

Efficiency of Social Policy in the Czech Republic: Threat of Poverty

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Abstract: The dynamic development of today's world is the cause of many changes in the functioning of society as a whole. The covid-19 pandemic affected virtually every country in the world, and related government action resulted in an economic downturn and disruption of supply chains. The economic situation and the decline in living standards have led to an increase in social spending. However, the social system and implemented government measures may not always respond effectively to current developments. The reason may be not only the administrative and bureaucratic burden, but also the time lag in the effects of these measures, or their poor focus. This paper focuses on the development of paid benefits for material needs in the Czech Republic - these benefits are an example of social support for the population who is at risk of poverty or social exclusion the most. This paper aims to analyze the development of the volume of benefits paid for material needs in the Czech Republic in the context of the development of people living below the poverty line in the period from 2016 to 2021. It was found that the volume of benefits paid for material needs does not affect the proportion of people at risk of poverty. Higher social support during this period did not lead to a reduction in the proportion of people at risk of poverty.

Keywords: poverty; allowance; social benefits; social expenditures

JEL Classification: B55; E71; H55

1. Introduction

The covid-19 world pandemic has significantly affected the economic situation of representatives of all walks of life. Many people felt the impact of government measures, which led to a significant change in their socioeconomic situation and behaviour (Eikhof, 2020). A significant proportion of people had a reduction in their regular financial income and were thus dependent on state aid. The social policy of the state plays an important role in supporting the lowest social stratum of society, which is affected by the current economic events the most (Aidukaite et al., 2021).

Social security is one of the tools of social policy, through which assistance is provided to citizens at social risk. These are so-called social events, which are known by law and with which the law associates the creation, change or termination of rights and obligations, which can be used to prevent, mitigate or overcome the life situation caused by such an event. (Krebs, 2005). These social events are illness, unemployment, damage to health and disability, accidents at

work and occupational diseases, old age, maternity, parenthood and the death of a breadwinner (Tröster, 2013).

Generally, social security institutions consist of three interconnected systems – social insurance, state social support and social assistance (Krebs, 2015). The subjective right to social security is one of the social rights. Their fulfilment guarantees the dignity and free development of a person's personality. In the Czech Republic, social rights are defined in the Charter of Fundamental Rights and Freedoms in Title IV (Tröster, 2013).

The Czech social security system has an insurance and non-insurance character. The non-insurance system includes state social support benefits, assistance in material needs, social care benefits and foster care benefits. The insurance system consists of unemployment benefits, sickness insurance benefits, pension insurance benefits, health and long-term care and accident insurance (Holub et al., 2019).

State social support is regulated by Act No. 177/1995 Coll., The Act on State Social Support, guarantees the provision of benefits, which are child allowance, parental allowance, housing allowance, maternity and funeral allowance. Through social support benefits, the state is involved in financially covering the cost of maintenance and other basic personal needs of children and families. The costs of state social support are drawn from the state budget. The use of benefits is not affected by past contributions to the scheme or by the beneficiary's work activity or the state of his assets. However, the condition is the permanent residence of the citizen in the Czech Republic (Ochrana et al., 2015). The income and social situation of the family are also considered. The so-called net income of the family is included in the amount of the decisive income. This amount is compared with the subsistence level (Krebs, 2015).

Assistance in material needs is regulated by Act No. 111/2006 Coll. and Act No. 110/2006 Coll. The system of assistance in material needs is one of the measures by which the Czech Republic fights against social exclusion. It is a form of assistance for people with insufficient income, which motivates these individuals to actively try to secure the necessary resources to meet their basic needs. The benefits through which assistance in material need is addressed are the subsistence allowance, the housing supplement and emergency immediate assistance.

2. Methodology

Primary and secondary data published by national and international institutions are used for the following analyzes. The European Statistical Office – Eurostat is the source of data to find out the current situation in the area of people at risk of poverty. Because no aggregate data on this indicator for 2021 have been published until the publication of this paper, only data for the period from 2011 to 2020 are used.

