

# *Do Subsidies from the State Budget Enable the Desirable Development of Social Services?*

## *Umožňují dotace ze státního rozpočtu žádoucí rozvoj sociálních služeb?*

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### **Introduction**

The setup of the optimal linkages between the individual elements of every system, and the setup of their parameters are basic conditions for the balanced functioning of the entire system of the social protection of the population as a whole. If these linkages are not established appropriately, or if they have been disturbed somehow, then the following can occur:

- some social situations may not be dealt with at all, or they are handled insufficiently, respectively the conditions for the receiving of the benefits prevent one from actively getting out of the situation of being dependent on them.
- the system as a whole can contain some motivational stimuli, which, for example, can lead to the abuse of some of the provisions of the system.

At the beginning of 2007, among other things, the new Social Services Act became effective, which creates space for the comprehensive analysis of all elements of this system from the perspective of their optimal setup. This law was practically being prepared over the course of 15 years. And although a number of elements from this system were conceived with the use of findings from abroad, completely underestimated was the macro-economic dimension of this transformation step at the expense of preferences, such as the conceiving of the standards of social services quality and their control via inspections; completely underestimated was the question of the training of healthcare workers in social services residential facilities from the perspective of the reporting of the healthcare being provided from the system of public health insurance.

### **Basic principles of the financing of social services**

Within the reform of the social services system, there were changes to the main principles of the system of financing; considerably strengthened is the effort for the finding of the optimum form of the securing of needs of citizens in an unfavorable social situation, and the emphasis on the effectiveness of the entire system is being increased. Findings acquired from analyses of foreign experiences with the implementation of a similar system of financing<sup>1</sup> show that one can anticipate a significant growth of employment especially

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1 R. Hauschild – Die Erfahrungen mit dem deutschen Pflegeversicherungssystem, in *Soziale Sicherheit in Europa*, Bad Boll 1998

with the provision of field social services; during a short period of time, the demand for placement in institutional facilities should decrease in a significant way.

Among the most significant changes within the system of the financing and provision of social services are:

- the implementation of a contribution for care as a new social benefit designated for the partial coverage of costs connected with the provision of social services,
- the provision of subsidies for the financing of social services to registered entities that provide social services,
- the provision of social services on the basis of a contract between the user of a social service and its provider,
- the implementation of a number of protective mechanisms for clients providing social services (registration of social services providers, defining of quality standards for the provision of social services, inspection of their provision, obligation of life-long training of social workers).

## **Basic principles of the provision of subsidies**

In addition to the contribution for care, subsidies from the state budget are provided for the securing of the provision of social services to those providers that are entered in the register, and the implementation legal regulation establishes the further conditions for the establishing of the amount and purpose of the subsidy, its division and method of provision<sup>2</sup>. With regard for this fact, it is suitable and necessary for the state, in the creation of this new subsidy policy system, to declare generally binding principles that would form the basic building block on which the subsidy policy itself would be based. Those principles that were declared at the end of the 1990's in connection with the specification of the subsidy proceedings of the Ministry of Labor and Social Affairs towards non-state non-profit organizations for the provision of social services can continue to be considered as the main principles of subsidy policy<sup>3</sup>. These are:

- the principle of equal conditions for all providers of public services,
- the principle of equal conditions for all recipients of public services,
- the principle of effective (purposeful) spending of public funds,
- the principle of primary emphasis on the quality of the services being provided,
- the principle of a transparent system of financing,
- the principle of a stable system of financing.

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2 *this implementation legal regulation has so far not been prepared; subsidies by the Ministry of Labor and Social Affairs are provided on the basis of an order by the Minister (In 2008, this concerns the Minister's Order no. 24/2007)*

3 *see: L. Průša, O. Mátl – Nad pojetím dotační politiky MPSV (On the approach of the Ministry of Labor and Social Affairs to subsidy policy), Sociální politika (Social Policy) no. 9/1999, ISSN 0049-0962*

## Characteristics of the results of subsidy proceedings in 2007 and 2008

In 2007 and 2008, subsidies for the activities of social services providers were provided in principle according to schemas that are known very well, from previous years, especially by providers from the ranks of non-state and non-profit organizations.

Analyses of the results of subsidy proceedings in 2007, among other things, showed<sup>4</sup>, that the level of the awarded benefits was considerably differentiated according to the type of organization and its founder. In comparison to the amount of claimed requests, the highest subsidies were awarded to subsidized organizations that are established by the regions and that provide social care services; they were awarded 82.8% of what they requested. The lowest level of request satisfaction was reported by business companies as they received 2.7% of their requests for subsidies of social care services. In connection to this it was stated that even despite a different portfolio of social services provided by individual founders, the differences that were discovered from the perspective of the level of the satisfaction of the requirements of individual types of providers are striking.

Attention was also paid to the regional differences in the provision of subsidies for selected types of social services. From the perspective of care for senior citizens, attention was only paid to the assessment of the differences in the amount of subsidies provided per one bed in homes for senior citizens. Among other things, this comparison showed that the amount of subsidies provided in individual regions varies considerably. Whereas in the South Moravian region a subsidy in the amount of 3,588 CZK per month was provided per one place in a retirement home, in the Liberec region this amount was more than 2.8 times higher at 10,131 CZK.

