Social Protection Floors as an Investment
(in Central and Eastern Europe)
MILOSĽAV HETTES

Social Protection Floors – Regional and International Experiences
International Expert Workshop, Tbilisi, Georgia, 30 October 2015
1) SOCIAL INCLUSION RHETORIC by the European Union without delivery is counter productive in terms of the EU’s own legitimacy. We must be clearer on what social inclusion means in practice, and how member states can deliver it.

2) Universal access to social services is a basic feature of the European social model, and should enjoy greater prominence in a social investment strategy, with access to quality child-care a prime example.

3) Considering a European policy on the overall quality of minimum income protection, with minimum wages, social benefits, minimum income protection with reference to the economic development of each EU country.
SOLIDARITY OR AUSTERITY

- **Peoples live** almost **without** intergenerational and regional **solidarity**, the growth of dependent not active population and increasing share of poor people (also children) threaten the social welfare and guaranteed social rights of the future generations.

- **Social security** schemes are **jeopardized** by cost saving steps that threaten future sustainability of decent life. According to OECD each one year more in expected length of living advances GDP by 4 %. 1% growth in unemployment means 0.8% growth in suicide.

- **Austerity measures** results in the **rise of social insecurity**. Sustainable cost saving measures without pro-future oriented investment is not way how to guarantee sustainable decent life in region.
GLOBALIZATION (APARTHEID)

Region is influenced by globalization, Europeanization, ageing and weaken national state, free international mobility (people, values, troubles...). Rapidly is changing the role and type of family in society.

Unemployment, previously rare is now “standard” situation. Possibility of social aid has changed into right to social protection (2012).

Wealth and health of nations is frequently measured by life expectancy and by income.

Generally rich becomes even richer and poor people are poorer. We can speak about parallel living of them (APARTHEID). Important part of society does not have enough adequate feeding, accommodation (homelessness), access to basic services etc.
RICH EUROPE?
FAIR SOCIETY FOR ALL?

Miloslav Hettes, ICSW Slovakia
SOCIAL COHESION?
EUROPEAN GENEROSITY (couple with two children)

Source: MISSOC data base for MI amounts, EU-SILC data for median equivalised income, calculations Pena-Casas et al.
WHERE YOUR COUNTRY BELONGS?

Minimum income schemes (MIS) in terms of relative generosity:

1. High level of generosity (over 50%): Denmark.
2. Medium-high level of generosity (40-50%): Austria, Belgium, Ireland, Iceland, Lithuania, Luxembourg, Macedonia, Netherlands.
3. Medium-low level of generosity (30-40%): Cyprus, Germany, Spain, Finland, France, Malta, Norway, United Kingdom.
5. Very low level of generosity (under 20%): Bulgaria, Latvia, Poland, Slovakia.

Countries with low to very low levels of generosity are all countries of Central and Eastern Europe, except Portugal and Sweden.

In these countries a considerable effort is needed to bring their MIS to an adequate level.

Miloslav Hettes, ICSW Europe
INABILITY TO AFFORD PROPER FOOD

Figure 4: Inability to afford a meal with meat, chicken, fish or a vegetarian equivalent in 2010 and 2011 (% of total population)

Note: EU-27 Eurostat estimation; data not available for IE in 2011

Source: Eurostat (online data code: ilc_mdex03)
WEALTH DISTRIBUTION – FAIR SOCIETY?

Top 1% share of income in the United States
GDP GROWTH OR HAPPINESS

Wishing you growth or happiness? Discussion within society about future orientation only on profit of selected part of society (GDP) or harmony and decent sustainable life of all (GDH)

Supporting of social development, which is not luxury – but condition of sustainable decent life is not generally accepted in daily policy. Social development financing as investment into future is not present in national programs.

ILO conditioned further economic development by suitable social protection.

Region suffers from social injustice and greedy of better of minority.

Do we need health? Due to austerity measures in social spending results in bad health situation in all four countries
AUSTERITY AND HEALTH

CORRUPTION IN PUBLIC FUNDS DISTRIBUTION
(1 frequently - 7 never)
WHAT DOES SCARE US?

- Slovakia is giving “nothing” into active labour policy from its own budget and even there are missing staff-members in labour offices.

- Weak social investment in Slovakia, Czechia, Poland and Hungary results in low employment rate. It looks like, that governments do not have real interest in solving the unemployment problem.

