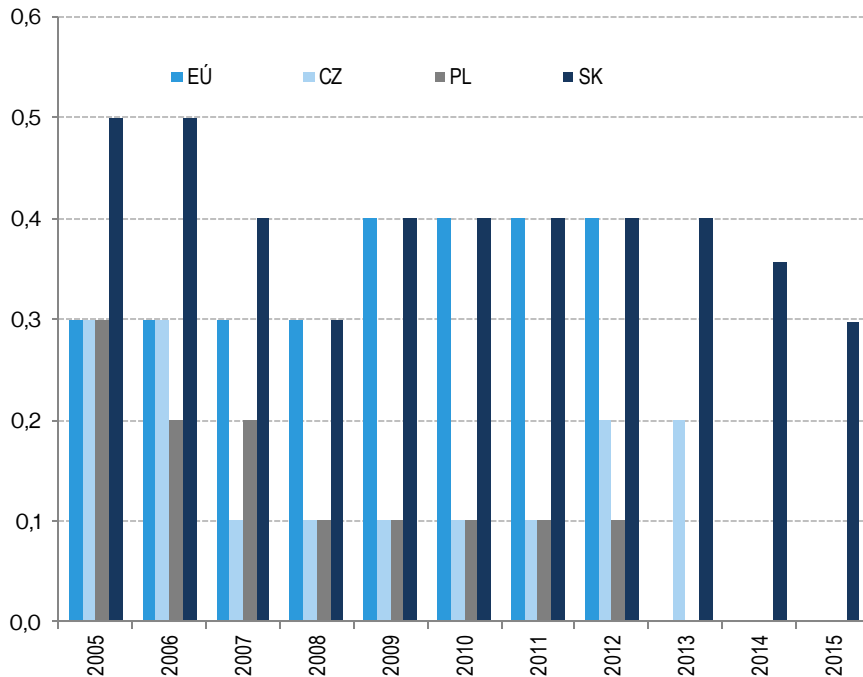
Source: Eurostat

I Social inclusion

In mil.eur	2014R	2015R	2016B	2016ER	2017D	2018D	2019D
Social inclusion	1776	1796	1804	1760	1785	1799	1828
EU sources + co-financing	22	32	7	8	14	10	11
from last years	2	41	0	21	0	0	0
state budget, from which	1751	1724	1796	1731	1772	1789	1817
help in material need	270	236	272	217	221	212	209
family support	723	719	724	720	720	729	735
insurance paid by state	233	228	233	218	225	233	247
compensation of social effects of severe disability	236	232	239	227	259	268	278
social inclusion initiatives	4	3	3	3	3	3	3
endangered children care	83	86	89	91	93	93	94
non-systematic social benefits	52	66	88	86	82	82	82
Christmas bonus	81	82	71	81	81	81	81
social services support	70	73	77	88	88	88	88

I Social benefits

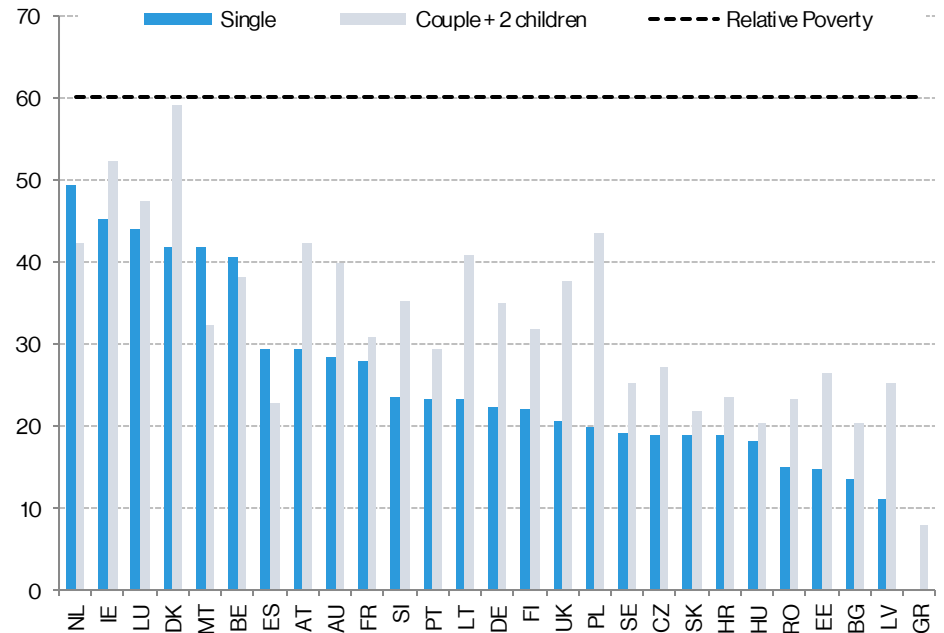
Social exclusion cash benefits - minimum income (% GDP) *



Some countries provide considerable amount of non-cash benefits or use different ways of financing (e.g. housing)

Source: Eurostat ESSPROS, ÚPSVR

Minimum income (% of median wage) 2014

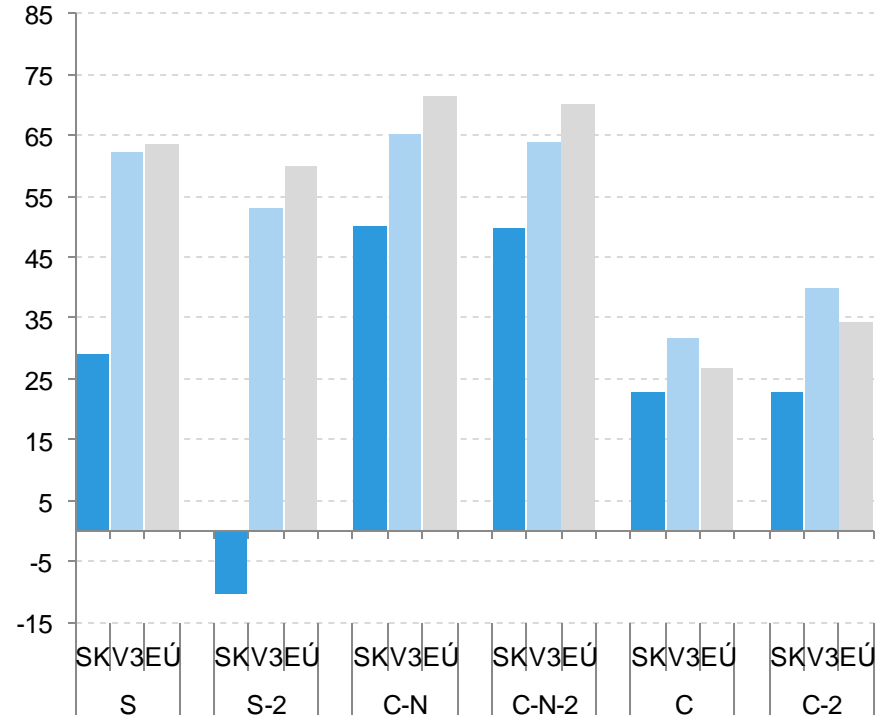


Source: Eurostat ESSPROS

I Social benefits

- Coverage of population
- Generosity compared with abroad
- Savings due to better targeting
- Impact on motivations for employment