Subsequently, the development of the volume of paid social benefits in material needs is analyzed. This is the type of social benefit that the state pays to people in material need. These persons can be identified as persons or families who do not have sufficient income and their overall social and property conditions do not allow the satisfaction of basic living needs at a level acceptable to society. At the same time, these people or families cannot increase these incomes for objective reasons and thus solve their difficult situation through their efforts. These benefits in the Czech Republic include a living allowance, a housing supplement and emergency immediate

assistance. The source of input data for the period 2012-2021 in this context is the Ministry of Finance of the Czech Republic. Following the development of the above types of social benefits, the distribution of people in the population who are at risk of poverty or social exclusion is analyzed. These are people whose net monthly income does not reach the value of 60% of the company's median income. These data are published by statistical offices, in the Czech Republic, it is the Czech Statistical Office. To evaluate the relationship between the volume of benefits paid for material needs and the share of people at risk of poverty, Pearson's correlation coefficient is used.

3. Results

3.1. At-risk-of-poverty Rate in the European Union

In the European Union, more than 70 million people are at risk of poverty, equivalent to around 17% of the European population. This number (share) has remained virtually

Table 1. At-risk-of-poverty rate by poverty threshold (%) (Eurostat, 2022a).

Goegr. unit / year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EA-19 countries	16.8	16.9	16.7	17.2	17.2	17.4	17.0	17.0	17.4	16.7
EU-27 countries	16.9	16.9	16.8	17.3	17.4	17.5	16.9	16.8	17.2	16.7
Austria	14.5	14.4	14.4	14.1	13.9	14.1	14.4	14.3	13.3	13.9
Belgium	15.3	15.3	15.1	15.5	14.9	15.5	15.9	16.4	14.8	14.1
Bulgaria	22.2	21.2	21.0	21.8	22.0	22.9	23.4	22.0	22.6	23.8
Croatia	20.9	20.4	19.5	19.4	20.0	19.5	20.0	19.3	18.3	18.3
Cyprus	14.8	14.7	15.3	14.4	16.2	16.1	15.7	15.4	14.7	14.3
Czechia	9.8	9.6	8.6	9.7	9.7	9.7	9.1	9.6	10.1	9.5
Denmark	12.1	12.0	11.9	12.1	12.2	11.9	12.4	12.7	12.5	12.1
Estonia	17.5	17.5	18.6	21.8	21.6	21.7	21.0	21.9	21.7	20.7
Finland	13.7	13.2	11.8	12.8	12.4	11.6	11.5	12.0	11.6	12.2
France	14.0	14.1	13.7	13.3	13.6	13.6	13.2	13.4	13.6	13.8
Germany	15.8	16.1	16.1	16.7	16.7	16.5	16.1	16.0	18.9	18.5
Greece	21.4	23.1	23.1	22.1	21.4	21.2	20.2	18.5	17.9	17.7
Hungary	14.1	14.3	15.0	15.0	14.9	14.5	13.4	12.8	12.3	12.3
Ireland	15.2	16.3	15.7	16.8	16.2	16.8	15.6	14.9	13.1	13.8
Italy	19.8	19.5	19.3	19.4	19.9	20.6	20.3	20.3	20.1	20.0
Latvia	19.0	19.2	19.4	21.2	22.5	21.8	22.1	23.3	22.9	21.6
Lithuania	19.2	18.6	20.6	19.1	22.2	21.9	22.9	22.9	20.6	20.9
Luxembourg	13.6	15.1	15.9	16.4	15.3	15.8	16.4	16.7	17.5	17.4
Malta	15.6	15.1	15.8	15.8	16.6	16.5	16.7	16.8	17.1	16.9
Netherlands	11.0	10.1	10.4	11.6	11.6	12.7	13.2	13.3	13.2	13.4
Poland	17.7	17.1	17.3	17.0	17.6	17.3	15.0	14.8	15.4	14.8
Portugal	18.0	17.9	18.7	19.5	19.5	19.0	18.3	17.3	17.2	16.2
Romania	22.3	22.9	23.0	25.1	25.4	25.3	23.6	23.5	23.8	23.4
Slovakia	13.0	13.2	12.8	12.6	12.3	12.7	12.4	12.2	11.9	11.4
Slovenia	13.6	13.5	14.5	14.5	14.3	13.9	13.3	13.3	12.0	12.4
Spain	20.6	20.8	20.4	22.2	22.1	22.3	21.6	21.5	20.7	21.0
Sweden	15.4	15.2	16.0	15.6	16.3	16.2	15.8	16.4	17.1	16.1

