FRAMEWORK OF THE SICKNESS INSURANCE IN THE CZECH REPUBLIC AND SELECTED COUNTRIES OF THE EUROPEAN UNION

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Abstract

The aim of the paper is to map and compare a systemic framework of sickness insurance in the Czech Republic and selected Member States of the European Union (Germany, Finland, France and Slovakia). The emphasis is placed on identifying both the identical as well as specific features of those systems in the analysed countries. The comparative analyses are based on country-specific adjustments and on the European Commission database available in the MISSOC system (the joint Social Protection Information System).

Key words: *Social policy, sickness insurance, social benefits*

INTRODUCTION

The European integration process is steadily increasing. Comprehensive integration projects of both the internal market and the monetary union are complemented by a set of the EU policies. However, the degree of the coordination of individual economic, social and structural policies is still different. Social policy is one of the areas where the European Union and the individual countries share their competences. Each Member State of the European Union has built its own social policy system based on the financial possibilities, historical traditions and living values of the population. The same is true for the sub-sections of the social policy (sickness insurance, pension, family policies, etc.). The coordination at the European Union level relates in particular to the rules which affect the functioning of the free movement of workers and persons within the internal market.

1. SOCIAL POLICY AND SICKNESS INSURANCE FROM BOTH THEORETICAL AND PRACTICAL PERSPECTIVES

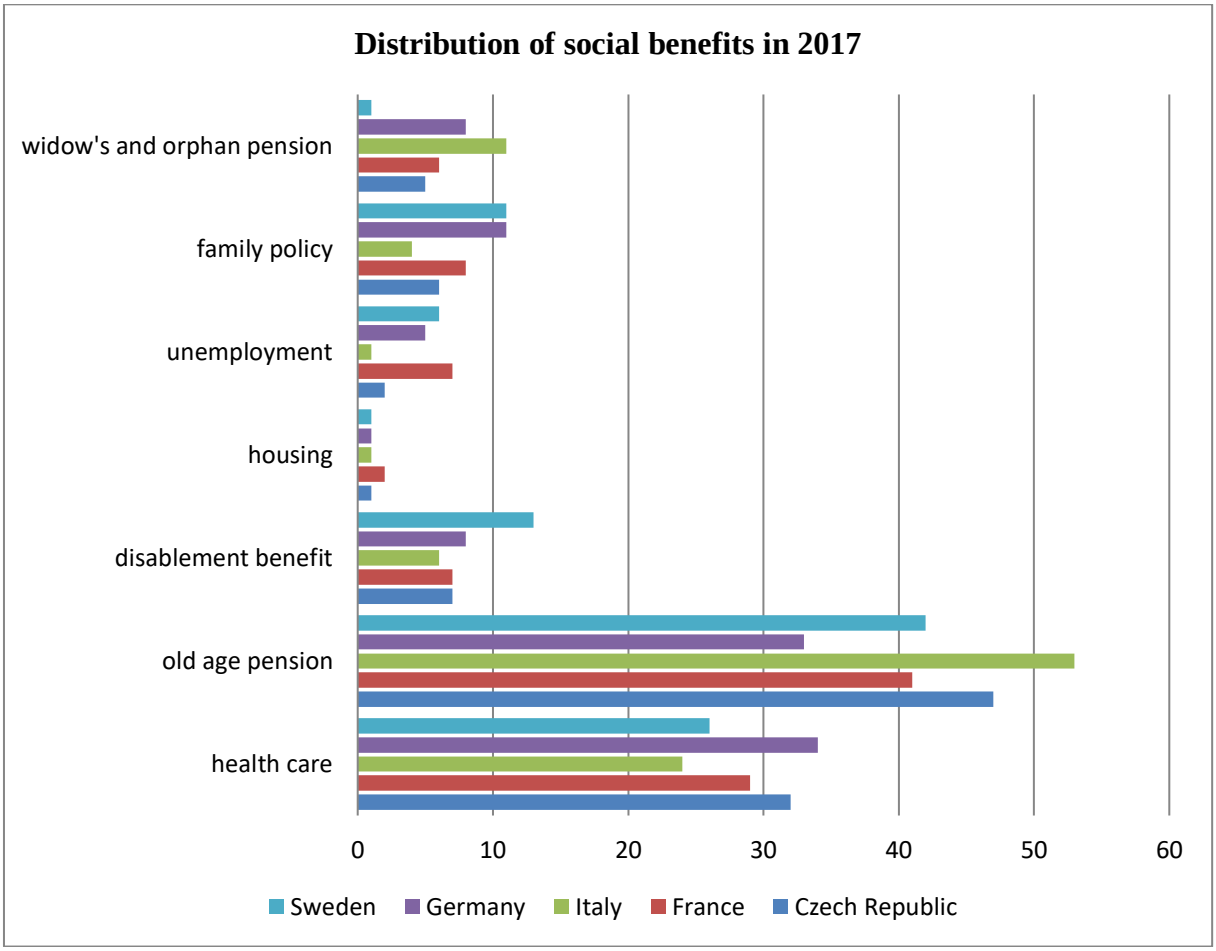
Over the last decades the health care financing in the Czech Republic has been provided largely through general health insurance. This insurance is based on regular payments to the sickness insurance fund by the insured citizens and the subsequent reimbursement of the health care costs in case of a social event. The sickness insurance funding is not a part of the tax system and is separated from the system of the current expenditures of the state budget. Improving the quality of health systems and the life age has led to a steady increase in health care costs in the Czech Republic. And in the perspective of the decades to come, together with the pension expenditures, they can represent a significant burden on future public budgets.

As noted above, health care policy and health insurance are an integral part of the social policy. The health policy can be understood as the activities of the state and other relevant entities that focus on protecting, supporting and restoring the health of the population, the quality of health services and their long-term sustainability. The health policy has neither a uniform definition nor a form. In different countries it is implemented differently, even within the European Union's membership base [Krebs et al 2010].

