

# *Solidarity and Equivalence in the State Benefits System*

## *Solidarita a ekvivalence v systému státních dávek*

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### **Abstract**

Solidarity and equivalence are a long-term issue of all social systems in advanced countries. At first glance it may appear that these two principles act against one another, but in reality there are a number of very close relationships between these principles – whereas in the degree to which social systems are constructed as universal, the principle of solidarity is applied, in the degree to which social systems are constructed based on the level of income from economic activities, the principle of equivalence is applied. It is this issue of to what extent the specific principles are to be applied that is the fundamental question in making decisions on modifications of specific social systems.

Within this article attention is paid to the evaluation of the relationship of these principles in the social benefits system in our country.

### **Keywords**

solidarity, equivalence, state benefits, state social security, social security benefits, social need, unemployment benefits

### **Abstrakt**

Solidarita a ekvivalence jsou dlouhodobým tématem všech sociálních systémů ve vyspělých zemích. Na první pohled se může jevit, že oba tyto principy působí proti sobě, ve skutečnosti však mezi těmito principy působí řada velmi úzkých vazeb – zatímco v míře, v níž jsou konstruovány sociální systémy jako univerzální, se uplatňuje princip solidarity, v míře, v níž jsou sociální systémy konstruovány v závislosti na výši příjmů z ekonomické aktivity, se uplatňuje princip ekvivalence. Právě to, v jaké míře mají být jednotlivé principy uplatňovány, je zásadní otázkou rozhodování o úpravách jednotlivých sociálních systémů.

V rámci tohoto příspěvku je pozornost věnována hodnocení vztahu těchto principů v systému státních dávek v naší zemi.

### **Klíčová slova**

solidarita, ekvivalence, státní dávky, státní sociální podpora, dávky sociální péče, sociální potřebnost, podpora v nezaměstnanosti

### **Introduction**

Solidarity and equivalence are a long-term issue of all social systems in advanced countries. At first glance it may appear that these two principles act against one another, but in reality there are a number of very close relationships between these principles – whereas in the degree to which social systems are constructed as universal, the principle

of solidarity is applied, in the degree to which social systems are constructed based on the level of income from economic activities, the principle of equivalence is applied. It is this issue of to what extent the specific principles are to be applied that is the fundamental question in making decisions on modifications of specific social systems. Within this article attention is paid to the evaluation of the relationship of these principles in systems of state benefits (state social benefits, social security benefits, unemployment benefits).

## 1 Brief overview of the state benefits system<sup>1</sup>

The first modifications of the state benefits systems were drafted at the beginning of the 1990's in connection with the adoption of the rescue social network concept. The following modifications were adopted:

- Act no. 1/1991 Coll., on Employment, which regulates the conditions for the provision of so called material security of candidates for employment, the predecessor of today's unemployment benefits,
- Act no. 463/1991 Coll., on the Substinence Minimum, which established the limit for material poverty,
- Act no. 482/1991 Coll., on Social Need, which established the conditions for the provision of assistance to citizens in the event of material poverty (social care benefits on account of social needs were drafted).

In the next years the conditions for the provision of these benefits were repeatedly modified, their levels were valorized several times (among the most significant changes in this sense is the adoption of the new Employment Act no. 435/2004 Coll., which became effective in 2005, Act no. 110/2006 Coll., on Life and Existential minimum and Act no. 111/2006 Coll., on Assistance in Material Poverty – both acts came into force on January 1, 2007). At the same time the conditions as well as levels of benefits that were incorporated into the state social benefits system (Act no. 117/1995 Coll., on State Social Benefits, came into force on October 1, 1995) as well as social care benefits provided on account of a health handicap (their comprehensive conceptual regulation has not been adopted yet) were repeatedly modified.

The state social benefit system is defined as the state program of the support of income of an important group of citizens – especially families with children – with the goal of preventing these groups of citizens from falling under the poverty limit<sup>2</sup>. In this regard it was designed as a system of state benefits, which have as their task

- supplement income of families with low income from paid activities (have a preventive effect against poverty),

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1 For purposes of this article, state benefits are viewed as benefits paid out of the state budget and that are not financed on the principle of insurance.

2 See: DLOUHÝ, J. Co ukázala analýza adresnosti systému sociálních dávek [What was shown by an analysis of the targeting of the social benefits system]. Sociální politika no. 11/1996.

