



FINANCING OF THE POLISH SOCIAL SECURITY SYSTEM FOR PEOPLE WITH DISABILITIES

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Summary. System of the social security is particularly important tool in implementation of a social – economic policy. Its task is to provide benefits for the human individual to ensure safety in many different practical circumstances, e. g. threat or losses of health, fortuitous incidents, involuntary financial deterioration, loss of revenue, disability. Sense of security is regarded as one of basic human needs, as the essential human right. Polish system of the social security for persons with disabilities constitutes configuration of a few elements, collected around the entity i. e. the person with disabilities. Such a configuration explicitly determines the significance of individual elements and points its ancillary functions. These elements by virtue of performed functions have diverse tasks, entitlements and competence. Financing of the social security system for persons with disabilities is exceptionally complicated in terms of finances source as well as legal – institutional regulations.

Keywords: disability; social security system; work; barrier; employee.

Social security system of persons with disabilities includes: social insurance, health insurance (including medical care and medical rehabilitation), social rehabilitation, professional rehabilitation along with employment of persons with disabilities, social assistance. Each of mentioned components has its own specificity. Include more uniform and precise than the entire system, collection of incidents and situations creating circumstances as well as conditions to justify the claim or efforts of person with disabilities, directed to the institutions implementing benefits provided in their specific life situation.

Financing of the social security system for persons with disabilities is exceptionally complicated in terms of finances source as well as legal – institutional regulations. Financial means, before they reach the persons with disabilities, go through many institutional levels: state budget, PFRON (National Fund for Rehabilitation of Persons with Disabilities), FUS (National Investment Fund) or ZUS (Social Insurance Institution), NFZ (National Health Fund), self-government budgets, district centers of the family assistance. On the above additional are imposed complexity of the system having its source in the folded structure of entitlements and competence of

many institutions as well as funds. Such a system shape causes its low legibility, problem in monitoring and controlling of expenses, and hence complicates rational action. It's a cause of developed bureaucracy and duplication of competence (e. g. granting loans for the business activity and orthopedic supply). Many financial means provided by PFRON to social assistance centers – instead for the rehabilitation – are used as part of the social assistance.

Each system requires a financial supply. In the case of the social security system for people with disabilities, financing may come from various sources (such as the state budget, local government budget, PFRON, NFZ, FUZ or employers).

When analysing the organization and financing of activation and professional rehabilitation one can highlight a feature that a person with a disability should meet in the system:

1. An employee – the employment and professional rehabilitation is an organizational and financial burden of the employer, with additional support of PFRON, while social and medical rehabilitation is financed from the state budget and local government budget.

2. A person running own business (self-employed person) – professional



rehabilitation is financed by the state budget and PFRON.

3. An unemployed person – professional and social rehabilitation may be organized and financed by the PFRON; medical rehabilitation and social services financed with the support of local budgets.

The disabled person status is important because it determines the form, method and institutions, which is responsible for financing, maintaining and supporting of the process of rehabilitation.

Other elements of the system include:

– budget understood as the central budget and local budgets (local government);

– special funds – the State Fund for Rehabilitation of Disabled Persons (PFRON), the National Health Fund (NFZ), Social Insurance Fund;

– employer together with Company Fund for Rehabilitation of Disabled Persons (ZFRON) created obligatory in every protected plant and Professional Activation Fund (FAZ) created obligatory in professional activation plants.

The financing of the social security system for people with disabilities from the state budget has a twofold nature. On the one hand it comes from additional funds for social security and employment of persons with disabilities, on the other hand, it is financed by the statutory allowances and omissions which are granted to employers of people with disabilities who give up their potential revenue.

Statutory reductions and omissions are an internal source of funding for the system. These include the omission of tax collection. External source of funding is a grant from the budget. The budget also pays health insurance premiums for unemployed people with disabilities and provide funding through the provincial administration to local governments (provincial, district and municipal) and non-governmental organizations. A significant part of funds in the system are grants, subsidies and refunds from PFRON.

Broadly defined health care is paid for by contributions from citizens from all

types of income. General formula assumes that the health insurance contribution is 7,75% of the base tax on individuals. This tax is collected by the tax authorities and discharged in the form of advances to the National Health Fund, which is the primary source of funding for medical services.

PFRON is the primary source of funding for employment and professional rehabilitation of persons with disabilities. It is supplied mainly from obligatory contributions from employers for not employing people with disabilities in an appropriate proportion (6%) and payments from supported employment enterprises. These funds are spent for subsidies to wages, the payment of social security contributions for people with disabilities doing business or involved in agriculture, loans for business or agriculture, or to contribute to the social cooperatives, creation of protected workplaces and other statutory tasks. The Fund has also targeted programs, for persons with disabilities and individuals engaged in social rehabilitation. It also funds medical and social rehabilitation of unemployed people with disabilities.

Local government is responsible for the financing of social rehabilitation and social assistance. The funds for this purpose are obtained from own revenues, grants from the state budget and PFRON. District family assistance centres and welfare centres perform tasks related to the liquidation of architectural barriers, urban planning and communication, as well as the organization of rehabilitation courses, occupational therapy workshops. Local government is also responsible for financing of social assistance.

Rehabilitation and support for people with disabilities is also financed from the Company Fund for Rehabilitation of Disabled Persons (ZFRON). This is an internal fund in companies with the status of protected plants. It is created with the resources of employers due to omission of collecting of taxes in the amount of 90% of those payments. A trustee of the fund is the employer.