- Unemployment scares people the most of all. (64% of Slovak people feel fear of being fired).
UNEMPLOYMENT JULY 2015

Unemployment rates in July 2015, seasonally adjusted.
FLEXI(\textit{NOT-SE})CURITY?

Share of unemployed (less than 1 year) who receive unemployment benefits

Source: Eurostat, LF5

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ACTIVE LABOUR POLICY SPENDING

Figure 5: Spending on active labor market programs per unemployed (% of GDP/capita)

Source: OECD Labor Market Policy Database. Staff calculations.
Four Decades of Shortchanging Workers

What's driving income inequality in America? The Economic Policy Institute has just spotlighted one key factor: Real returns from the economy's growing worker productivity are no longer going to America's workers. Between 1949 and 1979, U.S. worker productivity more than doubled, and wages nearly doubled as well. Since 1979, worker productivity has increased over eight times faster than wages.

The disconnect between productivity and typical U.S. worker’s compensation, 1948–2013

U.S. worker productivity

U.S. worker hourly compensation

Source: Economic Policy Institute, August 27, 2014
SOCIAL INVESTMENT IMPROVES EMPLOYMENT

Social spending and employment rates (2010)

\[ y = 1.6912x + 56.03 \]

\[ R^2 = 0.3821 \]
LONG-TERM UNEMPLOYMENT

Chart 30: Long term unemployment in the EU Member States, 2008q2 and 2010q2

Source: Eurostat, EU LFS. Data non-seasonally adjusted.
AGEISM

- Rate of unemployment differs among age groups. Young people think that the fault is on the elderly side (ageism).

- But average exit age from the labour market in Slovakia, Poland and Hungary is as early as 58 – 59.
EARLY JOB LEAVING

Figure 3.3: Average exit age from the labour force in EU Member States, 2009(1) (years)

Source: Eurostat (online data code: lfs_i_exi_a).
(1) Weighted by the probability of withdrawal from the labour market; estimates.
AGEISM MYTH OF EMPLOYMENT

Percentage of 55-59 year-olds and 20-24 year-olds in employment, 2009

Employment rate, 55-59 year olds, per cent

Employment rate, 20-24 year-olds (%)
Employment in human health and social work has important role in labour market balance keeping during the period of crises.

We can compare their rates in the years 1995 and 2011. Slovakia, Poland, Czechia and Hungary have unused capacity in this sector and in Slovak case, the share even drop down (?).
UNUSED CAPACITY

**Chart B1: Employment share for human health and social work activities**

*Source: DG EMPL calculations based on Eurostat, National accounts [nama_nace21_e].*


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CHILDREN

- European countries suffer from low fertility rate.

- Birth of child is frequently accompanied by worsening of standard of living.

- Many mothers do not have chance to use preschool utility and this resulted in low employment of women.
NO CRÈCHE – NO EMPLOYMENT

Figure 6: Higher access to childcare leads to more women in employment

Employment rate of women 20-49 with young children and share of children 0-3 years old in formal childcare (2010)

\[ y = 0.5214x + 47.326 \]
\[ R^2 = 0.504 \]

Note: For a child to be considered as being in formal childcare, at least one hour per week of formal childcare is required.

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LESS PEOPLE, MORE POVERTY

- Growing share of older people accompanies change that is real challenge – it is early total shortage of labour power, as result dying off. Some countries have already started to buy missing labour force.
- Every 4th person in Europe is now in risk of poverty. Each 5th Slovak citizen cannot afford standard food, in contrary to surpluses.
- Middle class decreases in Slovakia, Czechia and Poland, with opposite in Hungary.
INCOME

- We need **guaranteed basic income**.
- But why do we not have accepted idea of socially and ethically acceptable – maximum income?
- **Social protection floor** will be useful in Central European countries as well.
- **Wage polarization** is growing rapidly in Slovakia, Czechia and Hungary and opposite is in Poland.
DIFFERENCES

- Slovakia (Eurostat) - higher income per capita (PPS) than Czechia, Poland or Hungary.
- Lastly SK has got more GDP per capita than Greece and Portugal.
- Slovakia - economic power 76 % of the EU average, but wages reached only one third of EU average.
- The costs of labour force in Poland, Hungary, Slovakia and Czechia are low.
FAIR REWARD?