Inactivity trap (2012)



Inactivity trap measures what part of an increase in earnings, due to moving from inactivity, is 'taxed away' by the imposition of personal income taxes and employee social security contributions, and the possible withdrawal of earnings-related benefits.

It considers people who are not entitled to unemployment benefits, but are eligible for means-tested assistance in material need.

It is assumed that person takes up a job with gross earnings of 45% of average wage;

Type of households: S – single, S-2 – lone parent with 2 children, C-N – 1-earner childless couple, C-N-2 – 1-earner couple with 2 children, C – 2-earner childless couple, C-2 – 2-earner couple with 2 children (principal earner with 67% of average wage).

Source: EC/OECD

Family benefits

in mil. eur	2014R	2015R	2016B	2016ER	2017D	2018D	2019D
Family support	723	719	724	720	720	729	735
Child benefit *	319	315	312	316	315	316	316
Parental benefit **	356	355	361	352	354	362	368
Other family related benefits	46	46	47	46	46	47	47
Child care benefit ***	2	2	4	7	5	5	5

* Unconditional benefit for parent having a child up to the age of 26 (or up to the end of school attendance/study)

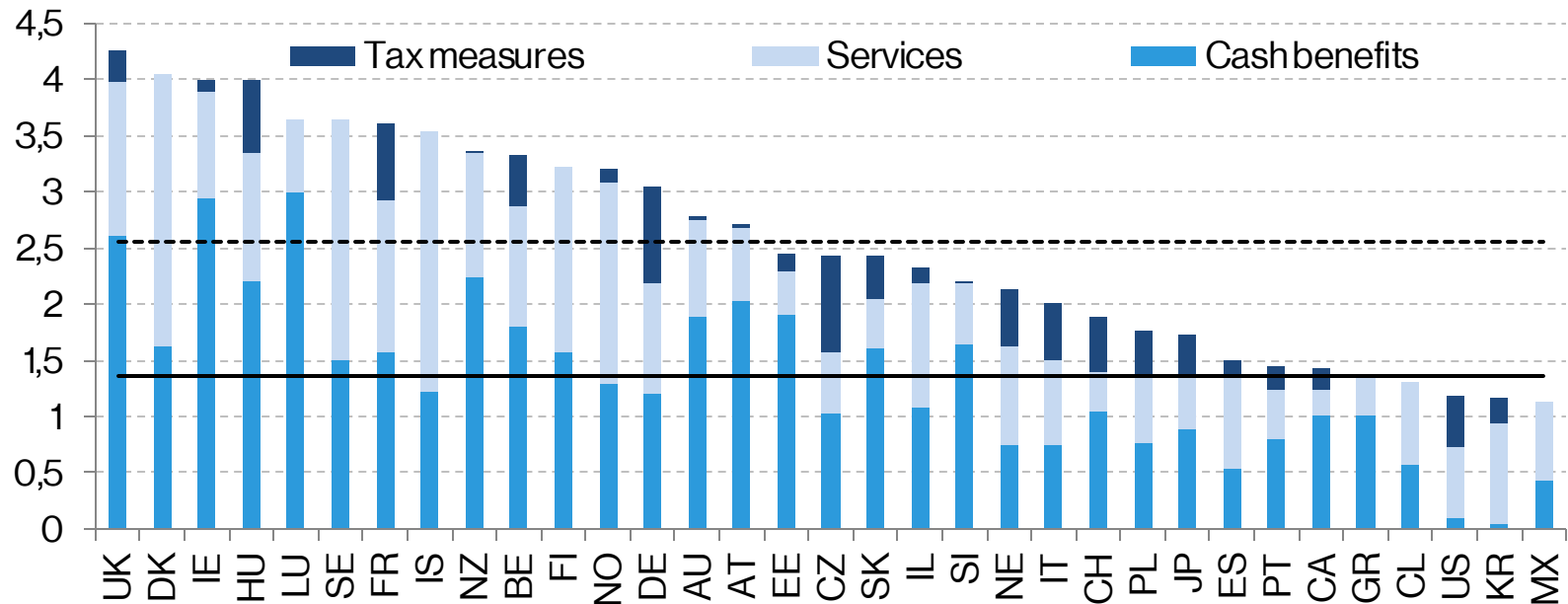
** Unconditional benefit for parent having a child up to the age of 3 (or 6 if in bad health condition)

*** Benefit covering actual costs associated with child care up to a certain level, for child up to the age of 3 (or 6)

Family benefits

- Child benefit is unconditional, without parents' income testing – income testing is costly
- Impact of family benefits on natality

Family with children support (% GDP, 2011)*



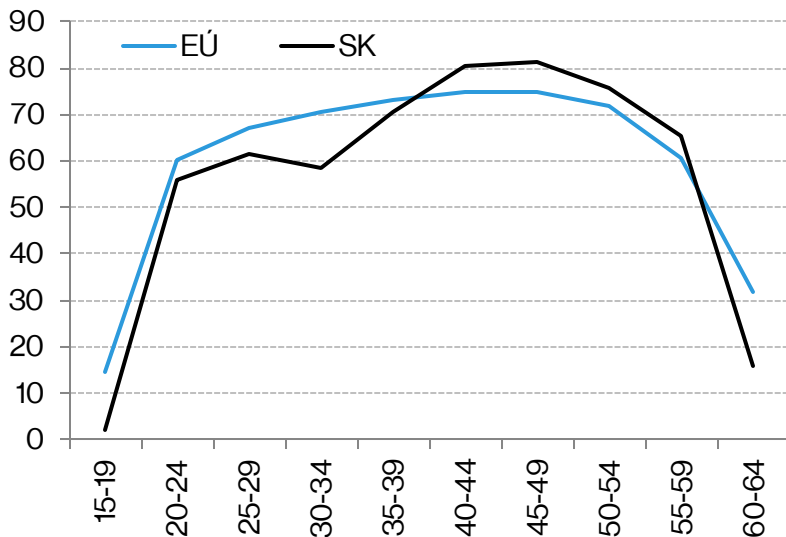
* Services in Slovakia include pre-school education and foster homes