In the Czech Republic, the issue of the social policy is contained in the social doctrine and is usually understood as a set of legal norms governing social protection including social security assistance, as well as, for example, the protection of women and adolescents in labour relations as well as other social and legal protection [Chvátalová 2015].

The objectives of the social policy in the field of health protection are mainly provided by the provision of basic sickness benefits, including maternity allowance, sick pays, compensatory allowance during the pregnancy and maternity and nursing care contribution. For the sake of clarity, we provide an overview of the different areas of the social policy and the breakdown of the financial items that the selected states provide to their citizens (Chart 1).

Chart 1. Structure of social benefits



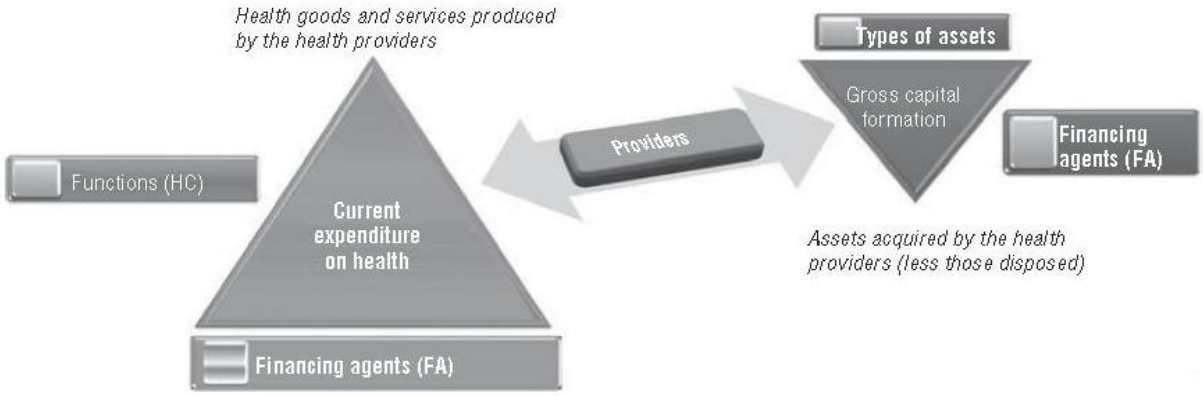
Source: own elaboration

The sickness insurance is used to provide financial security for economically active persons in the event of an adverse social affair in their life, such as illness, injury, pregnancy or maternity. If the statutory conditions are met the entitlement arises directly from the law, and thus all the sickness insurance benefits are perceived as the obligatory ones [Tröster et al 2013]. The role of the sickness insurance is regulated as insurance of persons in the event of their temporary incapacity for work, the quarantine regulations, pregnancy, and maternity and in case of nursing of a member of the household or taking care for him or her.

An important part of the social policy lies in the power of national governments and binding is only the social security system which is required to accommodate the free movement of labour within the European Union. It is up to individual countries how they organize their system. Somewhere the social policy is preferred, somewhere else a kind of social assistance is preferred. Nowadays, the European social policy is built on the quality of human life, which affects not only material and financial conditions but also emphasizes the preservation of human dignity. For instance, a loss of employment gets a person not only into the unpleasant financial situation, but also that person can feel frustrated [Francová, Novotný 2008].

The following text will compare the sickness insurance system in the Czech Republic with the systems in Germany, Finland, France and Slovakia. The emphasis is placed on the identification of specific features and differences between the individual structures. The system of health insurance expenditure in the European Union in the gross capital system is shown in the Picture 1.

Picture 1. Health insurance expenditure in the European Union in the gross capital



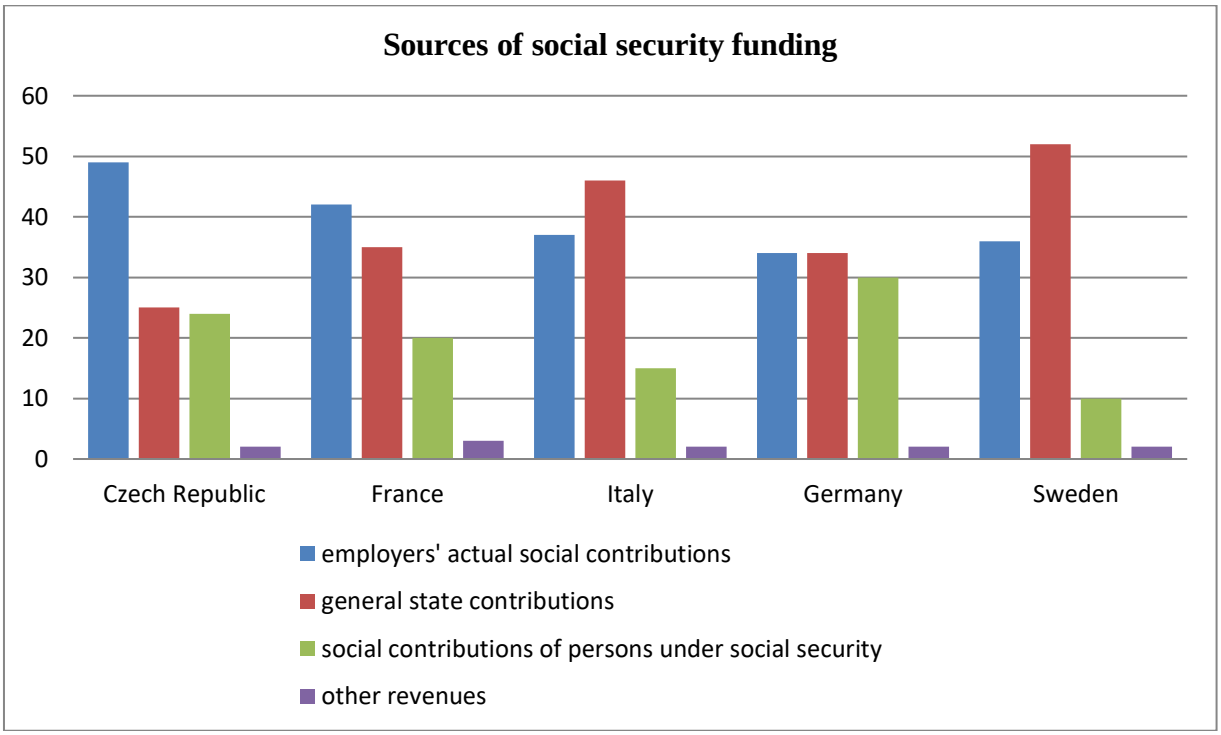
Source: http://ec.europa.eu/eurostat/documents/3859598/7985806/KS-05-19-103-EN-N.pdf/60aa44b0-2738-4c4d-be4b-48b6590be1b0 [cited 2017-07-12].