- provide for families in selected social situations and events<sup>3</sup>.

Benefits designed in this manner contribute to the resolution of social situations that are considered on the basis of a certain social consensus as situations that 'need to be addressed', i.e., social situations where it is sensible to support a family with children are concerned.

The benefits are financed out of the state budget, from October 1, 1995 until December 31, 2002 these benefits were paid out by the former district offices, after these were cancelled the benefits were paid out until March 31, 2003 by municipal offices in the seats of the former district offices, since April 1, 2004 they are paid out by unemployment offices.

The system of assistance in material poverty is linked to the system of social care benefits provided on account of social need, which was split into a number of legal regulations. The individual benefits were frequently not linked and in some cases they were completely unsuitable.<sup>4</sup> The fundamental legal regulation that governed the provision of these benefits was Act no. 482/1991 Coll., on Social Need, as amended. The biggest problem of this system was the fact that in some cases it created a social trap by guaranteeing – under conditions that were relatively easy to meet – a permanent income at a level that especially persons with multiple children and a low qualification could not realistically attain from employment, which lead to disinterest in the acceptance of work that paid less.

Based on the Act on Social Need, social care benefits (with the exception of the benefit for the subsistence of a child and benefits provided in exceptional cases to minors that did not have permanent residence on the territory of the Czech Republic), were provided by authorized municipal offices in their transferred competencies. All benefits were financed out of the state budget, the authorized municipal offices were not motivated in any way in the effective handling of these funds.

In addition to these benefits, also benefits on account of an unfavorable health condition are paid out in the social care benefits system. The fundamental legal regulation governing their provision is still regulation of the Ministry of Labour and Social Affairs no. 182/1991 Coll., via which the Social Security Act and Act of the Czech National Council on the competency of Czech authorities in social security, as amended, are implemented. If we ignore the fact that the system of these benefits is probably regulated in contradiction with the Charter of Fundamental Rights and Freedoms, the biggest problem of this system is the fact that a number of these benefits have hypertrophied (especially benefits provided in connection with the securing of the mobility of physically disabled persons), the conditions for their provision are established very benevolently, the system has so far not undergone its transformation, a number of social situations could be handled more effectively through

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3 See: VÍŠEK, P. *Analýza stávajících a návrhy nových situací (událostí), které jsou a případně by měly být předmětem intervence státu v systému státní sociální podpory [Analysis of existing and proposals of new situations (events) that are and eventually should be the subject of intervention by the state in the system of state social benefits]. SOCIOKLUB, Prague 2006.*

4 See: BENEŠOVÁ, L. *Typologie (popis) sociálních situací, při nichž dochází k postupnému a později souběžnému čerpání všech systémů (SSP, HN, podpora v nezaměstnanosti) [Typology (description) of social situations in which the gradual, and later parallel, utilization of all systems (Social benefits, material poverty, unemployment benefits) occurs]. SOCIOKLUB, Prague 2006.*

social services (such as the securing of transportation services instead of benefits that are provided on account of the securing of the mobility of physically disabled persons) <sup>5</sup>.

Social care benefits provided on account of an unfavorable health condition are provided by municipal offices with extended competencies. All benefits are financed out of the state budget, municipalities with extended competencies are not motivated in any way in the effective handling of these funds.

In January 2007, Act no. 111/2006 Coll., on Assistance in Material Need came into force, which creates a systematically completely new solution of assistance in material poverty and secures a unified performance of this agenda on the entire territory of the state. An advantage of this system is the fact that it limits long-term dependency on social benefits and as a result prevents social exclusion. The system interconnects the provision of assistance to persons with the evaluation of their activity level in the increasing of income through own effort. Through the use of social work methods, the system creates conditions for the securing of individual work with recipients of assistance in material poverty with the goal of ensuring the necessary integration of these persons into society. In this sense the system reacts to new trends in the social sphere, which started to be used in the second half of the 1990's in European countries ("so that working is worthwhile").

The state employment policy system can be divided into two basic segments: an active and a passive employment policy. Active employment policy supports the increasing of the employability of the labor force by favoring active preventive measures ahead of the provision of social benefits, which in a number of cases maintain the recipient in passivity if activation impulses are not applied. The main measures in this sense include the creation and securing of socially useful jobs, public service work and re-qualification.

