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Thank you very much. My colleague will be handing out some materials that will be used during my presentation. Much has been accomplished in a short period of time in Slovakia as it relates to social reform. And my remarks today will revolve around my experience as Mayor Giuliani's Commissioner in New York City for Social Benefits, my experience in Wisconsin having worked on a major reform there, to shed a light, I hope, on what I think are the problems and solutions that the Slovakian government has attempted to provide. Just these past few days I've been visiting with my colleague many of the locations, several locations that are attempting to carry out the reform, the ambitious reform that was started this past January.

But first I want to describe for a moment something about the United States reforms and because I think that many of the ideas that were successful in the United States have been incorporated in the concept here in Slovakia and although the implementation of the reforms here has not been effective as yet because for many reasons including the fact that the reforms were implemented very quickly I think the long-term outlook for social welfare reform here in Slovakia is quite promising. In the United States we had worked for many years since World War II under the idea that the central problem for those who were in need was low income. And that if there was a transfer of income from taxpayers to the low-income population that many problems that revolved around poverty could be solved this way. But during the 1960's we saw a four-fold increase in the number of people and families that were dependant upon the social welfare system, and at the same time an increase in the number of families who had social problems that were related to their dependency. These problems included the inability of individuals to succeed when they found employment and a level of passivity and disorganisation in family life, and finally, the disintegration of the family. All of these things were associated with the increased independency that was precipitated by the changes in thinking in the 1960's in the United States.

By the 1990's in the US the idea had taken a hold that the central problem, the social problem revolved around dependency, not around lack of income primarily. And so, five major reforms were put in place in 1996, they are in your handout, they include the end of entitlement, so that individuals no longer automatically receive the benefits strictly by being low-income. Secondly, that state governments instead of the national government will control both the budget and the programme design and programme administration of the social welfare system. Third, that the social welfare system would require work as a condition for receiving pension benefits. Fourth, that if individuals did not work, benefits would not be paid, and finally, that the social welfare system should be seen as a transitional system, not as a permanent way of life, and that there ought to be a five-year time limit on the receipt of social welfare benefits and by that time individuals should be put in a position to move along in their life and attain income through private employment. As you can see from the chart on page 2 the percentage of married, single and never-married mothers who were working... if you look at the chart showing the pre-1996 to post-1996 you can see a very dramatic change. If you look at the never-married mothers, these are single mothers who have children but are the group that's most likely to be dependant on welfare, you see that right around 1996 the percentage of mothers working jumped from about 50 % to about 65 % in a short period of time. That was primarily due to these requirements and the expectations that individuals move into the labour force.

We also found in the United States that once individuals began to work if the budget is controlled by the state government instead of the federal government, the national government, as people move into the labour force the amount of money that needs to be dedicated to providing cash assistance goes down and therefore, the remaining budget can be used for other sources of social support for working families and not so much more healthier arrangement than providing cash assistance. In the United States, for instance, we used to spend 85 % of the social welfare budget on cash assistance, now we spend nationally about 33 % of the budget. The other 66 % goes into assistance to working families. For instance, providing a child care subsidy so mothers can go to work, or providing wage subsidies so that low-income workers make more money than they would have before just by working at minimum wage. And those two things together have made quite a difference. If you look at page three you can see that the earnings or the amount of income that comes from the social welfare system has gone down rapidly from about \$6,000 a year to about \$3,500 a year on average, while at the same time the amount of income from earnings plus the earning income tax credit – that's the wage subsidy – has gone up very substantially. On page 4 you can see the support for working

families change, and on page 7 you can see the different ways that work has been introduced in one state – Wisconsin – and finally, on page 8 you can see the change in the proportion of people who are in the labour force as compared to those who are on social welfare. This chart on page 8 shows that of all people who come into the state of Wisconsin, which has a very significant reform in place and applies for social welfare benefits, after three months 15 % are already in the labour force in some way, but after 24 months all but about 25 % of the individuals who came and asked for assistance are off of the programme and in labour force and supporting themselves.

So where are we here in Western Europe and where are we here in Slovakia? Well, one of the benefits of the United States ideology is that most Americans think that work ought to be connected to income, that being a member of society assumes and incorporates the idea that people are self-reliant and contribute through work to their families and their income. And Americans called upon that idea when they reformed the welfare system in 1996. Western Europeans lack the same concept. For Western Europeans social inclusion and citizenship is not dependant upon willingness or ability to enter the labour force; instead, it is considered a right of a membership and citizenship itself rather than something that must be earned. Well, that has caused problems as well as solutions. The solution is that in Western Europe individuals are provided a more generous level of benefits if they're not working. And that can be seen as a good thing. The bad aspect of it is that in Western Europe it's more difficult to introduce needed reforms than it is in the United States because you cannot call upon the idea that people should be working. And this aspect has seen itself present in the current failure in the Schroeder government in Germany to follow through and implement necessary reforms to all its pension system and its social welfare system because of opposition by the public employees and the labour unions opposition which could not be overcome by the government calling upon the citizens to support the necessary reforms.

On the other hand, here in Slovakia things are curiously somewhat better and the reason for this has to do with the tradition of communism, I think, in which the notion that individuals should work as a condition of citizenship has a long tradition. And as much as communism was a failure as a social system for many reasons that we all are familiar with in this one respect it actually has been helpful in working through this current reform. I will just touch on some of the things that it has done. The current reform in Slovakia requires that individuals work for ten hours per week in exchange for benefits and that is a good thing although its implementation has been difficult. There has been a low rate of sign-ups for this kind of jobs, the mayors have been unable to create a sufficient number of slots, the benefits were reduced without the service community jobs having been created, but many of the problems are that of implementation of a significant reform and can be accommodated over time. I think what will be necessary for these reforms to succeed in the long run is that decentralisation of programme responsibility and budgets take place, and secondly, that benefits be standardised meaning that if you have more children you don't get more money – that's an important aspect – and then finally, that the time be given for the reforms to work through and be managed properly so that the idea of connecting work with benefits can actually see itself in fruition. Thank you.