The legislation on sickness insurance both in the Czech Republic and the Slovak Republic is based on a common system which had operated until 1993 when two independent republics emerged. After splitting, the both states opted for a pluralistic insurance system consisting of a larger number of health insurance companies. Both states retained the possibility of regulation their systems through the state insurers (general health insurance companies). During the first years of the last decade, the debates were held in Slovakia to create a single state health insurance company. The debates were closed in 2004.

The systemic difference between the sickness insurance in the Czech Republic and Slovakia can be identified in the legal regulation. In the Czech legislation, this area is governed by a separate law, while in Slovakia the legislation of the sickness insurance, together with other schemes (sickness insurance, pension insurance, accident insurance, guarantee insurance and unemployment insurance), is included in a single law [European Commission 2016].

From the viewpoint of a decision-making on health, some differences can also be found. In the Czech legislation, a large section is devoted to assessing the health condition of the insured, to decide on his temporary incapacity for work and to decide on the need for nursing. The sources of social security funding in each Member State are different as shown in Chart 2.

Chart 2. Sources of social security funding of the selected European States



Source: own elaboration

As a further difference, it is possible to state that in the Czech legislation the reimbursement of the sickness insurance premiums is regulated by the Act on Social Security Contributions and National Employment Policy Act, whereas in the Slovak legislation this is taken as a complex solution covering the payment of insurance premiums for individual types of social insurance, including the sickness insurance.

The differentiation is also within the scope of the law. In the Czech Republic, the regulation of the sickness insurance for employees, self-employed persons, members of the Police of the Czech Republic, the Fire Rescue Service of the Czech Republic, the Customs Administration of the Czech Republic, the Prison Service of the Czech Republic and the Security Information Services was unified. In the Slovak Republic, the regulation applies to members of the Police of the Slovak Republic, members of the Fire and Rescue Service, members of the Mountain Rescue Service. As for the members of the Slovak Information Service, members of the National Security Authority, the Railway Police and the Corps of Prison and Judicial Guards and Customs Agents the regulation does not apply to them [European Union 2016].

The sickness insurance also regulates the duties of healthcare facilities and the attending physicians. On the other hand, the Slovak legislation does not regulate decision on the need for taking care and temporary incapacity for work. The sickness insurance does not basically regulate the duties of attending physicians, and the activity of the medical assessment service is described only marginally.

Another difference in the both legal regulations is in the definition of persons who are considered as employees for the sickness insurance purposes. The Sickness Insurance Act sets out the list of persons participating in the sickness insurance. Apart from the enumeration itself, it defines the other conditions for taking part in

the insurance. These conditions include the performance of work in the Czech Republic and the minimum amount of the agreed income. On the other hand, according to the Social Insurance Act in the Slovak Republic, the employee is considered to be a natural person exercising an activity under the labour law relationship and the participation in the insurance scheme arises from the date of the establishment of the employment relationship without meeting any other conditions.

There are several fundamental differences in the regulation of sickness insurance for the self-employed, too. In the Czech Republic, a self-employed person may be a person who has completed compulsory schooling and has reached the age of at least 15 years and is self-employed. On the other hand, in the Slovak Republic, as a self-employed person is classified a natural person who has reached the age of 18 years in a calendar year that is decisive for the emergence or the duration of the compulsory sickness insurance scheme, and in terms of the income from pensions the person has exceeded the minimum threshold set by the law [European Commission, 2016].

From the point of view of the types of benefits and entitlements to their payment, a significant difference can be found only for cash benefits in maternity, when the original support period was extended by almost one third in the Slovak Republic. Another important element is the Union's migration policy. The migration of an individual or a group of people in any case raises certain consequences influencing the individual, the country of origin as well as the target country in several spheres, most significantly at the microeconomic level. Moreover, it also interferes with the cultural processes linked to the integration of the migrants into the society, in terms of the inclusion, discrimination and security and does not obstruct the political sphere, too [Jankurová 2016]. Looking at the situation in Europe, it is possible to talk about the migration of its inhabitants, particularly towards the New World, over the centuries. The reason was the vision of a free and friendly space in America as such. However, at present there is a significant increase in the immigration to Europe, not because it is poorly populated, but also because the Europeans have become rich and even the European poor people do not incline to accept any heavy, humiliating or degrading work. In the target countries, therefore, the international migration can be used as a tool to address the specific labour shortage in the labour market [Olejárová Čajka 2016].