By contrast, passive employment policy focuses on the payout of unemployment benefits and requalification benefits. Unemployment benefits are thus designed for people that lost their jobs and worked at least for one year prior to that, that are on record at the employment authority as an employment candidate, i.e., they are actively trying to find work or are participating in requalification courses.

Citizens and employers pay a contribution to the state employment policy for the financing of the employment policy. This contribution is a revenue of the state budget, out of which all active and passive measures are financed. The employment authorities are the guarantors of the implementation of all employment policy measures.

The characterization of the current problems of specific social systems in our country must be based on an analysis of factors impacting the character of individual social transfers. In this regard, the following must be taken into account:

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5 See: KREBS, V. et al. *Analýza sociálně ekonomické situace osob se zdravotním postižením a návrhy na další postup v této oblasti [Analysis of the socio-economic situation of physically handicapped persons and suggestions for next steps in this area]*. SOCIOKLUB, Prague 2003.

- impact of demographic development,
- impact of economic and social factors,
- impact of socio-political determinants (including international influence) <sup>6</sup>.

The entire social system of today is based on the fact that it is especially the citizen who is responsible for his/her social position and the family and municipality form the basic social space in which the citizen's existential background is created. In this regard especially the Act on Social Benefits changed the previous across-the-board approach to the provision of state benefits to a differentiated system with the taking into account of the income situation of the citizen and his/her family<sup>7</sup>.

By reflecting the new philosophical approaches into the resolution of the social situations of citizens, a foundation was put in place in the mid 1990's for a principally new direction to continue expanding – for the development of human resources as one of the conditions of the economic development of society. In this regard, an important role is played by the family, and intervention of the state in its favor should thus be an important part of socio-political factors impacting the character of the social policy in our country also in the next period. This program could also include, for example, evaluation of the possibility of greater state intervention in the development of talents, in the securing of free time activities, language preparation of children, etc.<sup>8</sup>

It is apparent that also the regions, cities and municipalities must participate in the implementation of this program according to the subsidiarity principle. But some of the investigations up until now are showing that these entities do not have much interest in participating financially in the handling of these questions<sup>9</sup>. Social policy is not a priority for the absolute majority of municipalities and regions; it is often still a residual category in their budgets.

In the implementation of the above described modifications in the past as well as in the possible reflecting of the above suggested principles in the following years, it is necessary to pay attention also to the mutual relations between the principles of solidarity and equivalence since it is in the degree to which these principles are applied where the fundamental question in the deciding on the modifications of social systems lies.

6 For further details see: PRŮŠA L. *Možnosti řešení současných disproporcí v oblasti sociálních transferů [Possibilities for resolving the current disproportions in the area of social transfers]*, Study of the Economics Institute of Josef Hlávka no. 1/2001.

7 For further details see: KREBS, V., PRŮŠA, L. *Státní sociální podpora [State social benefits]*. Grada Publishing, Prague 2002.

8 See: *Sociální doktrína České republiky [Social doctrine of the Czech Republic]*, SOCIOKLUB, Prague 2000.

9 See: PRŮŠA, L. *Obce (města) a výdaje na sociální a zdravotní služby v r. 2001 [Municipalities (cities) and expenditures on social and health services in 2001]*. VÚPSV, Prague 2002.

## 2 Basic macroeconomic overview of the development of expenditures on state benefits

The following tendencies can be detected within the system of state social benefits and other state benefits that were paid out before the creation of this system, or that are paid out as a one-time payment, or over the short-term via this system for the coverage of defined social situations:

- at the beginning of the 1990's there was a sharp growth of the expenditures on these benefits as a result of the implementation of the state settlement contribution as a compensation measure as a result of the cancellation of the negative tax on turnover, the share of expenditures on these benefits of GDP grew considerably,
- afterwards, after the state social benefits system was implemented, there was a decline in the share of expenditures on these benefits even despite the fact that in 1993 a one-time benefit was paid out to unprovided for children and in 1994 a fundamental conceptual regulation of children's allowance was adopted (departure from differentiation based on the number of children in a family to differentiation based on the child's age),
- after implementation of the state social benefits system, there is a long-term growth in the absolute expenditures on these benefits, while the share of expenditures on these benefits of GDP drops over the long-term (the only exception in this case is 2004, when a one time benefit to senior citizens and unprovided for children was paid out in connection with tax reforms).