Source: OECD

I Mothers at work

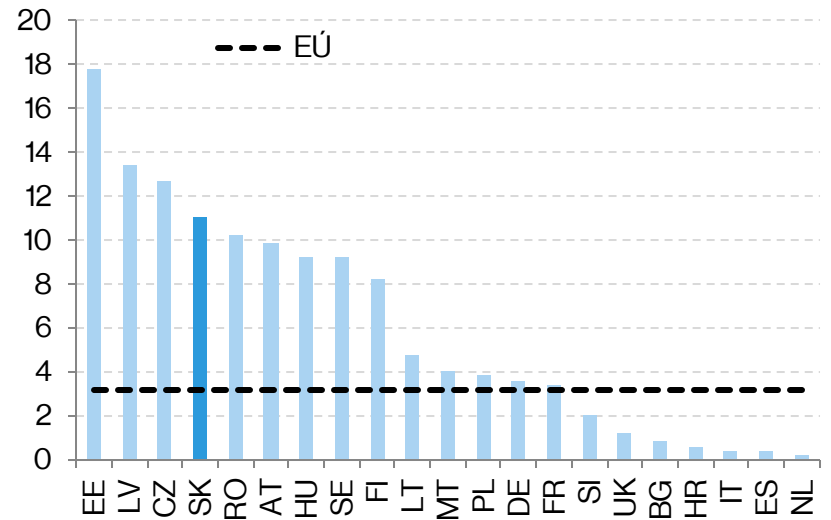
- Maternity leave, parental benefit, child care institutions
- Very few working mothers with children at age 0-3, or working on part-time

Unemployment rate of women, age groups (%)



Source: Eurostat

Parental leave lasting over 12 mths (% of employed women)

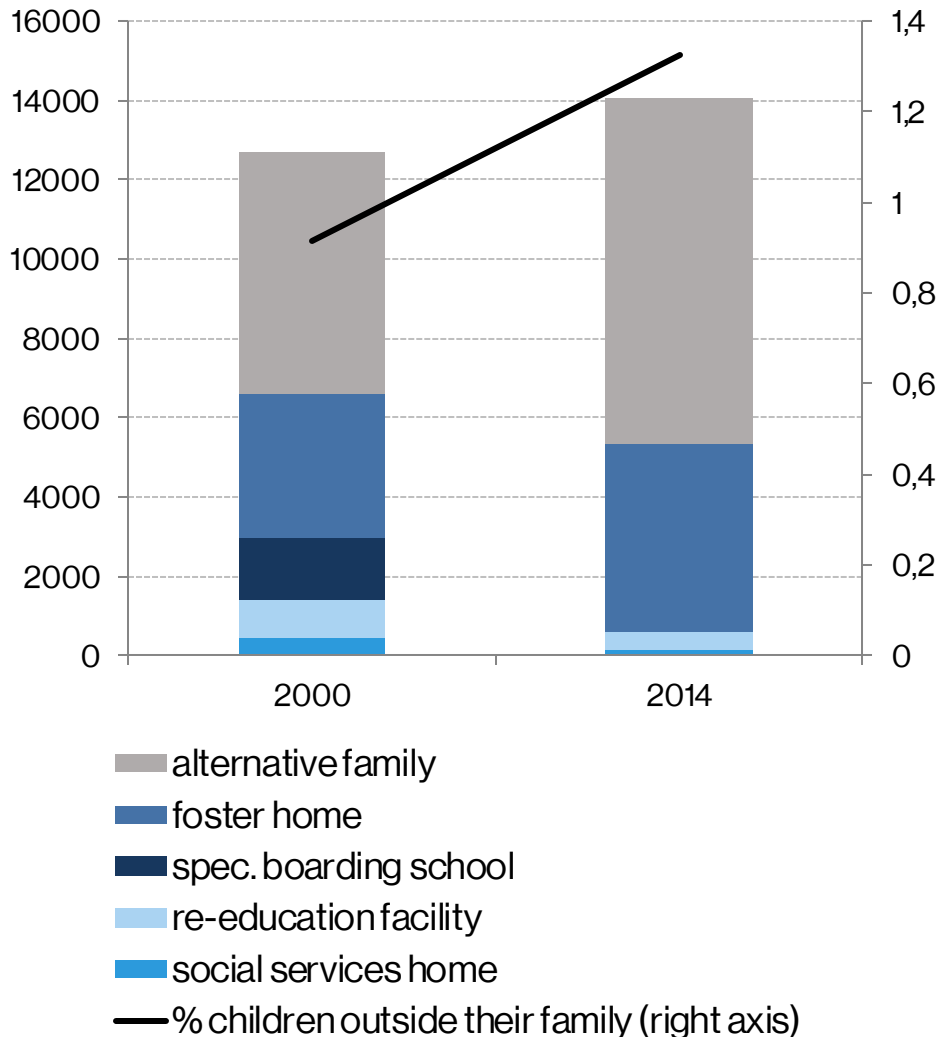


Source: Eurostat

I Social and legal protection of children and social curatorship

- 2015 expenditure 88 mil. eur
 - 63 mil. eur – state foster homes (12.4k eur/child/year)
 - 11 mil. eur – non-state foster homes and other facilities
 - 13.6 mil. eur – alternative personal care
 - 1.1 mil. eur – prevention (NGO-s)
- 21.7k children from 15.4k families - new cases in 2015, 70.1k children with measures carried out in 2015, 345.6k children in the evidence
- 1 438 court decisions placing children in a social protection facility in 2015 (1123 in a form of interim measure)

Children outside their families



Source: UPSVR

Reasons for allocation of children to foster homes:

- Neglect of care
- Inability to take care
- Child's behavior disorders
- Child left-behind
- 2015: 224 children newly available for adoption
- 663 children newly allocated to foster homes
- in 2015, 861 ended-up care