Hourly labour costs for the whole economy in €, 2012

Enterprises with 10 or more employees

- Wages & Salaries
- Other costs

* Based on a Eurostat estimate for the 4th quarter of 2012. Only the total level is estimated.
REGIONAL SOLIDARITY

- Bratislava Self-governed Region – is on 5th rank as for the economic strength (GDP per capita). Prague (7).
- Missing balanced regional development and solidarity.
- Bratislava region overrun Vienna either Stockholm region.
- The worst regions (Bulgaria, Romania, Poland, Hungary.)
## REGIONAL COHESION

### GDP per Capita, 2011

#### Regional GDP per capita in the EU28 in 2011

*(in PPS, EU28 = 100)*

<table>
<thead>
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<th>Rank</th>
<th>Region</th>
<th>GDP per Capita</th>
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<tr>
<td>2</td>
<td>Luxembourg (LU)*</td>
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<tr>
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<td>Bruxelles-Cap. / Brussels Hfdst. (BE)*</td>
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<td>4</td>
<td>Hamburg (DE)</td>
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<td>Salzburg (AT)</td>
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<tr>
<td>20</td>
<td>Bolzano / Bozen (IT)</td>
<td>147</td>
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* Capital region

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1. Miloslav Hettes, ICSW Slovakia
1. **High unemployment is in reality basically artificial.** Publicly useful work is demanded everywhere. We are missing paid employment, not work.

2. **Neglected is health**, security, nutrition, services etc. Weak purchasing power of people resulted in low demand for additional production and services.

3. Unemployment is accompanied by **family disintegration, crimes and suicides.** People are afraid off unemployment, therefore work for laughable wage.

4. **Minimum wage** is in SK contradictory with international obligations. Double increase of wages will not remove discrimination. This could increase demand for services, for new products and new workers.
SOCIAL PLATFORM REQUESTS

1) **Adequate minimum income** schemes of at least 60% of national median income to protect people against poverty across the life cycle, linked to reference budgets that capture real needs in relation to access to goods and services.

2) **Adequate minimum wage** has to be set higher than adequate minimum income and with a minimum threshold of at least 60% of national median wage.

3) **Common standards for unemployment benefits** set at a level above adequate minimum income. Wide coverage must be ensured to avoid the exclusion of people who have not yet worked or have only worked for a limited period.

4) **Rights-based** and **non-discriminatory access** to quality, inclusive and affordable social, health, education and lifelong learning services, recognising that investment in such services also have a high potential for job creation.
WHAT IS SOCIAL PROTECTION FLOOR?

- **Social protection** is a set of policies and programs that are designed to provide social security on a broad basis. It is recognized by international labour standards and by the United Nations as a basic **human right**.

- **Social Protection Floor** (SPF) is the first level of a comprehensive national social protection system. It guarantees access to essential services and security transfers.
SOCIAL PROTECTION FLOOR

The Social Protection Floor in the overall national Social Protection Architecture

Voluntary Insurance

Mandatory social insurance/social security benefits of guaranteed levels for contributors

The Floor: Four Essential Guarantees

1: Access to essential health care for all.
2: Income security for children; the elderly; disabled; people living in extreme poverty
3: Education for all
4: Access to clean water; sanitation; housing; food security

Individual Household Income
SOCIAL PROTECTION FLOOR

Figure 3: Two-dimensional strategy for the extension of social security

- Voluntary insurance under government regulation
- Social security benefits of guaranteed levels
- Basic social security guarantees: Access to essential health care and basic income security for all

Outcomes can be guaranteed through different means – there is NO-ONE-SIZE-FITS-ALL

Guaranteeing access to essential health care and minimum income security for all, guided by Recommendation No. 202

Source: ILO (2012)
SOCIAL PROTECTION FLOORs?

- As each individual country has differing existing structures and needs,
- Social Protection Floors (SPFs) are country-led approaches, based on existing framework of country needs, structures, objectives, dynamics, and priorities.
SOCIAL PROTECTION FLOOR IN SHORT

1) **Universal**: It includes everyone.

2) **Rights based**: Enshrined in the Universal Declaration of Human Rights.

3) **Nationally owned** and designed.

4) **The first step** in an ongoing process – not a ceiling.

5) **Affordable** by all countries.
DO WE NEED SPF s IN EUROPE?

1) The ILO’s recommendation 202 (2012) has engaged an innovative action to enable states and citizens to act in order to establish such floors.

2) Agreement still needs to be reached as to the meaning of this concept within the EU, where social protection systems have already reached a certain level of completion.
SOCIAL SECURITY IN THE WORLD

1) The ILO estimates that approximately 80% of the world population live without adequate income security or access to medical care.