Certain changes in these trends occur in 2007. After a fundamental change in the construction of the subsistence minimum, there was a change in the approach to the housing allowance (the actually incurred housing expenditures are reflected in its construction, which creates the foundation for certain inflationary tendencies in the development of costs on this benefit) and based on a parliamentary initiative, where the approach to the family allowance (it is tied to the level of the average wage in the non-commercial sector) was changed, in 2007 there was a considerable increase in the expenditures on state social benefits and their share of the Gross Domestic Product also increased.

Since the beginning of the 1990's, there was a considerable increase in the benefits within the system of social care benefits provided on account of factors such as social need as well as unfavorable health condition. This increase ensued:

- for benefits provided on account of social need, especially from the development of the unemployment level since as a result of the level of unemployment benefits, basically the vast majority of recipients (mainly from the ranks of families with multiple children) immediately become recipients of these benefits,
- for benefits provided on account of an unfavorable health condition, mainly from the benevolently set conditions for the granting of the vast majority of them.

A decrease in expenditures on social care benefits provided on account of social need occurs from 2003, which is caused mainly by the decline of the unemployment level during this period. Another considerable decline in expenditures on these benefits can be dated

since 2007 in connection with a change of the approach to the subsistence minimum and adoption of the Act on Assistance in Material Poverty.

Within the state employment policy, basically for the entire period between 1993 – 2005 there was an increase in the expenditures on the payout of unemployment benefits (formerly material security in unemployment), with the greatest increase occurring in 1996 – 1999 and subsequently in 2001 – 2003. This development is a reflection of the development of unemployment in our country during the monitored period.

A somewhat different development can be identified in the development of costs on active employment policy. During 1993 – 1997 there was a steady slight decline in the expenditures on this part of state employment policy mainly as a result of the very favorable situation on the job market. Subsequently until 2001 expenditures on active employment policy increased every year, after a short-term decline in 2002 – 2003 they once again increased and in 2005 they reached the historically highest level.

### **3 Solidarity and equivalence in the state benefits system**

When evaluating the relationship between solidarity and equivalence in individual systems of state benefits, it is necessary to focus on the comparison of the amount of money paid by a citizen or household into a specific system and the amount of social benefits that this citizen or household would receive in social benefits if a social situation that is defined in the system occurred. It is apparent that the relationships between these characteristics are also impacted by the character of social solidarity among individual social groups and construction of social benefits, especially from the perspective in which the amount of paid taxes is reflected in their amount<sup>10</sup>.

In this sense solidarity is applied mainly in the following directions in the state benefits system:

- solidarity of childless families with families with children,
- solidarity of higher income families with low-income families,
- solidarity of economically active persons with unemployed persons,
- solidarity of healthy persons with physically handicapped persons.

In this system of these benefits, equivalence is also applied in different extents especially depending on the character of the social situations that are being dealt with in the individual systems:

- in the full degree in the area of state social benefits that are provided without regard for the income level of persons that are assessed together and in the system of social care benefits provided on account of social need and on account of a health handicap, since benefits in these systems are provided on the basis of the formation of social situations that are defined in the systems,

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<sup>10</sup> Considering that the contribution to the employment policy is not defined as an "insurance premium for employment policy", for the purposes of this study it is also considered to be a tax.

- in a limited degree in the area of state social benefits that are provided based on the income level of persons that are assessed together and in the area of passive unemployment policy where the level of benefits is limited by the maximum level of income and when it is exceeded the amount of benefits is not increased, despite the fact that taxes – respectively contribution to state employment policy, which are the source for the payout of these benefits – are collected from the full income.

### 3.1 Solidarity and equivalence in the state social benefits system

Within the state social benefits system, solidarity is applied in two directions:

- solidarity of childless families with families with children (mainly this concerns benefits that are provided without regard for the amount of income of the persons being assessed together – family allowance, foster care benefits, birth benefit, funeral benefit)
- solidarity of higher income families with low-income families (this concerns mainly benefits that are provided based on the amount of income of the persons being assessed together – child allowance, social supplement, housing allowance)<sup>11</sup>.