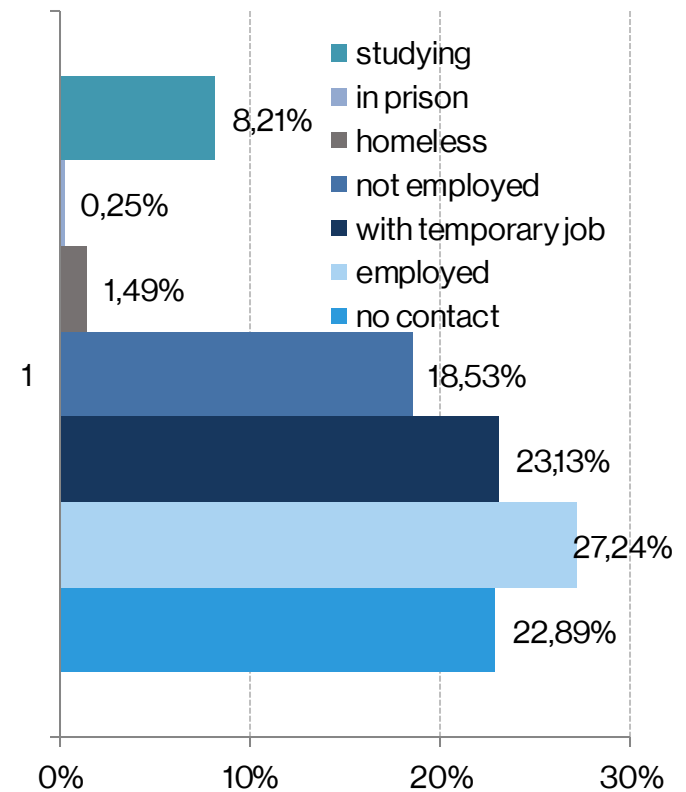
Cooperation with families in problems

- Sanation in 467 families – 303 children were placed in social facilities – 68 came back to their families (22% success)
- Educational and social group programmes with child and its family: only about 8% of parents take part
- In average, 2/3 of children in facilities visit their family once a year, each child receives a family visit in the facility twice a year
- About half of clients end-up resocializing programme preliminary (197)

How to measure success of alternative care?

- Success of interventions (re-socialization, improvement of child behavior, life „after“)
- Comparison of facilities for social protection of children (DEA)
- By costs of field social workers/foster care/professional family/foster home

Life after the foster home

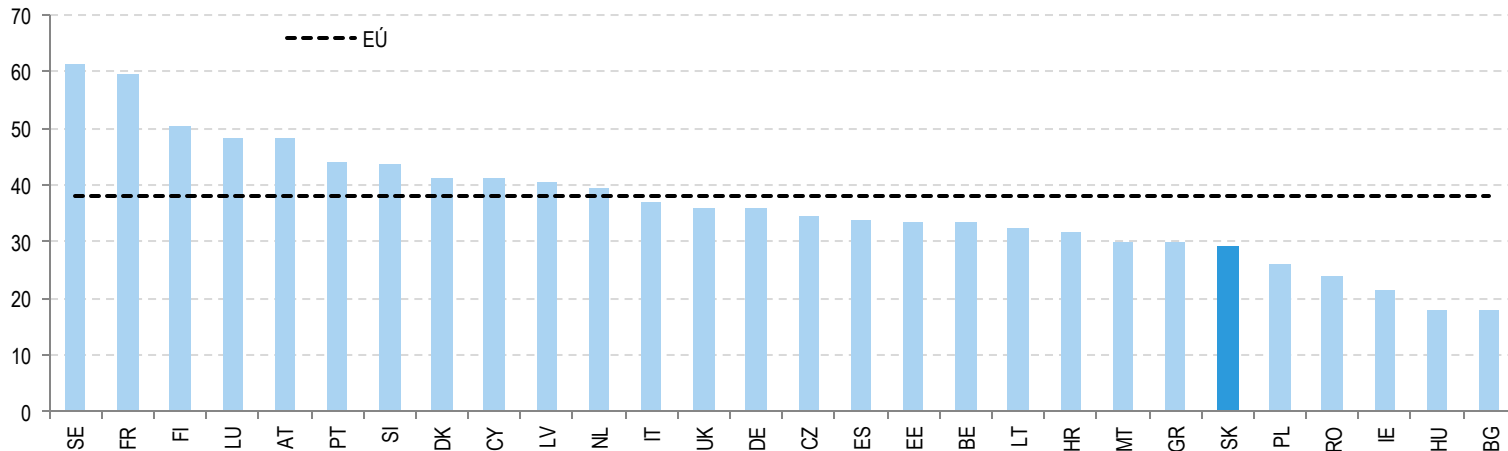


Source: UPSVR

I Support for disabled

- Compensation of social effects of disability (227 mil. eur in 2016)
- Disability pensions (913 mil. eur in 2015)
- ALMPs

Unemployment rate of people with constrains at work, 2011 (%)

