

(Translated from Russian)

(Summary)

Questionnaire

On impact of the reductions in social expenditure on those living in extreme poverty

Addressed to United Nations Member States by the Independent Expert on the question of human rights and extreme poverty

Post-crisis adjustment and fiscal consolidation processes (2010 onwards)

The Government of Ukraine has not taken any decisions on social insurance expenditure reductions.

However, the financial crisis has affected the national economy and the social protection system: more people are applying to the employment service, thus more payments are being made; there are fewer employees and more workers on part-time jobs, thus less being paid in contributions to the Compulsory Unemployment Insurance Fund.

An act was introduced in 2009 to minimize the effects of the crisis on employment; it:

- Provides for benefits to be paid in the case of short-time working with loss of salary or salary cuts for economic reasons linked to the effects of the crisis
- Increases social insurance fund contributions (shared by employer and employee), compensated by reductions in employer payments to other funds (accidents at work, temporary unemployment) and an additional increase in contributions to the employers' and employees' fund
- Means that the fund covers more workers — by including workers under civil law contracts, soldiers, working pensioners and foreigners working temporarily in Ukraine — unless provided for otherwise in international agreements
- Introduces measures to protect the country's labour market; the Fund's expenditure has been streamlined to ensure stability in its budget, its ability to react to changes on the labour market, and its capacity to cover payments

A Cabinet of Ministers decision on implementing State employment policy 2010–2011 was passed to counter the effects of the crisis, raise employment rates and improve social protection from unemployment; it also aims to consolidate the efforts of all parties in the social dialogue to control developments on the labour market, specifically by:

- Creating jobs with decent conditions
- Making sure there are enough qualified workers available
- Making workers, especially young people and people with disabilities, more employable
- Getting the unemployed back into jobs, ensuring they are covered by social payments
- Providing more incentives to make productive employment legal and regularization of jobs
- Controlling migration of workers

Ministry of Labour and Social Policy Order No. 314 to combat unemployment, 2010–2011 was adopted on 8 October 2010. Government anti-crisis and economic recovery

measures have produced positive trends nationally and regionally. The employment rate for the economically active population went up for the first nine months of 2010, unemployment was down compared to 2009 all over the country; the unemployment rate was lower than the average for the European Union.

The strategic aim of national social policy is a real improvement in living conditions, fully productive employment, poverty reduction and increased wealth. The third and final stage of the poverty reduction strategy (2005–2009) was implemented in 2007–2009; annual implementation plans were approved with funding each year. Most efforts concentrated on: promoting the employment policy; improving income and reducing differentials through increased salaries and pensions; more targeted support for the population. Monitoring shows that the trends are stable, with a fall in poverty from 27.3 per cent to 26.4 per cent, and in extreme poverty from 13.8 per cent to 13.0 per cent, between 2007 and 2009. Families with children, especially those with three or more, benefitted most. Poverty in rural areas fell from 37.9 per cent to 36.8 per cent.

The Pensions Act, which introduced pension insurance payments and provided for the creation of a new three-tier pension system — foundation, compulsory and a public voluntary pension fund — came into force on 1 January 2004. The old-age pension is linked to the period of contributions and salary earned, and is supplemented by a system of State benefits for older citizens, people with disabilities and families with children, with the minimum pension equal to at least the minimum allowance for an individual no longer able to work. The value of one year of pensionable service has risen from 1 per cent to 1.35 per cent, with a pension equivalent to 40 per cent of salary being paid after 30 years of work. In addition to the pension, there are supplements, increases, additional pensions and other payments calculated on the basis of the monthly minimum wage; these were reviewed in April, July, October and December 2010, when the minimum wage was increased. The average pension in December 2010 was 1,130 hryvnias (Hrv), an increase of 13.1 per cent over January. The minimum pension on 1 January 2011 was 750 Hrv, an increase of 7.9 per cent over January 2010.

The Government has adopted an economic reform programme for 2010–2014, giving clear guidelines, including for pension payments, with proposals for a complete reform of the pension system and more social protection for people no longer able to work, to ensure they have a decent standard of living. The programme will be implemented in three stages between 2010 and 2013, with priority on achieving financial stability in the pension system by: giving more weight to the period of work and the salary in calculating the pension; eliminating the disproportions between pensions of those who retired in different years; and restricting the maximum pension paid from the social security system or from the State budget. Improved regulations for the activities of the accumulated pension funds will be introduced in 2011–2012.

State policy on social protection for older people, people with disabilities and others who cannot work is also based on the Constitution and various laws. The Ministry of Social Policy has a system of social services aimed primarily at war veterans and pensioners, single older people and people with disabilities. A large network of residential units, outpatient departments and local social service centres offers financial and other forms of social assistance. In addition, a Cabinet of Ministers decree sets out a new way of providing social services, with people who are not working allowed to cover needs that the social services cannot meet, for a daily wage set as a percentage of the minimum wage. This will help those most in need, making it possible to organize individual social services for more than 90,000 people in the country. Given the demographic situation and the increasing numbers of older people and people with disabilities, there is a constantly growing demand for social services and support. The Social Services Act brings in changes, specifically the

development and introduction of effective modern mechanisms to make the social services system work.

Experts from the Ministry of Social Policy and government bodies, NGOs and of a number of international technical aid projects produced a framework for a reform of the social services system that was adopted by Government decree in April 2007. A related action plan to 2012 will help Ukraine establish a contemporary model of social services that meets the principles of modern social work and the social standards of the European Union, guaranteeing the right to good quality social services for the whole population, which will help to reduce poverty.

Social spending has not been cut. Assistance for children in care has doubled since 1 January 2009 to twice the age-related minimum subsistence allowance. Help for low-income parents with children under the age of 3 has also doubled, targeted help is available for the poorest families, and children in large families receive assistance at 50 per cent of the minimum subsistence allowance. The minimum subsistence allowances for working people, those unable to work and people with disabilities have also risen.

Over recent years, the Ministry of Labour and Social Policy, local authorities and local self-government bodies have established a system for reintegration of the homeless and of released prisoners; the network of 130 establishments provided social services for 18,500 people in 2009 and 138 establishments helped more than 10,600 people during the first half of 2010. They are funded from local budgets, which are limited, and so further development is at risk during the financial crisis.

Current economic recovery policy and food price rises

If food prices rise excessively, the Prices and Pricing Act allows them to be brought back under State control. Despite the deflationist trend in consumer prices in 2010 (moderate rises in the fourth quarter compared to previous years), food prices are under Government control, with the short- and medium-term stabilization measures taken by the central and local authorities having a direct effect, curbing increases in consumer prices.

Food prices have not changed for more than two years, and the Ministry of the Economy is now planning a thorough review of State regulation of prices through:

- Agreement on the list of food products subject to various State price control methods
 - Approved limits on supply and trade (retail) surcharges, and revocation of local authorities' powers to set them
 - Approval of new regulations for changes to wholesale food price declarations
 - Approval of regulations for setting prices for food products subject to State controls, with limits on trade (retail) surcharges
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