Taxes, which are the source for the financing of these benefits, are paid by all economically active citizens, and families with children have the option, within the scope of the tax system, to take advantage of relief in the form of deductible items from the tax on individuals' income (until 2004), respectively in the form of discounts on an unprovided for child (since 2005). From this angle it is suitable to judge the character of solidarity and equivalence in the state social benefits system also in connection with the income that families with children receive within the scope of the tax system.

But the functioning of both of these systems is fundamentally different. Whereas within the state social benefits system the amount of the so called tested benefits decreases with the growing net income of the family, with the system of tax on income of individuals the formerly used so called non-taxable amounts in combination with the progressive growth of the tax burden had the result that with the growing income of a person also the support of the state to families with children also increased progressively. Moreover, social transfers to all social groups cannot be executed via the tax system. Advantages ensuing from this transfer can only be used by tax payers, meaning that these benefits do not apply to households of senior citizens with children, unemployed persons, student marriages, incomplete marriages where the mother cares for the child, families with children with below average income and resulting zero tax obligation. As a result, these types of households were thus disadvantaged in a certain way until 2004 in comparison with other groups, since they could not take advantage of all benefits offered by the tax system.

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<sup>11</sup> See KEPKOVÁ, M. *Státní sociální podpora: vznik a vývoj systému [State social benefits: creation and development of the system]*. SOCIOKLUB, Prague 1997 or DLOUHÝ, J. *Vzájemné vazby systému daní a dávek v České republice [Relationships between the tax system and benefits system in the Czech Republic]*. SOCIOKLUB, Prague 1997.



In order to soften the impact of some social transfers via the tax system, since 2005 the deductible items from the tax on income of individuals were replaced by a discount on unprovided for children. A disadvantage of this solution is the fact that this discount has an across the board (and thus also a non-motivational) character and the above described social groups still cannot use this discount.

### **3.2 Solidarity and equivalence in the passive employment policy system**

Within the scope of the payout of unemployment benefits (including requalification benefits), solidarity is applied in the employment policy system mainly between economically active persons and unemployed persons. The provision of unemployment benefits is determined by the age of the unemployed person and limited by the maximum amount, which is stipulated based on the level of the average wage.

For unemployed persons under the age of 50, unemployment benefits are paid out for 6 months, for persons between 50 and 55 for a total of 9 months and for persons older than 55 for twelve months. For the period of the first 3 months, the benefits are 50% of the previous average net monthly income and for the remaining period they are 45% of this income (requalification benefits are paid out for the entire duration of the requalification at the level of 60% of this income). But the maximum amount of unemployment benefits is limited to 58% of the average wage in the national economy for the first three quarters of the previous calendar year. In this sense the equivalency principle is breached considerably within this system, since the citizen (but also the employer and self-employed person) pay the state employment policy contribution from their full wage (respectively the volume of the paid out wages, or the tax base), but in the event of a loss of employment the citizen receives unemployment benefits (requalification benefits) in an amount that absolutely does not reflect income above the average wage level described above. As a result, the benefits recipient, respectively his/her household frequently basically automatically becomes a recipient of assistance in material poverty benefits, since this income level does not make it possible for the citizen to meet his/her basic life needs at the level of the socially acknowledged minimum standard of living with regard for the typical problem of Czech social policy (global prices vs. "Czech" wages).

This situation leads to the consequence that with the growing amount of the previous income the relation between the amount of unemployment benefits (requalification benefits) and the amount of the previous wage decreases when the above described limit is exceeded, meaning that the role of the equivalence principle is decreased at the expense of the strengthening of the solidarity principle, which is thus also applied within this system at the expense of persons with higher income.

In this sense a general trend appears within this system, which is applied in insurance systems in our country, where the benefit amount is influenced, or even completely limited, by income limits in the calculation of a payout in the event of a formation of a legally defined insurance situation. It is apparent that in this sense it is necessary to open a general discussion about what character a benefit should have if a situation that is financed on insurance principles occurs:

- whether this concerns a benefit that has the character of wage replacement and especially the equivalence principle is applied in its amount,
- whether this concerns a benefit that has the character of “pension”, the amount of which is established at a certain level making it possible for its recipient to secure his/her basic life essential at a defined level (for example, solidarity could be based on the principle where if a person worked for his/her entire life for compensation in the amount of the minimum wage and paid taxes and insurance contributions properly, this person would receive a benefit at the level of an individual's subsistence minimum if an insurance situation occurs)
- whether this concerns a benefit in the calculation of which both principles are applied.