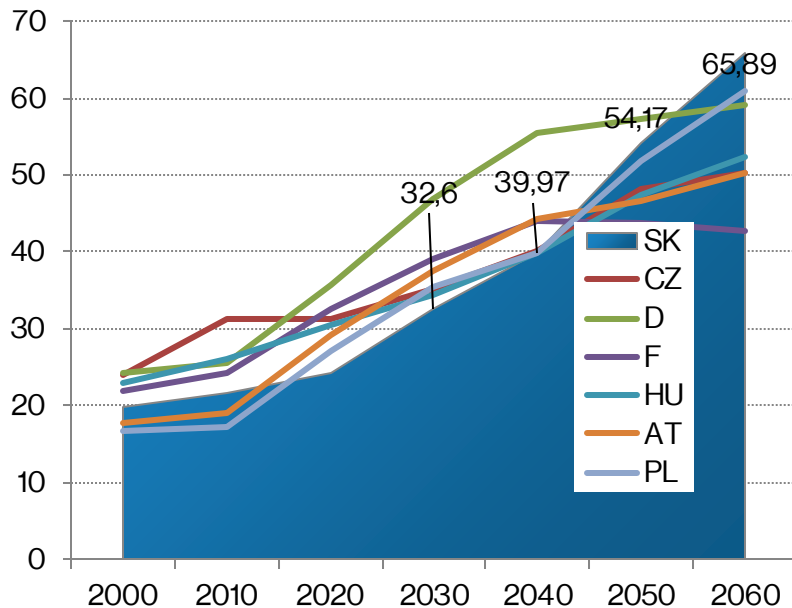


Source: Eurostat

Long term care

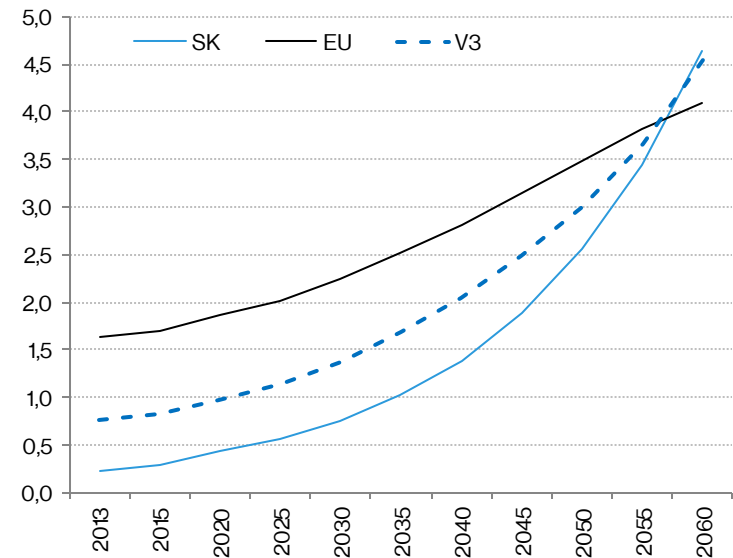
- 30k long term disabled in facilities of social services in 2013 (public spending 1000 eur/person/month)
- Contributions for informal care givers – 100 mil. eur yearly (60k of care receivers)

Ageing - population 65+ / 15-64 (%)



Source: Eurostat

Costs of long term care for elderly (% GDP)



Source: EC Ageing Report 2015

I Long term care

- Currently divided into health and social care without coordination
- Poor data collection

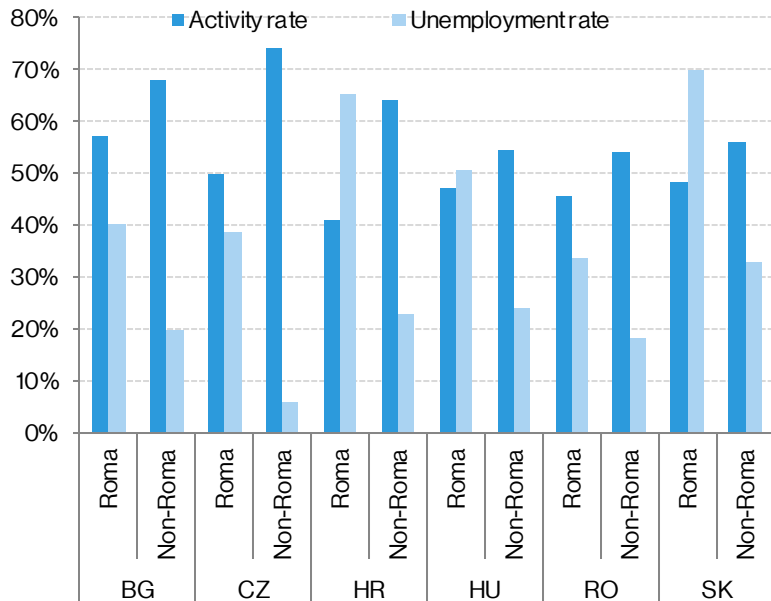
Challenges:

- Coordination of state & municipalities
- Improvement of governance framework
- Definition of responsibilities (one institution)
- De-institutionalization of care

I Socially disadvantaged communities

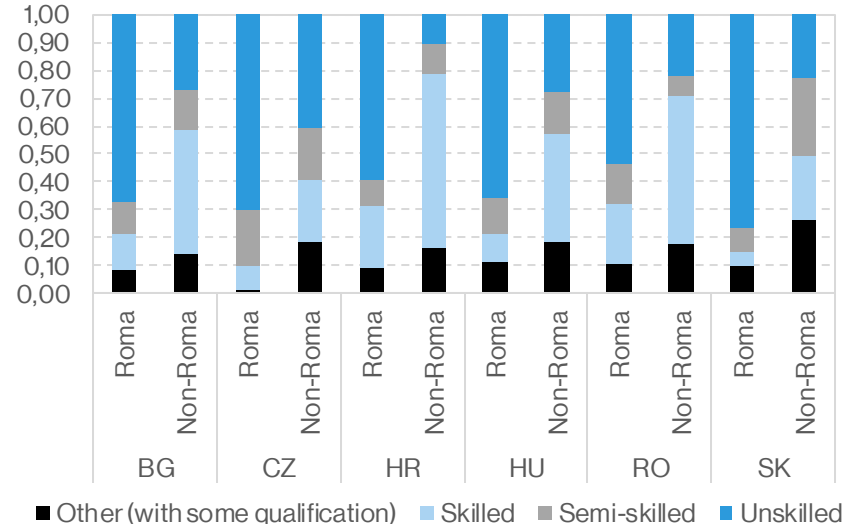
- ALMPs, trainings – already in Pilot 1
- Increase opportunities for integration to labor market – already in early age – in connection with education

Unemployment and activity rate (%)



Source: UNDP-WB-European Commission regional Roma survey 2011

Qualification (%)