Note: EA = Euro area

unchanged over the last ten years. The fact that approximately the same proportion of people are at risk of poverty is determined by the way this indicator is calculated. However, there are significant differences from the point of view of individual states. While in some Eastern European countries the proportion of people at risk of poverty is over 20% (e.g. Bulgaria, Romania), other countries keep their share at a much lower level through their social policies. These countries include, for example, Slovakia and the Czech Republic. The Czech Republic is the country in which the share of people at risk of poverty is the lowest and is below 10%.

3.2. Situation in the Czech Republic

In terms of the development of poverty in the Czech Republic, women are more at risk than men. While the proportion of men at risk of poverty has long-ranged between 7 and 8.5 percent, women at risk of poverty are between 10 and 12 percent (ČSÚ, 2022). This fact may be influenced to some extent by the different earnings of men and women, which in the European Union reach the limit of 13.0%, and in the Czech Republic, it is even 16.4% (Eurostat, 2022b).

This difference in income between men and women is reflected in all age groups. The economically active population is directly affected by this inequality, older non-working people as a type of economically inactive population are indirectly affected - due to lower earnings, and therefore also social security contributions, they are paid lower transfers (pensions). Because social transfers represent only a fraction of the average but also the median income in society, the recipients of these social benefits usually belong to the group of people who is at risk of poverty the most.

The distribution of the population at risk of poverty by age from 2016 to 2021 is illustrated in Figure 1.

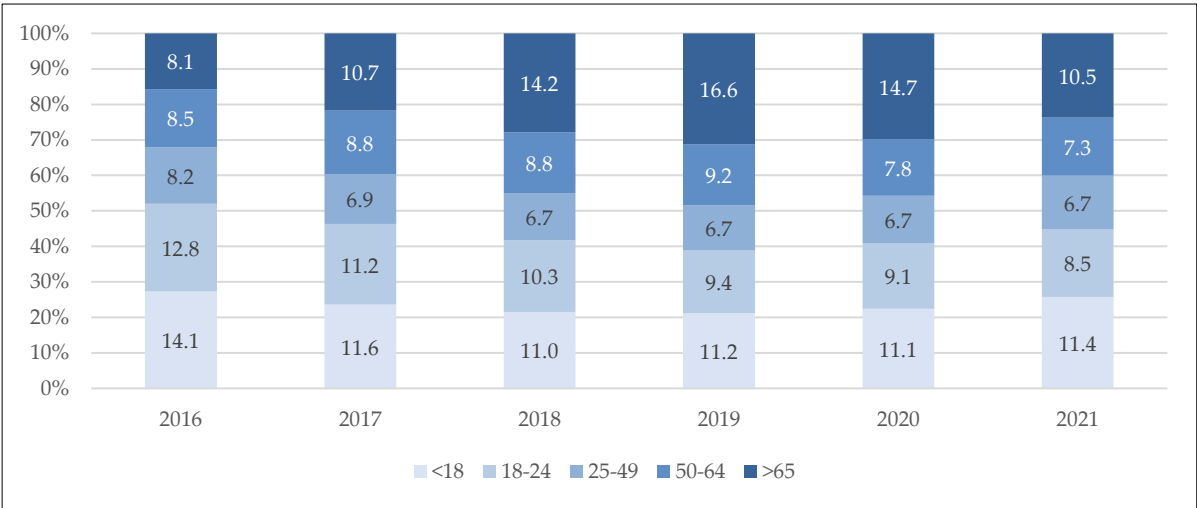


Figure 1. At-risk-of-poverty rate by age of people (%)