### **3.3 Solidarity and equivalence in the assistance in material poverty system and social care benefits provided on account of social need**

Within the system of social care benefits provided on account of social need (since 2007 in the assistance in material poverty benefits system), solidarity of higher income persons with persons whose income does not reach the life minimum level is applied. This solidarity is based on the Charter of Fundamental Rights and Freedoms (based on which everyone has the right to assistance in material poverty) and other international commitments by which the CR is bound (e.g., European Social Charter).

The source for the financing of these benefits is taxes, which are paid by all individuals and legal entities. Equivalence within this system is applied in the maximum extent, the amount of the life minimum is not determined by the amount of taxes paid previously and the length of time for which these benefits may be collected is not restricted.

The only exception – which is not directly related to this system of benefits, but which ensues from the conditions of the rights to benefits in other systems – is the situation where the citizen does not have the right to benefits provided from the system of social care benefits on account of social need despite the fact that he/she paid taxes regularly, because within the sickness insurance system, if this citizen is a self-employed person, he/she did not pay sickness insurance because this system is a voluntary system for this group of persons. Considering that the citizen as a self-employed person had the option to be insured for the event of sickness and pay sickness insurance premiums, it is completely logical that if he/she did not do so voluntarily he/she does not have the right to benefits from either the sickness insurance system or from the system of social care benefits provided on account of social need if this citizen becomes sick.

### **3.4 Solidarity and equivalence in the system of social care benefits provided on account of physical handicap**

Within the system of social care benefits provided on account of a physical handicap, solidarity of healthy citizens with physically handicapped persons is applied. The source for the financing of these benefits is taxes, which are paid by all individuals and legal entities. Within this system of benefits – similarly as in the system of benefits in material poverty – equivalency is applied in the maximum extent, the provision of benefits within this sys-

tem is not determined by the amount of previously paid taxes, the benefits are provided if health handicaps defined in legal regulations occur, the length of time for which these benefits may be collected is not restricted.

Changes within this system probably cannot be expected even in the case of the transformation of this system that is being prepared for several years. This is a system in which the conditions for the right to some of the benefits are set very benevolently, which leads to their frequent abuse<sup>12</sup>.

## Conclusion

The objective of this article was to characterize the interaction of the principles of solidarity and equivalence in state benefits systems (state social benefits, social care benefits, unemployment benefits). Based on an overview of the most important development trends in the past period in these systems, attention was subsequently paid to the specification of the relationships of these principles in individual systems of state benefits. The principal part of the attention was paid to the characteristics of these relationships in the state social benefits system and in the payout of unemployment benefits.

In the state benefits system, solidarity is applied mainly in these directions:

- solidarity of childless families with families with children,
- solidarity of higher income families with low-income families,
- solidarity of economically active persons with unemployed persons,
- solidarity of healthy persons with physically handicapped persons.

In this system of these benefits, equivalence is applied also in a different extent mainly depending on the character of the social situations that are being dealt with in the individual systems:

- in the full degree in the area of state social benefits that are provided without regard for the income level of persons that are assessed together and in the system of social care benefits provided on account of social need and on account of a health handicap, since benefits in these systems are provided on the basis of the formation of social situations that are defined in the systems,
- in a limited degree in the area of state social benefits that are provided based on the income level of persons that are assessed together and in the area of passive unemployment policy where the amount of benefits is limited by the maximum level of income and when it is exceeded the amount of benefits is not increased, despite the fact that the extent of equivalence depends on the character of the social situation that the individual social benefits are dealing with.

The principle of equivalence is considerably breached in the passive employment policy system, where the citizen, employers as well as self-employed persons pay a contribution to the employment policy from the full wage, but the unemployment benefits as well as

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12 See: PRŮŠA, L. *K transformaci dávek pro zdravotně postižené občany [On the transformation of benefits for physically handicapped citizens]*. *Sociální politika* no. 7-8/2001, ISSN 0049-0962.

requalification benefits are limited by the maximum amount, which is established based on the average wage in the national economy. With the growing amount of previous income, the decrease of the relation between the unemployment benefits (requalification benefits) and the amount of the previous wage is occurring, which leads to the strengthening of the principle of solidarity, in this case the solidarity of higher income persons with low-income persons. This fact triggers a question about the general character of the benefits that are provided on the principle of insurance.

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