In 2008, subsidies in the amount of 2,245.6 million CZK were provided for services provided in retirement homes; the average subsidy per one bed was 4,497 CZK per month, i.e., by approximately 24% less than in 2007 (the average subsidy per one bed was 5,091 CZK in 2007). But the differences among individual regions remained preserved – the highest subsidy per one bed was awarded in the Olomouc region (5,540 CZK per month), and the lowest subsidy was provided in Prague (2,793 CZK), meaning that the difference between the minimum and maximum subsidy amount was approximately double. The comparison of the amount of subsidies provided per one bed in retirement homes in individual regions is shown in table no.1.

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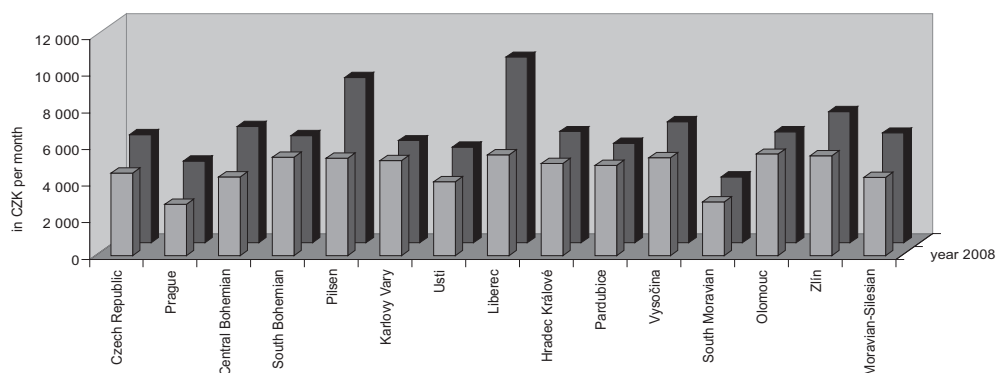
<sup>4</sup> see: L. Průša – *Efektivnost sociálních služeb: vybrané prvky a aspekty (Effectiveness of social services: selected elements and aspects)*, VÚPSV, Prague 2007, ISBN 978-80-87007-73-0

**Table no. 1** A comparison of the amount of subsidy provided by the Ministry of Labor and Social Affairs, recalculated per one bed in retirement homes in 2007 and 2008 (in CZK per month)

region	2007	2008	2008/2007 (in %)
Prague	4 444	2 793	62.8
Central Bohemian	6 345	4 290	67.6
South Bohemian	5 839	5 363	91.8
Pilsen	9 015	5 324	59.1
Karlovy Vary	5 567	5 178	93.0
Usti	5 223	4 024	77.0
Liberec	10 131	5 498	54.3
Hradec Králové	6 068	5 031	82.9
Pardubice	5 421	4 932	91.0
Vysočina	6 612	5 339	80.7
South Moravian	3 588	2 933	81.8
Olomouc	6 051	5 540	91.6
Zlín	7 163	5 454	76.1
Moravian-Silesian	5 986	4 273	71.4
Czech Republic	5 901	4 497	76.2

source: own calculations based on internal Ministry of Labor and Social Affairs source materials

**Graph 1** Comparison of state subsidies per bed in retirement homes in 2007 and 2008



source: own calculations based on internal Ministry of Labor and Social Affairs source materials

This data shows evidence of how the above stated basic principles of subsidy proceedings were breached even in 2008 within subsidy proceedings. The differences also show that principle of equal conditions for all recipients of social services was also breached within

the subsidy proceedings because the differences that exist in the amount of subsidies provided in various regions show clearly – also thanks to the provision of social services on a contractual basis – in the differing amount of payment by a service user when using comparable types of services in individual regions.

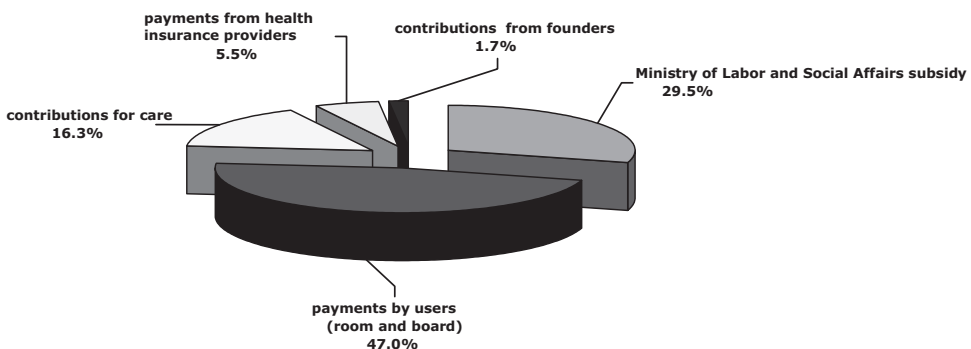
Based on this data, one can also believe that the funds provided within subsidy proceedings were oriented towards the coverage of the impacts of the not too fortunately setup transitional provisions of the law, and not towards the needed transformation of the entire social services system, especially towards the support of the development of field social services. Within this context it is clear that the solution that was selected as a part of the preparation of the factual intention of the law on social assistance at the turn of 1997 and 1998, when it was assumed that all residents of resident facilities will be awarded by law – at the moment of the starting of a new system of social services financing – a contribution for care in the highest amount was considerably more effective. Even though on one hand more funds would be spent on the contribution for care, funds within subsidy proceedings could be used for the development of missing field social services and thus start up the transformation of this entire system.