Source: UNDP-WB-European Commission regional Roma survey 2011

I Homelessness

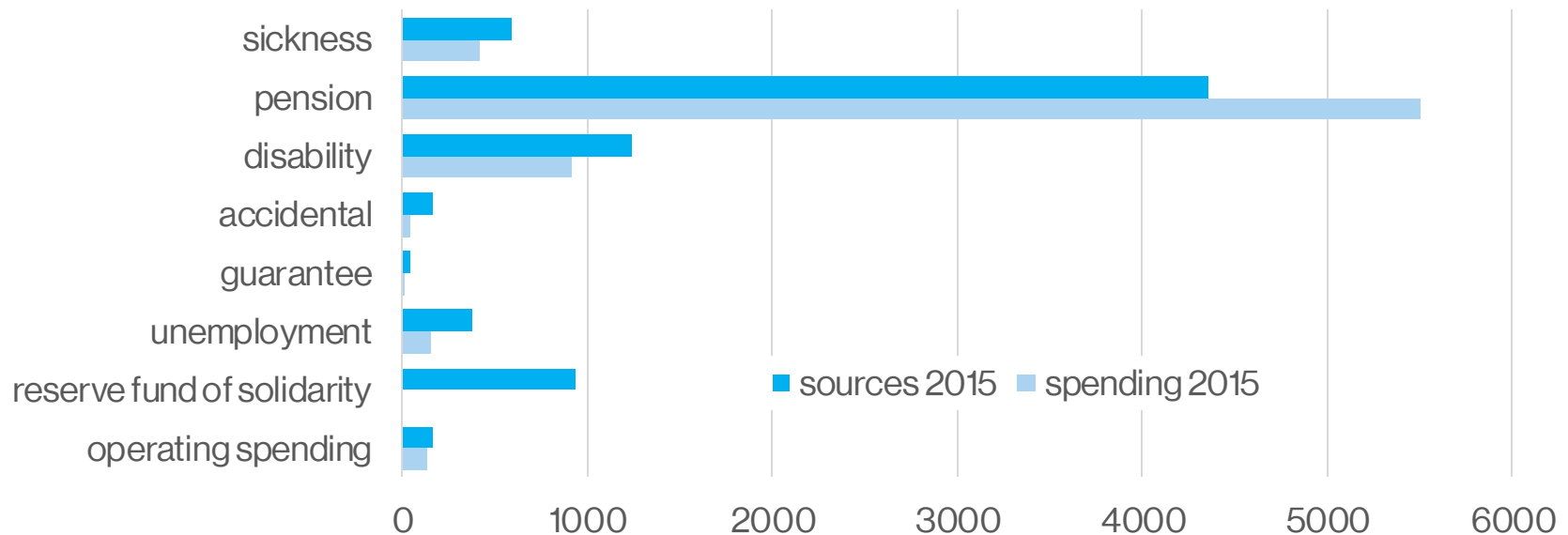
- Amendable mortality
- Potential to raise value significantly (costs as well?)
- Only about 20% of homeless use social services
- Estimated 10-15k in Slovakia (first thorough homeless census in Bratislava in 2016 – data to come)
- How to assess costs of homelessness? Lost GDP per capita (/minimal wage) ?

I Social insurance expenditure

in mil.eur	2014 R	2015 R	2016 B	2016 ER	2017 D	2018 D	2019 D
TOTAL, of which	6 960	7 176	7 306	7 303	7 615	7 798	8 037
Total insurance, in which	6 822	7 035	7 184	7 171	7 492	7 675	7 914
Sickness insurance	381	415	441	457	509	543	578
Pension insurance	6 242	6 414	6 546	6 506	6 780	6 942	7 157
Unemployment insurance	155	159	147	160	153	137	124
Accidental insurance	45	47	50	48	50	53	56
Guarantee insurance	14	13	16	16	17	17	17
Operating expenditure	124	129	106	116	106	106	106

Social insurance funds

- Structural surpluses in accidental, guarantee and unemployment funds are donating pension fund
- Inconsistency and non-systematic conditions in pension system
- Current proposal: annual settlement of social insurance payments (estimated of impact + 70 mil. eur contributions for SP, - 4 mil. eur on PIT, - 4 mil. eur on CIT, - 3,5 mil. on PIT for municipalities)



Source: SP

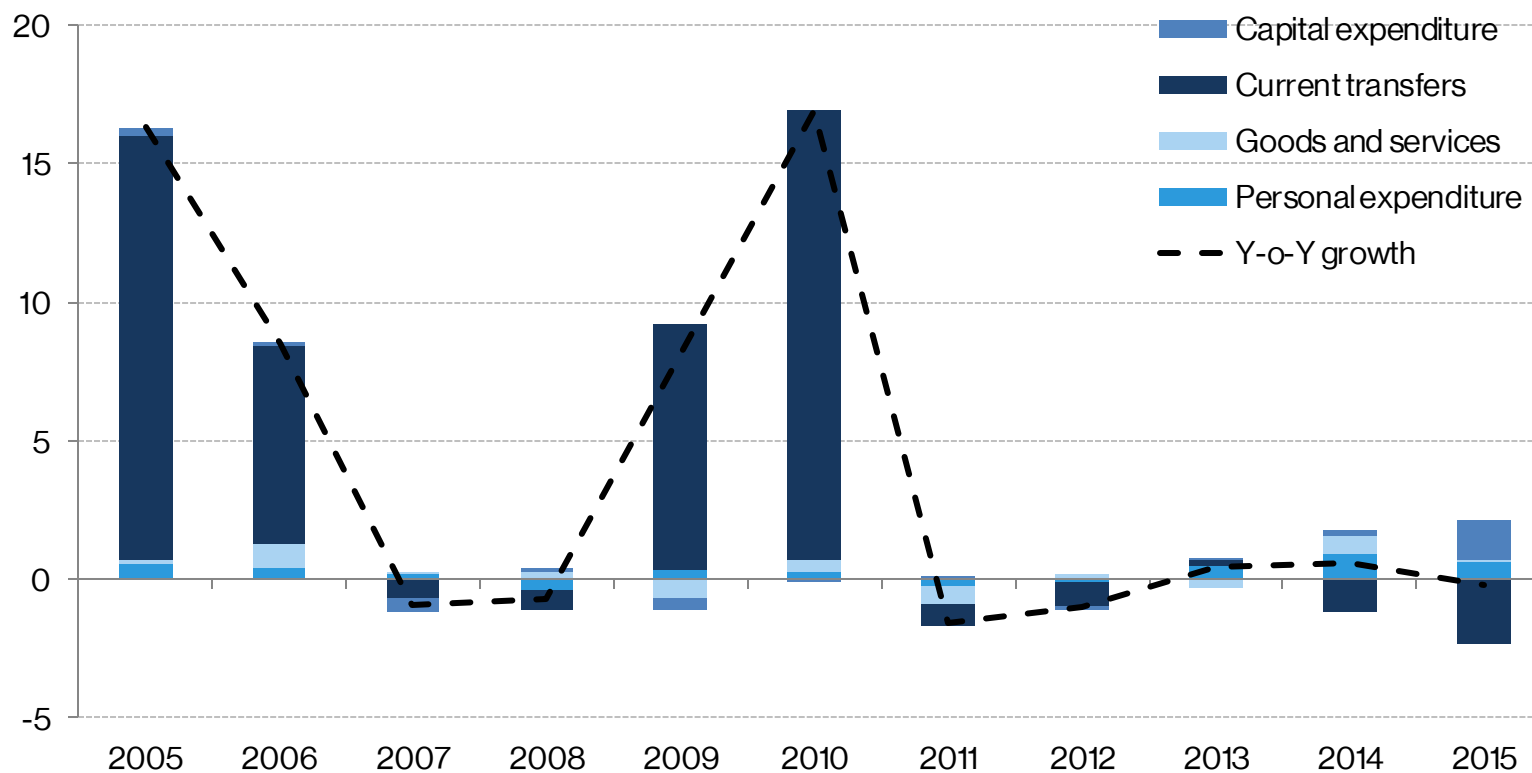
I Operating costs – MPSVR + ÚPSVR

in mil. eur	2014 R	2015 R	2016 B	2016 ER	2017 D	2018 D	2019 D
Institutional support	167	173	151	184	158	157	157
MPSVR SR	19	22	24	29	15	15	15
ÚPSVaR	132	137	113	141	129	128	128
Labour inspection	10	11	11	12	12	12	12
Other	6	3	2	3	2	2	2
IT	0	0	0	0	17	19	18

