Thematic analysis/diagnosis:
Social policy & pension system

Executive Summary

The purpose of this document is to lay the groundwork in the areas of social policy and the pension system that would be used to further generate the National Development Strategy 2022-2042. Taking into consideration the complexity and the characteristics of the given areas, we decided to format the analysis in a manner that directly addresses the key social risks in our society. The goal is to more accurately identify the current and to anticipate future significant social risks, to properly understand and contextualize the overall economic, political and development environment, and based on that to design appropriate responses to these challenges.

The conducted analysis identified distinct social disparities within our society. Thereby, the registered disparities in the individual indicators in the analyzed areas are beyond the acceptable limits and they negatively affect the social cohesion in the most direct fashion.

In the domains of poverty and social exclusion, we are witnessing a long-term unacceptable situation with high rates of poverty and social exclusion that undermines the foundations of the community. Although in the early years of the past decade we had a promising trend of poverty reduction, in recent years there is still an ongoing stagnation. According to the latest available data for 2019, as much as 21.6% of the total population lives below the poverty line, and as many as 39.9% in poverty or social exclusion. The situation is especially worrying among young people, where as many as 26.2% of them aged 15-29 are not employed or involved in education or training.

The reform of the key social compensation, i.e. the replacement of the social financial assistance, which for a long time showed low effectiveness with the new guaranteed minimum assistance (GMA), brought an extremely large increase in the number of beneficiaries of 53.9%. The projected enhanced activation of GMA users in the labor market is missing. The share of unemployed GMA beneficiaries in the total number of participants in active employment measures and programs is only 3.5%.

The social protection system is increasingly focused on developing and strengthening non-institutional forms of care for vulnerable categories. The number of beneficiaries of social services who are taken care at home, in the communities and other alternative forms of care and service provision is growing. Pluralism in providing social services is already yielding the first results. Significant progress has been made in deinstitutionalisation as well, but it must continue with the projected dynamics after a two-year hiatus caused by the pandemic. The process of decentralization of social protection is in a long-term stagnation.

The scope of care and education of children in kindergartens and centers for early childhood development in the last decade has seen visible, yet insufficient growth. Although the number of foster children in the period 2008-2019 has more than doubled, still only 28% of children are cared for within the system, which is far below the EU average parameters.

Investing in children from the earliest age should be the first development priority of the state and the society. In contrast, in our country the child poverty rate is as high as 27.8%. The ones most affected and with the highest poverty rates are large households (44.7%) and single parents (42.6%). Such figures are unacceptable and unsustainable because they most directly reduce the development potential of future generations, and thus of society as a whole. The activities undertaken for increased coverage of the child allowance and the introduced educational allowance are important steps in the right direction.

Old age and the numerous risks it carries will be evermore present and significant. The continuous growth of the share of the population over the age of 65, which is further accelerated by the intensive migration flows, creates a new social reality that requires a change of approach in many spheres of our life. The most important challenge remains how to ensure the financial sustainability of the pension system while maintaining the adequacy of pensions to ensure a dignified life. Although the number of insured persons has been growing in the last decade, the ratio of the average pension to the average net salary has stagnated, which increases the inequality and vulnerability of pensioners. At the end of 2021, the average paid pension was 53% of the average paid net salary. On the other hand, analyzing the movement of the poverty rate among pensioners, compared to all other status groups, we found the largest decline in this rate in the last decade, with the poverty rate among retirees being halved, while among the unemployed the rate dropped about 20%, and among employed persons by 11%.

The capacity for institutional accommodation of the elderly and the provision of long-term care is insufficient – they cover only 0.5% of the elderly population, while the scope and quality of social services provided at home and in the community is far from satisfactory.

The conducted analysis found that many of the necessary strategies and other program and planning documents relevant to the areas are either missing or delayed, leaving an impermissible gap in defining the approaches to the issues, the necessary prioritization and providing the necessary focus of the activities. Moreover, with rare exceptions, their implementation is partial, inconsistent, exposed to ad hoc interventions, followed by ambiguities and insufficient understanding and internalization of the goals among the immediate implementers, non-compliance with deadlines and insufficient transparency.

The contribution of these thematic areas to the development of the country is of paramount importance. Accurate identification, good understanding and proper addressing of social risks are crucial for maintaining and promoting social cohesion as the foundation of a sustainable society.

The preparation of the vision of the National Development Strategy, in the analyzed areas of social policy and pension system, is most appropriate to be projected as creating conditions for socially inclusive and balanced development of the country; a development that is sensitive to social inequalities and the growing polarization that arises from them, and whose objective is to raise the quality of life of all its citizens.

In this context, a key strategic goal in the analyzed areas is to ensure greater social cohesion through precisely defined long-term priorities with properly designed target values and dynamic plans for their implementation in the domains of poverty reduction and social exclusion, improving the coverage and adequacy of social and child protection, development of social services and their contextualization in economic development and increasing employment rates of vulnerable groups, radically increasing the scope of care and education of children in kindergartens and centers for early childhood development, ensuring the sustainability of the pension system and transformation of the society towards greater responsiveness to the growing elderly population.