This figure shows that the long-term the most significant proportion of people at risk of poverty is economically inactive under the age of 18, as well as people over the age of 65. However, it is clear that while the share of poor pensioners has been increasing since 2016, since the beginning of the covid-19 pandemic, this share has fallen from 14.7% to 10.5%. Thus,

the share of people of retirement age in the total number of people at risk of poverty has fallen from 30% to around 24%. Although the distribution of the population at risk of poverty changed in the covid years 2020-2021, their total share fell from 9.5% to 8.6%.

The most significant decrease in the poor was recorded for individuals. In just two years, the poverty rate for this group of people fell by 4.9 percentage points to 21.89%. However, it should be noted that the poverty rate for individuals with a dependent child reaches almost 33% – this group of single women is therefore one of the most endangered (see Table 2).

Table 2. At-risk-of-poverty rate by type of people (%) (ČSÚ, 2022).

	2016	2017	2018	2019	2020	2021
1 adult, at least 1 dependent child	37.0	31.4	30.1	30.8	32.4	32.4
2 adults, 1 dependent child	6.4	7	8.5	7.1	5.5	3.8
2 adults, 2 dependent children	9.3	6.2	5.8	6.1	6.8	7.1
2 adults, 3 or more dependent children	21.0	17.4	15.7	17.6	14.6	18.6
other households with dependent children	5.7	5.6	5.9	5.0	4.8	3.5

People at risk of poverty are also the most important group of recipients of social benefits in dire need. These benefits aim to help people overcome periods of economic deprivation and help them live in dignity. However, the question is whether these benefits contribute sufficiently to reducing the proportion of people at risk of poverty. In terms of the development of benefits paid for material needs, it can be stated that they have decreased significantly in recent years. In 2014, the amount of money paid out under these benefits amounted to CZK 11.30 billion, in 2021 only CZK 5.24 billion. Of this volume, the largest share (on average 67.2%) was the subsistence allowance. On the contrary, emergency immediate assistance as a type of lump sum represents only less than 2 percent of the total volume.

The following graph shows the development of social benefits in the context of the development of the proportion of people at risk of poverty.