- IT costs budgeted as separate category since 2017

Operating costs – ÚPSVR + labour offices

Contributions to expenditure growth of ÚPSVR (%)



Source: RIS

Operating costs – ÚPSVR + labour offices

- Capital expenditure – large IT investments in 2015
- Did they bring decrease of operating costs and raised space for individual counselling?
 - To check goods and services spending of 2016
 - Change of structure of labor offices employees – shift from back to front office

I Operating costs – Social Insurance Agency

Mil.eur	2014 R	2015 R	2016 B	2016 ER	2017 D	2018 D	2019 D
Operating fund costs	124	129	106	116	106	106	106
Sources	146	167					

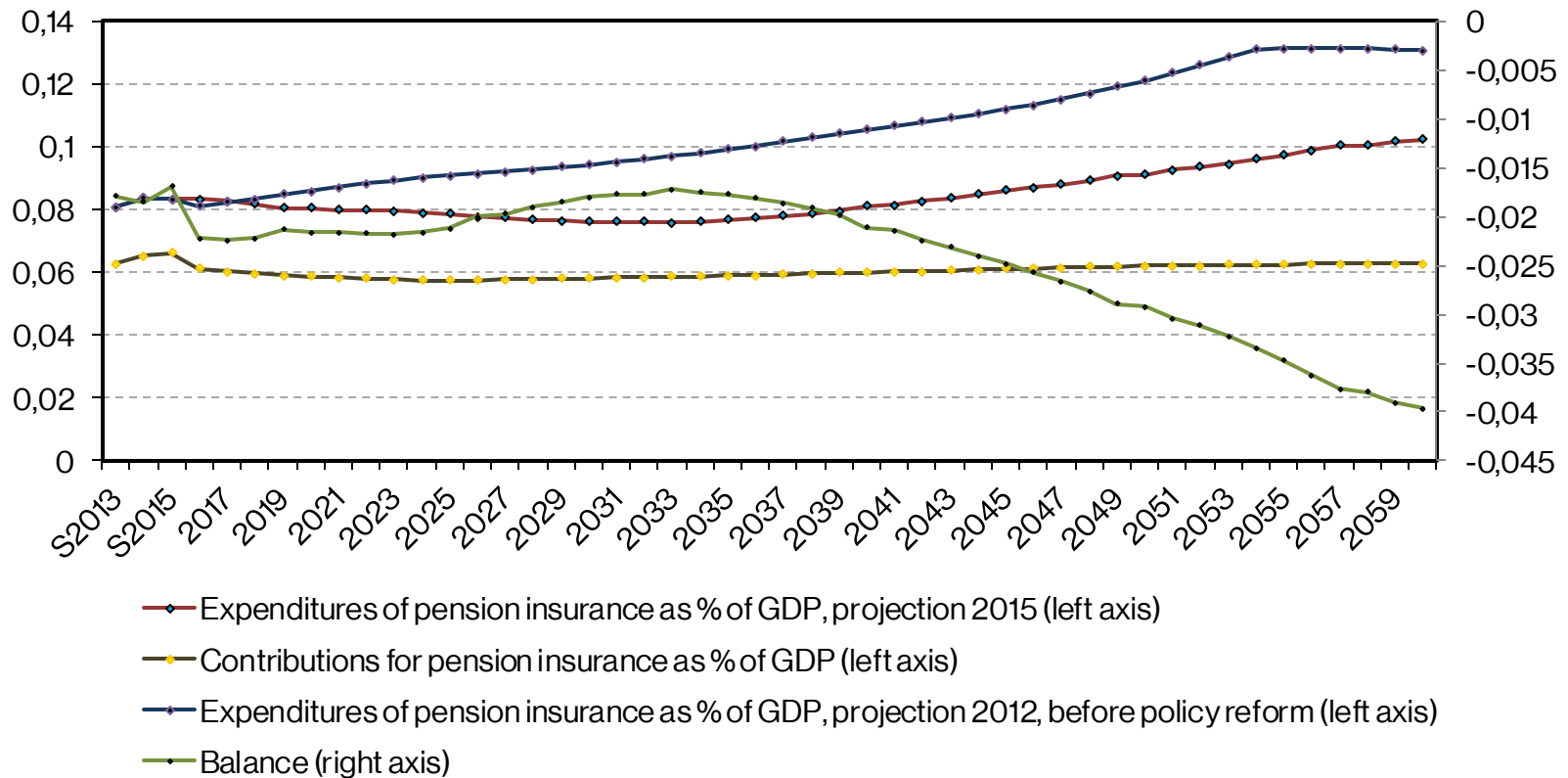
Efficiency assessment:

- Operation, local branches comparison (DEA with input minimalization/simple benchmarking)
- CBA of IT system investments

I PAYGO deficits projected to rise

- Legislation changes in 2012 improved fiscal sustainability but long-term risks persist

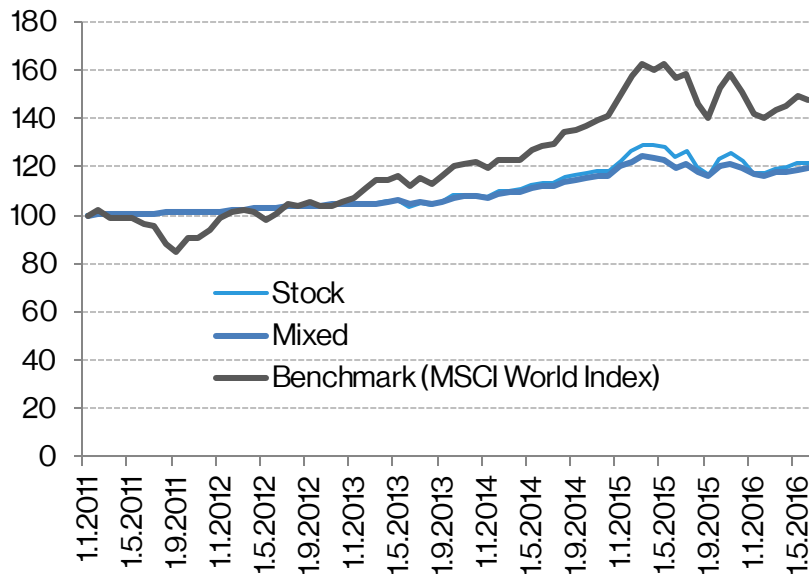
Contributions and expenditures for pension insurance until 2060