### **Some possibilities for increasing the effectiveness of the financing of social services**

According to an analysis of official statistical data, the total operating costs at retirement homes were 9,420 million CZK in 2007, while:

- the total subsidy provided by the Ministry of Labor and Social Affairs was 2,780 million CZK,
- 1,532 million CZK was paid to the users in contributions for care,
- users paid 4,430 million CZK for room and board,
- health insurance providers paid 514 million CZK for nursing and rehabilitation care
- the founders of individual facilities subsidized the operation of their facilities with 163 million CZK (i.e., 5.9% of the volume of the subsidy provided by the Ministry of Labor and Social Affairs).

**Graph 2** Structure of operating costs in retirement homes in 2007



*own calculations*

If, for example, it would be stated within the transitional provisions of the Social Services Act that the user of a senior citizens' home will receive by law a contribution for care in the third level of dependence, but the citizen is actually on a nursing bed in this facility in the fourth level of dependence, the total amount of costs for the payout of the contribution for care would be 4,571 million CZK (i.e., 3,039 million CZK more than in reality), nevertheless the founders of individual facilities could support the desirable development of field social services with the amount of 33 million CZK.

Calculations performed up until now<sup>5</sup> show that a system of the financing of social care services that would be set up this way would make it possible to finance these types of services without subsidies from the state budget and only via contributions for care, clients' payments for room and board at residential facilities (respectively via the clients' payments for individual acts of the care services), and the coverage of the provided health care from the public healthcare insurance system. This would remove the dependence of the providers of these services on state subsidies and their long-term financial uncertainty (there is no legal right to subsidies from the state budget) that makes it impossible for them to develop the provided services in a desirable manner (for example, in 2007 the number of the recipients of care services declined by approximately 9,500 persons). It is thus apparent that tying the financing of such an important area of public services such as social services to the provision of subsidies from the state budget is a solution that does not make it possible to create the desirable economic environment<sup>6</sup>, which contributes to the undesirable stagnation of the entire system. This fact is even more alarming since existing demographic trends show that the Czech population is aging faster than was anticipated by the forecast of the population development until 2050<sup>7</sup>.

## Conclusion

The change in the system of the financing of social services, which occurred in connection with the adoption of the Social Services Act, considerably increased the dependence of the providers of individual social services on subsidies from the state budget. Experience up until now as well as performed analyses show that this step is not leading towards the desirable development of social services, towards their transformation and towards other changes that are appearing in European countries, despite the fact that the change in the system of the financing of social services considerably increased the amount of funds that are directed into this social protection system. As a result of unsuitably set transitional provisions, the effectiveness of the spent funds decreased considerably, and therefore it is necessary to search for new solutions that would contribute to the implementation of the changes that were originally intended.

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5 see: L. Průša – *Efektivnost financování sociálních služeb v domovech pro seniory (Effectiveness of the financing of social services in retirement homes)*, VÚPSV, Prague 2008

6 see: P. A. Samuelson, W. D. Nordhaus – *Ekonomie, Svoboda, Prague 1991*

7 for example, in 2007 the number of person above 80 was by approximately 3% higher than was anticipated by the middle variant of the population development until 2050

It is clear that the discussions related to this topic will require the preparation of a number of similar analyses so that the adopted solutions contribute to the remedying of the problems of the current legal regulations.

## Abstract

The adoption of the Social Services Act created space for the mapping of the mutual linkages between the individual elements of this system of the social protection of the population. The objective of this analysis was assessing whether subsidies from the state budget enable the desirable development of social services. The basic principles of the new system of the financing of social services are characterized in this contribution; basic principles that should be respected in the provision of subsidies. Attention is also paid to an analysis of the results of subsidy proceedings in 2007 and 2008, and on this basis several possibilities leading to the increasing of the effectiveness of the financing of social services are suggested.

## Keywords

social services, financing of social services, subsidies from the state budget

## Abstrakt

Přijetí zákona o sociálních službách vytvořilo prostor ke zmapování vzájemných vazeb mezi jednotlivými prvky tohoto systému sociální ochrany obyvatelstva. Cílem této analýzy bylo posoudit, zda umožňují dotace ze státního rozpočtu žádoucí rozvoj sociálních služeb. V příspěvku jsou charakterizovány základní principy nového systému financování sociálních služeb, základní principy, které by měly být respektovány při poskytování dotací, pozornost je věnována analýze výsledků dotačního řízení v letech 2007 a 2008 a na tomto základě je naznačeno několik možností vedoucích ke zvýšení efektivnosti financování sociálních služeb.

## Klíčová slova

sociální služby, financování sociálních služeb, dotace ze státního rozpočtu

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