The Czech and German sickness insurance systems will now be compared. The systems compared resemble some basic components. The differences can be found in terms of the breakdown of sub-social security schemes and specific benefits. The German social security system has a long tradition. It is based on the Bismarck social insurance system. The German social insurance system currently includes four mandatory parts, namely pension, sickness, accident insurance, and insurance in the event of the loss of employment. The sickness insurance is included into one unit with a health insurance system. By contrast, the Czech Republic does not have a separate accident insurance system and the health insurance is separated from the sickness insurance, both in the field of regulation, as well as in terms of the organization, administration and financing. In the case of health insurance, the principle of absolute solidarity is applied, in the case of sickness insurance the principle of social solidarity is applied. In the field of the sickness insurance, it is mainly about the provision of cash benefits with a direct link to the income received, while in the area of health insurance there is no such

link. For both countries under consideration it holds that they respect the sources of both the international and European law [European Commission, 2016].
Looking at the individual benefits in more detail, the conditions for the entitlement to sickness benefits were found to be the same in the countries surveyed. The waiting period for the entitlement to sickness benefit is not set for employees. The payout length varies. In Germany, the sickness benefits are paid for a longer time. Unlike the Czech Republic, in Germany, from the time perspective, the entitlement to sickness benefits does not arise immediately after the entry into employment, but it is conditional upon the entitlement to six-week wage compensation from the employer. The wage compensation is again conditioned by a minimum of four weeks of employment if this period is not shorter due to the stipulation in the collective agreement, in the employment contract, etc. The incapacity for work during which sickness benefits are not paid - the so-called slumping period, which is set for three days in the Czech Republic, is not established in Germany. The advantage of the quarantine period is observed in terms of the drop of short-term incapacities for work. The amount of the sickness benefit in the analysed countries is set at a percentage rate and is based on the previous income. The German rate is about 10 percentage points higher.
The differences were also noted for maternity benefits, family benefits and pregnancy and maternity benefits [European Commission 2016].
For both countries under consideration, there is the entitlement to a child care benefit. In the Czech Republic, this payment is entitled to a nursing employee who cannot practice his or her job either because of taking care of a child under the age of 10 due to illness or injury. Furthermore, the entitlement emerges because of the care of a healthy child in case the school or special childcare facility, in which the child is provided with daily or weekly care, is closed due to an accident, epidemic, quarantine, etc. In Germany, an employee is entitled to this benefit if he or she pays the statutory health insurance and his child under the age of 12 years is ill and needs care. In the Czech Republic, the care contribution can also be taken to care for another member of the household, whose health condition requires necessarily nursing due to the sickness or accident by another natural person.
In the Czech Republic, the legislation lays down the entitlement to a compensatory contribution in case of pregnancy and maternity. The payout period is set from the date of the transfer to another job until the end of the reassignment or the beginning of the maternity leave. In Germany, the sickness insurance benefit is not an equivalent to compensatory pregnancy and maternity benefits, but a so-called supplement to maternity. It is paid by the employer at a time when the insured person has a reduced income when receiving a maternity benefit. The supplement is paid in the amount of the difference between the maternity pay and the income that the insured person would have reached from the employer. If the employment relationship ends during the pregnancy or by the end of the retention period, the employer is obliged to continue paying the supplement up to this date [European Commission, 2016].
Another comparative analysis focuses on France, where the social security organization is based on the principles of national solidarity. Considerable emphasis to the social aspects of the economic development has long been put in France. The social policy system is extensive in both financial and administrative terms. In order to support the development of social policy, the Directorate-General for Social Cohesion was set up. There are also special social security funds (social

security fund, sickness insurance fund, pension insurance fund, family benefits fund, social security contributions and parental benefit fund, national solidarity fund for municipalities).

The system of social policy in France is structured into the four main areas, namely sickness, maternity, disability and death; the accidents at work and occupational diseases; age; family. Outside these areas additional insurance schemes are created, which mostly cover the situations caused by illness, accident, old age or invalidity. They arise on the basis of the collective agreements. The supplementary systems work as mandatory or voluntary ones (according to the current adaptation).

The social security is mainly funded via state insurance contributions from employees, employers, the self-employed, and via taxes. Most of the benefits paid in France are taxed at a rate of 0.5 %. The tax is taken back to the system [European Commission, 2016].

The health insurance is an integral part of the social security in France. It is divided into three main areas (the general system, the agricultural system and the social system for independent workers) and the successive sub-systems (e.g. the system of miners, seamen, National Assembly, etc.).

The benefits from sickness insurance are material or cash. The entitled to these benefits are persons who participate in the health insurance. The minimum number of worked-off hours or the minimum paid amount to the insurance system must take place in order to be entitled. If persons cease to meet these conditions, they are entitled to material benefits for a limited period of time, but not to cash benefits. The benefits from health insurance are paid in the events such as sickness, maternity, disability or death.

Based on a comparison of sickness insurance schemes in the Czech Republic and France, common features as well as differences can be mentioned. The quarantine period in France is set at three days (the same as in the Czech Republic) and in case of self-employed person it makes seven days, but if they are hospitalized, this period is only three days. The entitlement to the sickness benefit is also granted to a person who is unemployed and receives the unemployment benefit. The person on the sick leave is paid the sickness benefit from the fourth day not only by the insurance company, but also by the employer. Both of these entities share the burden of the sickness benefit in the Czech Republic, too. However, they do alter in the payment and there is no concurrence. In France, the promotion period starts from the third or seventh day to the 365th day. The amount of the benefit consists of 50 % pay from the insurance company plus 40 % pay from the employer. The insurance company favours a beneficiary with three or more children [European Commission, 2016].

Out of most of the benefits received under sickness insurance in France, the persons receiving the benefits must pay tax. The cost of the sickness insurance scheme and the amount of sickness benefits is considerably higher in France than in the Czech Republic; the funding comes exclusively from sources of employees, employers and self-employed.

A specific feature of the French model is the emphasis on benefits that support family development and population development. In this area, France enjoys a high-average performance in the European comparative profile. The maternity allowance is paid in France at 100 % (roughly 80 % paid by the insurance company and 20 % paid by the employer). The condition for the payment is the termination of the

employment relationship. The support period is shorter than in the Czech Republic. The support period in France is set at 16 weeks, plus two weeks for women with high risk pregnancy or 26 weeks for a woman with the third child's birth. In case of twins it is 34 weeks and for multiple births 46 weeks. In case of adoption, a person in France is entitled to 10 weeks, and in case of more children it is 22 weeks. Moreover, the support period can be divided between both the father and mother [European Commission, 2016].