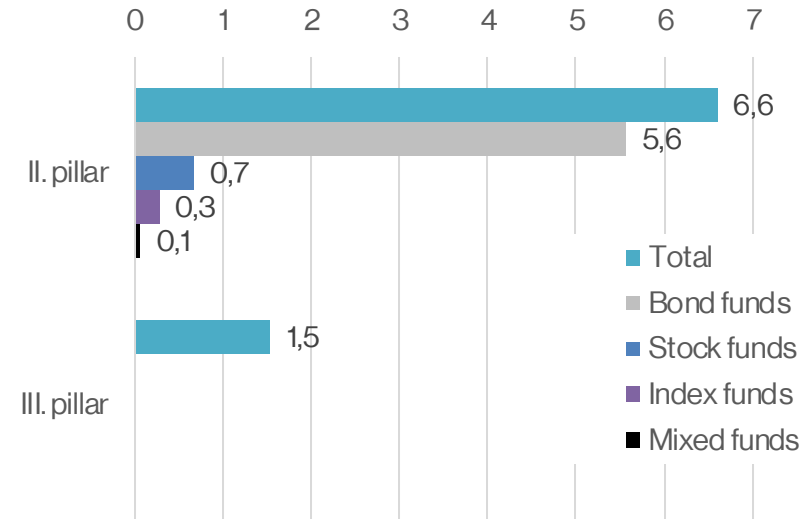
I PAYGO deficits projected to rise

- Tax reliefs for voluntarily savings – are they effective at lowering the risk of dependence on state in future?
- Poor yields but lower volatility compared with benchmark

Cummulative yield of funds (%)

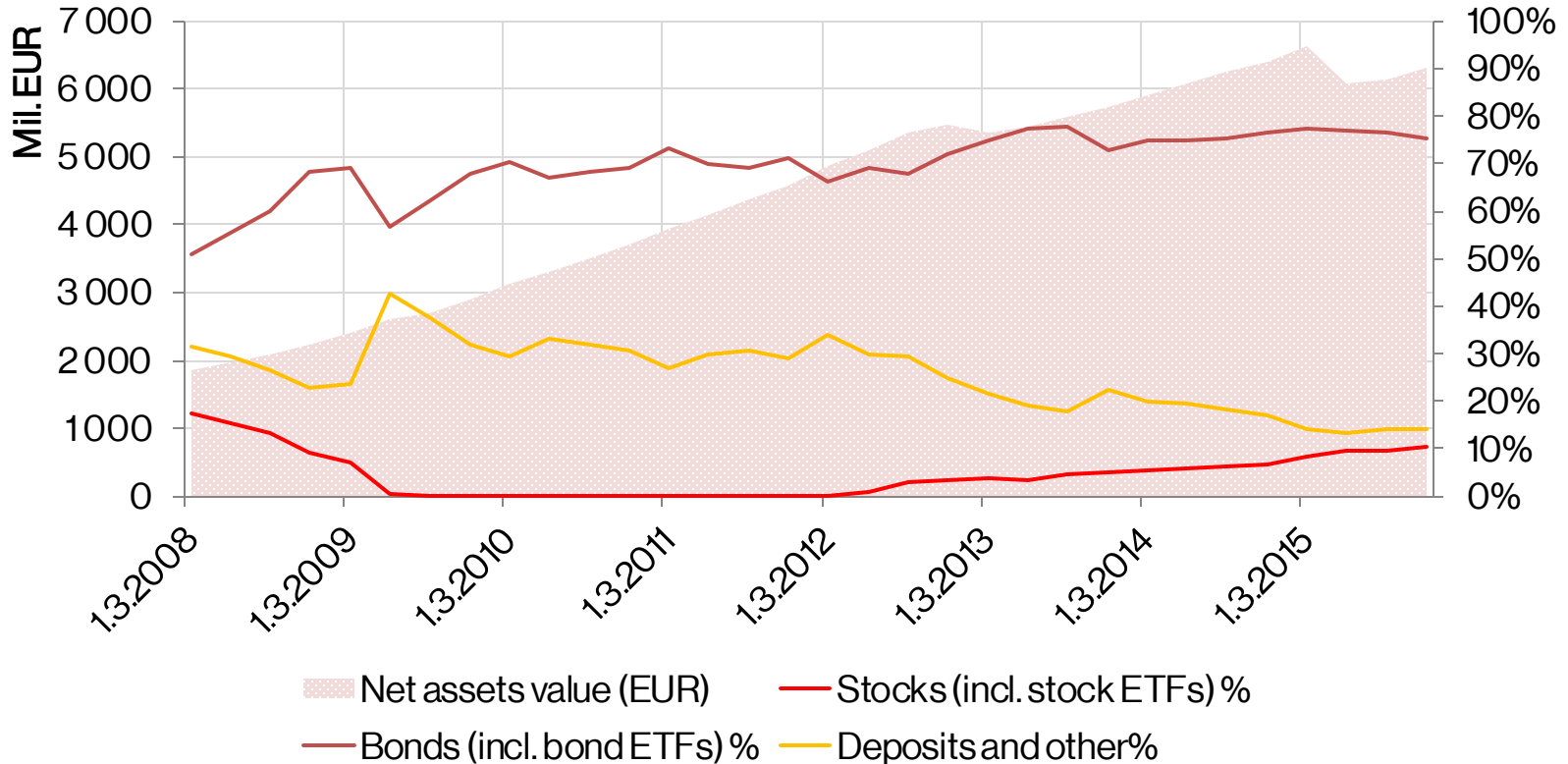


Net asset value of savings (billion euro)



I Changes in asset types in II. Pillar driven by changes in legislation

Pension funds assets by asset class - II. pillar





Thank You for attention.

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