2) Only 49 countries (mainly European) have ratified ILO Convention 102 on Social Security (minimum standards).

3) The crisis that started in 2008, changed this mind-set and the international community focussed its goals on an increased social protection.
SPFs IN EUROPE?

1) International groundwork led to the adoption of the Recommendation in 2012 establishing the concept of Social Protection Floors.

2) National social protection floors should comprise at least four earlier mentioned social security guarantees, defined at the national level.

3) The Recommendation recognizes the primary responsibility of the member State in giving effect to SPFs.

4) Concept of a “Social Protection Floor” needs to be examined in the context of the current situation in the EU.
MEMBER STATES COMMITMENT

1) The adoption of Recommendation 202 by all EU delegations at the ILO Conference is justified by the social situation, especially since the crisis. Not all European citizens benefit from the social protection floor.

2) EU bodies must remind member states that they have a commitment to keep the social protection floor defined nationally, with its content, level and funding depending on the authorities in each country.

3) EU bodies tend to consider SPFs more as safety nets that redress the marginal imbalances of a mainstream market-based approach.
SOLIDARITY BASED SPF

1) Adoption of a lowest common denominator is unacceptable. Principles of solidarity and not-for-profit, rather than on market principles are acceptable.

2) Establishment of national SPF should not be impeded by EU policies dominated by considerations that are too narrowly financial in nature, failing to take into account the major objectives of Agenda 2020 in terms of employment and the fight against poverty.

3) Europe remains an area where social rights have been supported at a high level over the decades but too much “targeting”, too many conditions, needless proofs, defective automation, etc. end up corrupting even the best systems.

Miloslav Hettes, ICSW Slovakia
MINIMUM WAGE/INCOME

1) Universal social cover is an essential element of SPFs. **Not all EU citizens** have access to this yet and some no longer have access

2) **Employment income no longer** allows a large number of Europeans to live decently. There is no option but to advocate the adoption in each EU country of an interprofessional minimum wage, set taking into account local economic factors.

3) For persons of working age who cannot work due to disability or unemployment, **systems to guarantee a minimum income** are also required.
GLOBAL COALITION FOR SPF´s

1) Global Coalition for SPF's - COALITION OF MORE THAN 80 CIVIL SOCIETY (ICSW) and trade union organizations, promotes social protection floors as key instruments to achieve the overarching social goal of the global development agenda.

2) COALITION subscribes to the fundamental goals of social justice (ILO Constitution and the Declaration of Philadelphia, Articles 22 to 26 of the Universal Declaration of Human Rights).

3) COALITION wants the human right to social security, defined at least as guaranteed basic income security and access to essential health care, to be realized by 2030 – the next target date for the global development agenda.
1) **WELL-DESIGNED SOCIAL PROTECTION FLOORS** - reduce inequalities and proactively enhance **gender equality**, because social protection guarantees have multiple and interconnected beneficial effects which can cause a virtuous circle.

2) Better **education** leads to better work life; access to **health care**, **nutrition**, **water** and **sanitation** maintains people in good health, and leads to more sustained **employment**; access to **housing** fosters stability, civic **participation** and access to the **social service system**; assistance for women when **childbearing** enhances their prospects for **fulltime work** and a more consistent work history; lowered **unemployment of youth** leads to better lifelong work prospects and so on.

3) **WELL-DESIGNED SOCIAL PROTECTION FLOORS** serve as economic and **social stabilizers** in times of crisis and should never be compromised in times of fiscal crisis.
1) **MOST FUNDAMENTALLY** - SPFs can advance the **right** for all people to **participate** in the well-being and welfare of a society, to seize opportunity, and to contribute to the development of their society. The underlying concept of social protection floors **invalidates any criticism levelled that it is founded on a principle of charity and encourages dependency**. Persons excluded from a society cannot contribute to that society. **Inclusion** in society is the only means to the **full enjoyment** of all human rights and fundamental freedoms.

2) **GOAL**: universal social protection floors  The Global Coalition for SPFs holds that the **two-dimensional strategy** of the Recommendation:

- extending basic social security guarantees to all and,
- ensuring improved quality of protection

has to be adopted as a guide in developing an overarching social protection goal for social development in the framework of the post-2015 development agenda.
Thank you for your time

მადლობა თქვენი ყურადღება

(madloba t’k’veni quradgheba)