In France, the care contribution is adjusted in a different way than in the Czech Republic. Both the length and the amount are divided depending on whether the parent stays fully at home, or when taking care of a family member limits his working time. If he stays fully at home, the entitlement to the support period is 24 days. If the care only reduces working hours, the support period is extended to 42 days and the amount of benefit per day is reduced. Such a choice in the Czech Republic does not exist yet.

The compensatory allowance in pregnancy and maternity in the Czech Republic is calculated by the difference between the previous income and the income in the situation that occurred due to the pregnancy or maternity. It is paid no later than the ninth month after the birth or throughout the lactation period. In France, this allowance does not exist.

The Finnish social model is based on the principles of the Scandinavian model, which determines its differences from the countries of Central Europe and the Czech Republic. To qualify for social security in Finland a permanent residence in the country is a key. The defined minimum length is a prerequisite for obtaining a social benefit. The same is true in the field of health services and benefits. In the Czech Republic, the sickness insurance is funded by contributions from employees and employers, with the employers paying more. In Finland, the employer contributes from the salary of his employee based on the assessed level of risk. The employees contribute to sickness insurance from their gross monthly income.

As for the sickness insurance scheme there are some differences of time and financial nature. In the Czech Republic, the sick pay is paid for a maximum of 380 days. The insured person is not entitled to a sickness benefit during the first three days, this time period is referred to as a quarantine period, and from the fourth day he is entitled to a wage compensation that is paid by the employer. Subsequently, he is entitled to sickness insurance. In Finland, the sick pay is paid for a maximum of 300 days. The insurer on the first day of his incapacity for work is not entitled to any financial support; from the second to the ninth day of his incapacity for work, the employer pays him wage compensation, and from the 10th day he is entitled to the sickness benefit, which is paid by the state. The sickness rate in the Czech Republic is 60 % of the daily assessment base. In Finland, the rate is calculated according to the annual income of the insured person. The rates are calculated as a percentage in a digressive way. The revenues are divided into groups. As the income increases, the percentage of the sick leave pay is decreasing. More precisely, the lower rate is for that part of the wage that goes beyond the defined band [European Commission, 2016].

The support period for nursing a family member in the Czech Republic is nine days, in case of the single parent, this period is 16 calendar days for a child who has not yet completed the compulsory school attendance. In Finland, the contribution for nursing the child is paid for 60 days and in the case of a serious illness of the child it is provided for up to 90 days. Parents who take care of a sick child under the age

of 16 are entitled to this benefit. In the Czech Republic, the amount of the benefit is set at 60 % of the daily assessment base. Finland has a minimum daily allowance. The support period for the maternity benefit in the Czech Republic is 28 weeks or 37 weeks, if the insured person has given birth to two or more children. In Finland, the support period for this benefit is 105 days. The rate of this benefit is 70 % of the daily assessment base in the Czech Republic. The compensatory allowance for pregnancy and maternity is not implemented in Finland [European Commission, 2016].

A specific feature of the Finnish system is that every employee is covered by the accident insurance without his or her own contribution to that insurance. The insurance is paid by the employer on the basis of the assessed level of risk. In the case of self-employed persons, this insurance is voluntary and their amount differs based on the number of injuries reported in the previous year in individual occupations. The employee is also insured on the way from and to work. There are four types of the accident insurance benefit - temporary drop in working capacity, permanent incapacity for work, reimbursement of medical expenses and rehabilitation, and pensions in the event of employee´s death.

In summary, there are significant differences in sickness insurance systems, which are the result of different economic developments in recent decades as well as of various societal concessions in the social sphere. Even in the future, it is unlikely that the European integration will lead to the unification of the system frameworks in the Member States. On the other hand, it must be noted that, despite the cost and complexity, there are, in all the countries under review, the complex sickness insurance systems based on the principles of solidarity and Christian values. Due to that, they are different from other world regions, confirming the common foundations and developments in Europe.

2. BASIC PRINCIPLES OF THE EUROPEAN WELFARE STATE

The welfare state expresses the society´s own purpose, when it regulates the practices that the society sees acceptable. The welfare state provides the means to achieve the goal presented in the form of a coherent system of constantly evolving factors of production (including a human being itself) and the corresponding system of production relations. At each stage of its development, the welfare state sets priorities and implementation of the established principles. The priorities are determined by the degree of seriousness of significant social, economic and political problems. There is a strive to solve the problem of seeing the most significant contradictions of the existing historical situation and its solution to facilitate the transition of the society to a qualitatively new level of the economic and social development based on democratic principles and the rule of law.

The welfare state is currently a dominant form of the European social system and as such is the result of various historical processes and developments. However, it is still the subject of numerous changes. Social systems and policies are an integral part of the welfare state with all its advantages and disadvantages. This type of the state performs effectively designed policies and ensures balanced social systems for its citizens and state actors. This condition is linked to the commitment to keep social order, justice and equality of citizens. A harmonious link between the freedom of each member and the freedom of others is possible only in a developed civil society. The priorities of the welfare state in the current stage of the

development are the issues to which the government places the greatest attention to the development of socio-economic relations. They are defined at the macro level (to solve major problems), the middle level (to solve problems in the medium term) and the micro level (to address immediate priorities).

The European Union is still one of the most economically advanced regions in the world. The GDP per capita of the EU_28 exceeds the values of the majority of the G-20 countries, lagging behind only the most advanced non-European economies. The achieved economic level is strongly differentiated within the current Member States of the European Union. In particular, the last rounds of enlargement, which took place in 2004, 2007 and 2013, contributed significantly to the deepening of the gap. If we express GDP per capita in the EU as a percentage of the European Union (EU_28), we find that the most advanced Member State Luxembourg is close to 270 % of the EU average while the least developed Bulgaria makes less than 50 % (Table 1).

