SOCIAL WELFARE

**Liudmyla Kozarezenko, Doctor of Science (ScD)
in Finance and Credit, Professor**
State University of Trade and Economics
Kyiv, Ukraine

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CURRENT TRENDS IN SOCIAL PROTECTION FINANCING IN EU MEMBER COUNTRIES AND UKRAINE

The Association Agreement signed by Ukraine with the European Union has set forth the goals and objectives that Ukraine aims to achieve in various areas. However, the EU legislative acts often only provide general provisions, which means that Ukraine needs to develop internal provisions in its national legislation to fill these gaps and ensure effective implementation of the Agreement [1].

On February 28, 2022, Ukraine submitted an application for membership in the European Union in accordance with Article 49 of the Treaty on the European Union. After Ukraine completed EU questionnaires on June 17, 2022, the European Commission recommended that Ukraine be granted the status of a candidate for the EU. On June 23, 2022, Ukraine officially received this status. Finally, on December 14, 2023, the European Council decided to initiate negotiations on Ukraine’s accession to the European Union [2].

In order to become a member of the European Union, countries are required to meet the "Copenhagen criteria" [3]. These include having stable institutions that guarantee democracy, the rule of law, human rights, and the respect and protection of minorities. Additionally, the country must have a functioning market economy that is competitive on the EU market. Finally, the country must have the ability to undertake and effectively implement membership commitments, which includes meeting the objectives of political, economic, and monetary union.

Social protection systems are designed to provide support to individuals who cannot earn or have additional needs due to various circumstances like unemployment, parental responsibilities, illness, disability, or old age. This support can come in the form of cash benefits like pensions or unemployment benefits, or in-kind benefits like care services. In the European Union, most social security benefits are provided by state authorities. In some cases, employers or social partners jointly provide benefits such as occupational pensions.

The responsibility for creating and financing social protection systems lies mainly with the Member States. However, the European Union (EU) assists in national efforts to guarantee social protection and promote social convergence. The EU also coordinates social security to safeguard the rights of individuals moving between member states [4].

According to the standards of the Council of Europe, social security includes not only material security (thanks to social insurance), but also other forms of social protection, such as state social assistance, special social protection, and additional social protection.

In terms of social protection, it covers various components such as illness and disability, old age, support for families and children, unemployment, housing, social exclusions not covered by other groups, research and development in the field of social protection, and other components that are not a part of other groups.

Old-age and sickness/health benefits account for the majority of social security payments in EU countries where data is available. Other categories include disability, victims, family/children, unemployment, housing, and social exclusion. Between 2021 and 2022, the percentage of GDP spent on social protection decreased in all EU countries except Cyprus, Bulgaria, and Luxembourg. These three countries saw an increase in spending on social benefits as a percentage of GDP. In Cyprus, spending increased by 1.4 percentage points to 23.2% of GDP, while in Bulgaria, it increased by 1.2 percentage points to 19.5% of GDP. Luxembourg had a slight increase of 0.1 percentage points, bringing its spending on social benefits to 21.6% of GDP. The biggest decreases in social protection spending as a percentage of GDP were observed in Malta (a decrease of 2.8 percentage points), Austria (a decrease of 2.6 percentage points) and Denmark (a decrease of 2.2 percentage points).

In 2022, France had the highest social protection spending as a percentage of GDP among EU countries, with 32% of GDP. Austria and Italy followed closely with 30% each. On the other hand, the lowest social protection spending was in Ireland (11%), Malta (15%), Estonia (16%), Lithuania (16%), and Hungary (16%).

Although most EU countries have increased their spending on social protection in their respective national currencies, a closer analysis reveals a decline in spending as a percentage of GDP in 2022. This is due to the fact that GDP has grown more than social welfare spending, thanks to the rebound effect after the negative impacts of the COVID-19 pandemic.

In 2022, the social protection spending of the European Union was equivalent to 27.2% of its GDP, which is 1.5 percentage points less than the previous year. Based on initial estimates, the total expenditure on social benefits in the EU for 2022 amounted to 4,307 billion euros, representing a 3% increase compared to 2021. In 2022, almost all EU countries saw an increase in their social benefits spending, except for Malta where it decreased by 5%, and Ireland where there was no change compared to the previous year. The countries that experienced the highest growth between 2021 and 2022, measured in national currencies, were Bulgaria (with a 28% increase compared to 2021), Cyprus (with an 18% increase) and Hungary (with a 10% increase). On the other hand, the countries with the lowest growth were Austria (with only a 1% increase), France, Denmark, Slovakia, Finland and Germany (all with a 2% increase) [5].

As per the Ministry of Social Policy of Ukraine, in the first half of 2023, nearly 4.9 million citizens were identified as internally displaced persons (IDPs). Out of them, 1.3 million are elderly, 1.1 million are children, and 200 thousand are persons with disabilities. The World Bank estimates [6] that due to the loss of property and means of livelihood, 7.1 million people were below the poverty line. The UN Refugee Agency reports that 17.6 million people in Ukraine require immediate humanitarian assistance and protection. During wartime, state assistance, particularly the funding of social protection, plays a critical role in ensuring the safety, dignity, and well-being of individuals in conditions of extreme complexity and instability.

The Ministry of Social Policy of Ukraine allocates the largest part of its budget for pensions and social assistance programs aimed at citizens struggling with difficult life circumstances, low-income families, children and families, and persons with disabilities. These programs cover a wide range of benefits such as housing subsidies, payments for the birth or adoption of a child, assistance for children under guardianship, single mothers, large families, and in-kind benefits such as the "baby package". The state budget for 2023 provides UAH 442.3 billion for these programs, and UAH 230.5 billion or 52% of the annual plan has been allocated for the first half of 2023. From January to November 2023, social payments received UAH 407.9 billion from the state budget [7]. The allocation of funds is as follows: UAH 1.2 billion will be used to provide financial assistance for the payment of pensions, allowances and increases under pension programs, as well as to address the deficit in funds of the Pension Fund of Ukraine. UAH 93.8 billion will be directed towards social protection of individuals facing difficult life circumstances. UAH 39.8 billion will be used to support low-income families and provide benefits and housing subsidies to citizens. UAH 22.2 billion will be allocated for social protection of children and families, while UAH 2.7 billion will be used for social protection of persons with disabilities. Lastly, UAH 0.2 billion will be used for rehabilitation and recreation of children who need special attention. It is noteworthy that in

2023, international partners fully financed pensions, housing subsidies, and assistance for low-income families, children, persons with disabilities, and internally displaced persons.

To become a member of the EU, candidate countries must align their laws with EU regulations. As part of the Association Agreement between Ukraine and the EU, Ukraine committed to bringing its legislation in line with many EU directives related to employment, social policy, and equal opportunities. During the accession process, all member states must implement a mandatory minimum of EU legislation that is divided into six clusters and 35 chapters. One of these clusters, section 19, outlines regulations for social policy and employment [8].

The 2023 Report on Ukraine concludes that the social protection system in the country is underdeveloped. Specifically, the report notes that the requirements for receiving pensions, including age and insurance experience, are low. Additionally, the amount of pension payments is also low, which puts many pensioners at risk of not being able to meet their basic needs. This issue is especially relevant for women who may retire earlier than men and face a higher risk of poverty [9] . There is currently no system in place for paying pensions to workers who frequently change their place of work. Additionally, there is a need to reform the institutional care and upbringing of children. This includes implementing a strategy of deinstitutionalization, which aims to transition children in boarding schools to family-based care [10]. Finally, the European Commission has noted that Ukraine has not yet begun preparations for administering and using resources from the European Social Fund.

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