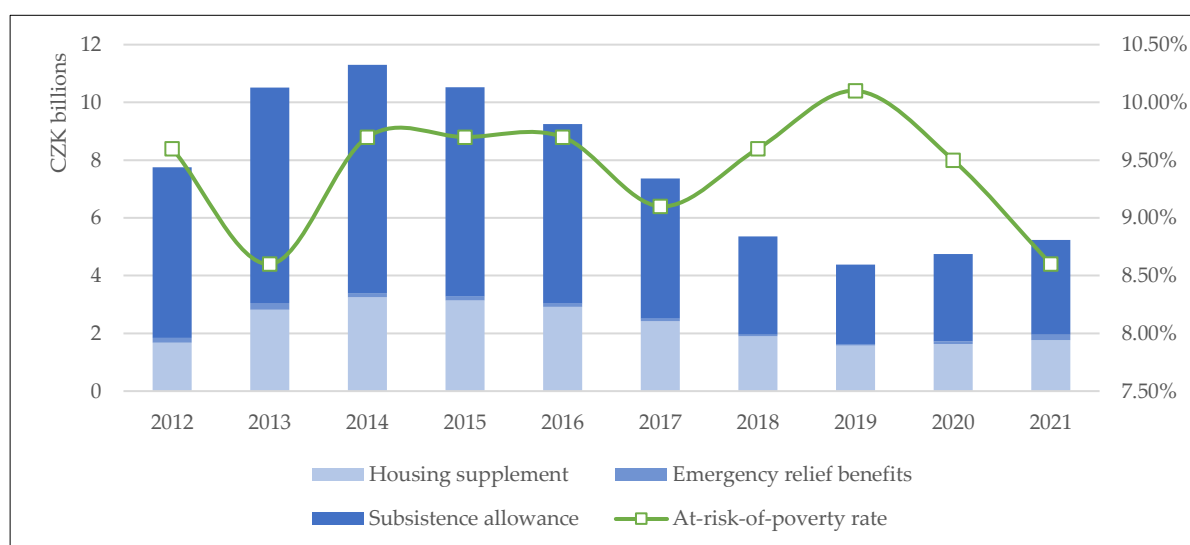


Figure 2. Development of the volume of benefits in material need and at-risk-of-poverty rate between 2012 and 2021

The increasing volume of benefits paid for material needs is not the cause of the decline in the proportion of people at risk of poverty. Likewise, the declining volume of these benefits is not necessarily the cause of the increase in the proportion of poor people. These statements can be proved through a correlation coefficient. During the period under review, Pearson's correlation coefficient reached -0.073. This value even shows a negative, albeit very weak, the value of the linear dependence. Thus, it can be stated that there was no direct dependence between the volume of paid benefits in material needs and the development of the share of people at risk of poverty. Therefore, higher support does not lead to a reduction in the proportion of people at risk of poverty.

4. Discussion and Conclusion

The growing bureaucratic burden and the desire of government officials to solve all the problems associated with market mechanisms have not been met with success in many areas. At a time marked by the covid-19 pandemic, the Industry 4.0 initiative, which is associated with production automation, can be cited as an example (Hedvičáková & Svobodová, 2017). In recent years, however, Western European governments have made an effort not to increase labour market flexibility, but to freeze it and maintain employment at all costs. However, the desire to maintain the current status quo is also evident in the private sector – for example, in the otherwise relatively dynamic banking system (Hedvicaková & Soukal, 2012).

Along with high government subsidies and other similar programs, sustainable growth has been halted in the last two years due to the covid-19 pandemic (Chen et al., 2021). The market thus shows an artificial trend of economic growth, which can be described as "non-growth". This situation is characterized by low unemployment and other optimistic socio-economic indicators. In the case of the Czech Republic, not only the current debt ratio (which is one of the lowest in the European Union) can be considered as very good indicator. Appropriate indicator is also very good social and economic situation of the population. At first glance, then, everything seems to be in order - low unemployment is accompanied by gradual economic growth, citizens are increasing their spending, and the state has ensured that people below the poverty line have decreased in recent years. Yes, this is one perspective. However, the reality is not nearly as rosy as these and other similar words may seem.

Many shortcomings can be found in terms of the effectiveness of state administration activities. Although there is a wealth of research and subsequent applications of performance evaluation in public administration (Král, 2021), political decision-making and subsequent manipulation of citizens in the media seem to be much more important to politicians and other elites (Salgado, 2018). The evidence from the analysis presented in this paper can be the proof. Although, for example, the former Minister of Labor and Social Affairs of the Czech Republic proposed an increase in social benefits every year as part of the fight against poverty (ČTK, 2018), Therefore, higher support does not lead to a reduction in the proportion of people at risk of poverty.

With the current level of inflation caused by many sub-factors, of which the expansionary policies of the states can be considered crucial (Ruiz Estrada, 2021), further pressure to maintain social peace can be expected. Many people may soon find themselves in a situation

where they will not be able to repay mortgages, they will pay very hard for energy costs, ... And at the cost of rising public debt, government officials will combat poverty and other negative effects. At such a time, however, it will be necessary to ask whether this fight will also be effective, or whether it will only be a form of pre-election advertising.

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Conflict of interest: none

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