Table 1. GDP per capita in purchasing power parity (EU_28=100)

Country	2000	2008	2016
Luxembourg	245	264	267
Ireland	131	132	177
Netherlands	134	134	128
Austria	131	125	126
Denmark	131	125	125
Sweden	127	126	124
Germany	118	116	123
Belgium	126	116	118
Finland	117	115	109
France	115	107	108
Great Britain	119	106	105
Italy	117	104	96
EU_28	100	100	100
Malta	84	81	95
Spain	97	104	92
Czech Republic	68	81	88
Slovenia	80	91	83
Cyprus	89	100	81
Slovakia	50	73	77
Portugal	81	78	77
Lithuania	39	64	75
Estonia	49	69	74
Poland	48	56	69
Greece	84	93	67
Hungary	55	64	67
Latvia	37	59	65
Croatia	51	63	59
Romania	26	47	59
Bulgaria	28	44	48

Source: Eurostat http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&p code=tsieb010 [cit. 2017-07-12].

Significant economic differences are evident between the original and the new EU Member States (those that joined the EU after 2004). The GDP per capita does not reach the Union average in any of the new Member States. Within the original Member States there is a significant gap at the economic level of the North-western and Southern Europe. The gross domestic product per capita of Italy, Spain, Portugal and Greece, alike the new Member States, is below the Union average. Based on the data in Table 4, depending on the achieved economic level, the European Union can be divided into three groups:

- the most advanced economies represented by the Benelux countries, the Scandinavian states, Ireland and Germany, whose GDP per capita (with the exception of Luxembourg) varies between 123 and 177 % of the Union average;
- a group of the medium-developed countries includes Italy, Spain, Cyprus, Slovenia, the Czech Republic and Malta (GDP per capita around the EU_28 average, 80-109 % in 2016)
- a low economic level represented by the Balkan states, Poland, Hungary, Greece, the Baltic States, Slovakia and Portugal (48-77 % of the EU average in 2016).

The long-term goal of the integration process is to contribute to the reduction of disparities between Member States through the effects of the single market as well as the subsidy mechanisms. The following text will analyze the convergence process over the last 15 years (2000-2016). As a methodical procedure for testing the convergence of the EU membership base, a comparison of the results of the coefficients of variation of the gross domestic product per capita was used.

The relationship between the GDP per capita level and the amount of social protection expenditure in relative terms expressed in GDP cannot be documented on the example of Luxembourg. But here the cause is, rather than the low development of the social system, the abnormally high economic level. The expenditure on social protection in Luxembourg is very high in absolute terms, even after the per capita calculation. Only their share on gross domestic product is below average (Table 2).

Table 2. Share of the expenditure on social security in percentage relative to GDP (years 2000, 2008 and 2015)

Country	2000	2008	2015
Belgium	26.5	28.2	30.3
Bulgaria	–	15.4	18.5
Czech Republic	19.5	18.7	19.7
Denmark	28.9	29.7	33.5
Germany	29.3	27.8	29.1
Estonia	14.0	15.1	15.1
Ireland	14.1	22.1	20.6
Croatia	–	18.7	21.6
Greece	23.5	25.9	26.0
Spain	20.3	22.7	25.4
France	29.5	30.7	34.3
Italy	24.7	25.8	30.0
Cyprus	14.8	18.4	23.0
Latvia	15.3	12.6	14.5
Lithuania	15.8	16.1	14.7

Luxembourg	19.8	20.1	22.7
Hungary	19.3	22.7	19.9
Malta	16.5	18.8	19.0
Netherlands	26.4	28.4	30.9
Austria	28.1	28.1	30.0
Poland	19.7	18.5	19.0
Portugal	21.2	24.3	26.9
Romania	13.2	14.2	14.8
Slovenia	24.6	21.4	24.1
Slovakia	19.3	16.0	18.5
Finland	25.1	26.3	31.9
Sweden	30.7	29.3	29.6
Great Britain	26.9	25.9	27.4

Source: Eurostat http://ec.europa.eu/eurostat/statistics-explained/index.php/Government_finance_statistics/cs [cit. 2017-07-12].

In the context of the ongoing discussions on the necessary reduction in the cost of the European social models, it is interesting to monitor the development of the social protection expenditure in the recent years. The expenditure on the social protection in the European Union (measured according to EU_28 average) relatively to the gross domestic product between 2000 and 2015 increased slightly, which does not confirm the reduction in social protection in the European Union. The growth, of course, was not the same in all countries. However, the faster growth was often seen in countries with a higher share of social spending per GDP, which did not confirm the convergence trends and the convergence of the social protection expenditure within the European Union's membership base. The basis of every social policy of a democratic society is to see the individual as the highest value. The institutions are designed specifically for him to develop and help [Dvořáková et al. 2007].

The social security systems in the European Union differ not only in terms of cost but also in the structure of the expenditure. There are some differences within the individual spending items:

- the majority of the expenditure is spent in the most EU countries on old-age pensions and survivors' pensions (orphan or widow's pension). Particularly high is the share of this item in the countries of Southern Europe (Italy, Greece, Portugal and Bulgaria), which is due, among other things, to a high proportion of people aged 60 and more in the total population. Also Romania, Luxembourg and Austria are well above the EU average. In contrast, in Ireland, the expenditure on old-age pensions and survivors' benefits was only 26.6 % of total social spending in 2008. There are two reasons - Ireland has the youngest population in the Union, and the protection of the elderly is not a major priority of Irish social policy;
- the second largest item of the social expenditure in the European Union creates sickness benefits. The exception here is again Ireland, this time, however, in the opposite meaning. It spends more than 40 % of its social protection resources on this type of expenditure. More than 30 % of the expenditure is directed on sickness and healthcare also by the Czech Republic, the United Kingdom, the Netherlands, Estonia, Slovakia and Slovenia. Significantly below the EU_27 average are Cyprus, Greece or Luxembourg;

- the share of family policy expenditure is around 5 % in the Southern European countries, in countries such as the Netherlands or Poland. On the opposite range, there are Luxembourg, Ireland, Denmark, Germany, Finland, Sweden, the United Kingdom and Estonia, with a share of this spending three times higher;
- the expenditure related to unemployment is the highest in Ireland, the Netherlands, Denmark or Germany. The more economical system in this term is typical for Bulgaria, the United Kingdom, the Czech Republic or Slovakia;
- funding of the social exclusion makes in the EU Member States on average only 1.5 % share, which is a relatively small part, given the level of the attention it receives in the European Union's social policy documents. The Netherlands, Cyprus, the United Kingdom and Denmark are the largest contributors. On the contrary, Portugal, Greece, Croatia and Bulgaria are among the smallest ones.

In the transitional phases of the construction of a modern welfare state and transforming the economies, a radical reform of labour relations must be carried out, resulting in wage growth, the establishment of equal economic relations between employers and employees and more efficient functioning of the labour market.

In order to promote the growth of the sustainable development, it is necessary to create the conditions for the development of the priority social institutions (education, culture) and the development of social partnership mechanisms. The main mechanism for addressing the most important social problems is the consistent implementation of the state social development policy. Countries with a highly developed economy can afford greater focus on selected social issues. A much larger group of citizens can provide social support and assistance to vulnerable groups of the population.

Improving education policy will be based on basic macroeconomic indicators, including industrial development, and will be a condition for modernizing transition societies and ensuring the competitiveness of the economy. The modernization of the education system will take into account the actual current economic situation, the results obtained during the experiments and research and the implementation of the main activities in this area, as well as the emerging demographic trends [Horváthová 2016].

In the field of the pre-school education, it is necessary to create minimum requirements for the state. It is expected that there will be the need for the preschool education of children in the pre-school educational institutions to be separated on the basis of flexible educational programmes including an individual timetable for their visits (part-time, etc.). The strategic line represents the creation of a versatile development of the secondary education and the possibility of adapting to changing socio-economic conditions in the part of the education area and the organizational-economic mechanism of school activity and its management. In this respect, we consider the personal orientation and individualization of the educational process, the diversity of educational institutions and the variability of educational programs, an effective support for innovation measures and active participation of society in the development of education, strengthening the social and humanitarian focus of the general secondary education, orientation of the educational process and the development of thinking and practical skills as the necessary ones. The importance of the communication disciplines, particularly information technologies and foreign languages, must be greatly increased. In the

area of general secondary education, particular attention should be paid to the development of the standards and further improvement of the secondary education as well as to the development of the requirements for preparing graduates of different directions of the secondary education. Mechanisms and opportunities for the restructuring of rural schools should include the creation of training centres in rural areas and their different implementation, the development of transport services providing the connection to rural schools, the development of distance learning (including online learning) and ensuring training centres within appropriate distance. The decision on optimizing the network of rural schools needs to be taken in the light of local conditions.

National measures to raise the standard of living will be developed and implemented to determine this increase in the medium term. Another measure will be to prevent its decline through different mechanisms and approaches for specific socio-economic groups. In order to clarify the methodology for setting the subsistence minimum, measuring of poverty in accordance with the law shall be taken into account. As regards the reform of the social area of the consumer basket of the main socio-demographic population groups, this reform will be updated taking into account the regional differences in the cost of living for the citizen. Social work differs in each country due to different cultures, customs and beliefs. International social work aims to promote social changes and raise living standards for all population groups and all regions of the world, regardless of their economic maturity. Social work concept uses theories of human behaviour and social systems. In the place of interaction between people and their environment, it preserves the principles of human rights and social justice.

The main sources of social protection funding in the European Union are social contributions and tax revenues. The share of social contributions to total resources is almost 60 % in EU countries and as for the tax revenues it is less than 40 %. The share of the other resources is minimal. However, the structure of funding is quite different from country to country. In the Czech Republic, Slovakia, Estonia, Belgium and Romania, more than 70 % of all sources come from social security contributions. In contrast, in Denmark, Ireland, Cyprus or the UK, the social protection systems rely largely on tax revenues. Sweden and Luxembourg also have a fairly high proportion of taxes (Table 3).

Table 3. Shares of the selected categories of social protection expenditures on public budgets of the EU Members (year 2015)

Country	Shares of total public expenditures, in %					
	Old age pensions	Sickness benefits	Social exclusion	Family policy	Unemployment	Housing
BE	16.9	6.5	1.9	4.5	3.7	0.4
BG	24.3	0.6	0.2	6.0	0.2	0.1
CZ	18.2	5.2	1.1	2.6	0.5	0.6
DK	15.2	8.7	3.6	8.3	4.9	1.3
DE	20.8	6.9	0.9	3.6	4.0	1.0

EE	17.5	5.3	0.3	5.7	2.7	0.1
IE	8.2	5.6	0.3	6.6	6.3	2.8
EL	28.4	2.9	0.0	1.1	1.2	0.1
ES	–	–	–	–	–	–
FR	23.8	4.9	1.8	4.4	3.5	1.7
HR	14.2	10.5	0.3	2.8	1.0	0.0
IT	27.4	3.7	0.5	3.0	2.4	0.1
CY	14.4	1.2	2.2	6.0	2.1	0.0
LV	19.7	5.7	1.1	1.8	1.3	0.3
LT	16.6	7.9	1.3	2.8	1.6	0.2
LU	24.8	3.5	1.6	9.7	4.8	0.1
HU	14.5	6.1	1.6	3.9	0.7	0.5
MT	17.7	2.8	0.8	2.8	1.1	0.5
NL	15.1	10.0	4.2	2.4	3.8	1.0
AT	25.3	3.8	2.0	4.5	2.8	0.2
PL	21.9	6.3	0.6	3.4	1.3	0.1
PT	25.3	2.5	0.4	2.2	2.5	0.0
RO	23.9	2.8	0.4	3.2	0.3	0.0
SI	20.7	4.7	1.8	4.1	1.3	0.0
SK	17.4	6.2	1.0	2.9	0.5	0.0
FI	23.5	6.2	1.6	5.7	4.7	0.8
SE	21.2	8.9	2.5	4.9	2.6	0.6
UK	20.6	6.2	3.8	3.5	0.4	3.1
EU_28	21.7	5.9	1.8	3.5	2.9	0.8

Source: Eurostat http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Main_categories_of_taxes_and_ social_contributions [cit. 2017-07-12].

Only in Denmark, Slovenia and the Netherlands, social contributions are mainly paid by the employees and self-employed workers. The contributions of people covered by social protection are also high in Poland and Luxembourg.

The basis of the social support reform represents the principle of focusing on social assistance, which works on the basis of testing the needs, the essence of which is to direct public funds on areas where it is most lacking. A gradual access to the revision and cancellation of several benefits is essentially connected with introducing the adequate compensation mechanisms for the poor and the most vulnerable. In socially-oriented economies, social assistance takes into account the

ethical and moral values of a society while respecting human dignity [Žofčinová 2017]. State social support will be provided only for low-income families whose total income is below the subsistence level and who are in a difficult situation. In this context, mandatory procedures for testing the needs of beneficiaries will be mandated to improve the conditions of all population groups in relation to their individual needs. It is envisaged the gradual introduction of the contractual system and ensuring the mutual obligations of the client in obtaining support (especially employment, participation in public benefit programs).

The functions of assessing the amount and types of social assistance as well as the creation of additional conditions for citizens in need of social assistance should be transferred to the regional level. The direct provision of social assistance is advantageously provided by local governments, since they are, by their very nature, closest to the inhabitants. In order to strengthen the state support for families with children the measures to ensure the timely provision of the total amount of monthly benefits will be taken. In recent years, we can claim that the number of people in difficult life situations has increased. The goal of government policy regarding the individual categories of socially weaker citizens is to create the conditions for the implementation and promotion of equal opportunities in the exercise of civil, economic, political and other rights and freedoms as laid down both by the Constitution and applicable law. In particular, measures must be taken to improve the social status and material security of the members of police, soldiers and veterans of the armed forces. There is also a need to increase health, professional and social rehabilitation for people with disabilities [Horváthová, 2016].

In the case of the social type of the state, it is expected to develop general requirements for the activities of the state legislation, municipal, private and other institutions providing different types of social services, based on state social service standards and quality assurance system for the quality of the implementation of social programs. The social model uses private funding along with state funding and develops the self-sufficiency of social services in areas where they are deemed necessary. In order to ensure an effective social process, the work on integrated social computerization will continue, allowing for a unified system of collecting, storing and providing information describing the state of social services in the country.

The welfare state is designed to create and maintain the legislative and legal preconditions for an effective economic foundation for the development of the society in order to maximize the material satisfaction and spiritual needs of the members of society and also to ensure consistency between the natural rights and obligations of a member of society. In accordance with these functions, the welfare state implements the following social functions:

- ensuring the employment for the largest number of citizens as well as for income growth;
- ensuring social security for all members of society;
- ensuring access to education, health care and spiritual and cultural development;
- ensuring social security for people in need
- compensating social inequality in society, creating decent living conditions for each social group of inhabitants;
- providing for adequate social services.

Functioning of the state social systems are the main activities of the welfare state which expresses its essence. Social functions associated into any state of matter appear in the form of general principles of the state activity or in the form of the economic functions. Unlike the economic function, the social function of the state reflects in the evolutionary state development and their approach is connected with the change of the dominance of the relation *state - society* into the relation *state - person*. Moreover, the social function of the state appears only in certain phases of the economic development. For example, the period in question was recorded in the past with the advent of the new evolutionary type of the industrial state, which occurred in the first third of the 19th century.

The creation and development of the social functions of the state is characterized by a dual process. On the one hand, there is an increasing number of social functions of higher levels of the state development; on the other hand, there is a dominant inclusion of social functions into the complex functional systems, together with legal, political and economic functions, resulting in the socialization of all state functions. The welfare state provides social needs to the populations that are reliant on it because its partial purpose is the development of the social market economy. In contrast to other state models, the welfare state has a number of functions that include:

- creating the legal basis for social policy;
- providing availability of social security systems;
- creating a budget for social benefits;
- putting into the existence the public system of social protection, social care and employment;
- ensuring availability of social support to all necessary members of society;
- accepting the state responsibility for socially disadvantaged population groups
- providing for the existence of civil society.

Each of these functions is essential for the proper functioning of the welfare state. They also have a specific focus on achieving social and economic goals. The most basic ones include:

- harmonization or catching-up of living conditions
- eradication of social inequality
- increasing the level of personal consumption
- addressing the social and economic challenges such as incentives to increase productivity, increasing consumer demand, preventing social conflicts, and changing the role of men in the labour market.

CONCLUSION

The modern concept of the welfare state draws the attention to the relations between the state and the individual in the market economy. The term “social” binds the government to take care of the citizens in a certain risk life situations, e.g. in case of a sickness, agedness, occupational injury, unemployment, disability, etc. The social government provides not only the fundamental rights, but it is obliged to make positive “social activity” and create a social system focused on the implementation of a social justice [Žofčinová 2015]. Modern liberalism is committed to go on with the principle of equality and direction of the management of social

conditions of life. Civil society defines the fundamental boundaries that affect every citizen of the state. In addition, civil society has the following functions:

- socialization of an individual where citizens gain the ability to express themselves and develop their potential as social actors;
- organization of self-government and municipalities, where the (public) regulation maintains primarily the development of a network of private interests
- integrating society through a system of horizontal links and information channels and putting into existence the forms of social solidarity,
- creating a basic form of interpersonal solidarity on the basis of the identity or similarity of private interests,
- approval of different interests and the resolution of conflicts, which results in an effective organization of work, is a necessary tool for shaping the public awareness and social behaviour of people, social communities and other social systems in accordance with the principles of the welfare state and universal human values [Horváthová 2016].

A modern social state should combine the rule of law, liberal and political democracy, functioning of the state, harmonization of the interests of all subjects of public life, including various elements of market relations and the overall welfare needs. The combination of the factors we have mentioned allows for the transformation of an underdeveloped state into a truly effective welfare state.

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