In order to define the size of public costs incurred by the system, one has to compare the amount of PFRON expenditure with those of local government and non-profit sector. These are, of course, the cost estimates. Comprehensive grasp of the costs in such a large system without a thorough financial analysis and in-depth research in this field is impossible. The type of cost may also be problematic for the analyst, as it is difficult to estimate what is and what is not a cost of professional activation. From the perspective of system, activation costs should include items that directly translate into tasks related to activation of the labour market. However, when estimating the cost of a social group that consists of people with disabilities, one should be aware that their activity is also affected by other factors, particularly related to the nature of their incomplete efficiency. Specific factors include: health status, lower productivity, physical and social barriers.

In case of persons with disabilities one should add to public costs also the costs of decreasing their activity, such as various social benefits. Of course, these costs do not have a direct impact on the finances of professional activation system, however they significantly reduce the effectiveness of the activation measures. There is no evidence that the benefits are a dominant factor in this area, although many studies support the idea that they are indirect cause of inactivity of people with disabilities.

It is not possible to implement any activities without the involvement of appropriate measures. Various initiatives and support instruments require financial resources. Financing of the tasks in the area of support for people with disabilities, based on the use of funds derived from contributions from employers who do not employ disabled workers, provides a stable basis for the system. Funds paid to the State Fund for Rehabilitation of Disabled Persons (PFRON) serve people with disabilities to support their economic activity

and enable them to prepare to enter and remain in the labour market.

The instruments supported in this way are of a different character, and are directed to different beneficiaries. The most important group are people with disabilities who can use various forms of support because of measures sent to them directly. It is also important to support employers appropriately and also to target resources to NGOs carrying out various activities for people with disabilities. Each area is equally important, complementary to each other and can better use the potential of the disabled. Looking through figures in Table 5.23, it is clear that PFRON takes the burden to finance activation of people with disabilities. More than 96% of the resources for this purpose come from the Fund. It should also be noted that the amount of funds for this purpose is growing systematically. While in 2006, handling tasks related to the activation of people with disabilities cost 1,6 billion PLN, in 2011 it is already PLN 3,2 billion, that is twice as much.

However, it is important not to forget that PFRON funds are not the only ones that can be and should be used to support people with disabilities. Non-governmental organizations are doing well in this field and they are treated as reliable partners. All problems of the disabled cannot be solved centrally. Good partnership between central government, local government and NGOs can only bring desired results. Non-governmental organizations are best prepared to perform specific functions, and thus, for example, to conduct therapy workshops. The financing of these tasks comes mainly from the Fund, but more and more is gained by NGOs themselves. In 2006, non-governmental organizations have allocated 4,6 million PLN for professional activation of people with disabilities. It was rather symbolic amount. But one has to remember that many of the tasks were carried out in the form of volunteering, which is difficult to be evaluated in money terms. In 2011, one



can see a great improvement in the financial situation of this sector – from donations and their own activities NGOs col-

lected more than 30 million PLN, the sum that later was spent on supporting people with disabilities.

Specification of selected public cost estimates incurred by the state budget and the budgets of public social services, rehabilitation and professional activity of people with disabilities in 2005–2011 (*in million PLN*)

Entity/Cost	2005	2006	2007	2008	2009	2010	2011
Costs of professional activation of people with disabilities							
PFRON	1 540,9	1 596,0	1 765,1	1 853,3	1 688,9	2 992,4	3 002,3
PFRON headquarters	1 380,0	1 475,8	1 644,8	1 593,6	2 515,3	2 846,8	2 886,5
District government	52,8	28,2	29,2	154,8	95,5	70,6	59,3
Provincial government	108,1	92,0	91,1	104,9	78,1	75,0	56,5
Local governments	77,2	68,9	65,3	66,9	84,4	77,9	95,8
Provincial government ¹	44,5	40,9	40,1	46,1	47,9	47,2	56,5
District government ²	32,7	28,0	25,2	20,8	36,5	30,7	39,3
Non-profit sector	4,6	6,0	10,5	21,7	25,5	26,7	30,4
From 1% of PIT	2,5	3,7	6,3	17,9	22,9	21,6	24,1
From other sources ³	2,1	2,3	4,2	3,8	2,6	5,1	6,3
TOTAL	1 622,7	1 670,9	1 840,9	1 941,9	1 798,8	3 095,0	3 128,5
% GDP	0,16	0,16	0,16	0,15	0,13	0,21	0,22
Costs incurred for the disabled and unable to work as part of social and rehabilitation services							
ZUS	107 397,6	115 908,5	118 013,2	132 180,8	147 896,4	156 189,7	167 800,0
Pensions	29 265,0	29 626,9	29 575,7	31 370,2	32 577,0	39 545,8	42 401,4
Social pensions	1 257,6	1 239,1	1 271,4	1 339,7	1 453,1	1 531,3	no data
KRUS	14 459,7	14 693,7	13 700,7	14 091,3	14 097,5	14 404,9	13 692,3
NFZ	914,6	951,9	2 266,0	2 749,4	3 044,6	2 934,5	3 072,2
Public welfare	543,8	539,8	477,4	539,4	576,0	597,9	575,2
Temporary benefit	27,1	17,2	10,4	35,1	46,5	37,5	18,0
Permanent benefit	516,7	522,6	467,0	504,3	529,5	560,4	557,2
TOTAL	123 315,7	132 093,9	134 457,3	149 560,9	165 614,5	174 127,0	184 564,5
% GDP	12,57	12,48	11,51	11,76	12,41	12,18	13,0
Total costs	124 938,4	133 764,8	136 298,2	151 502,8	167 413,3	178 753,3	187 711,0

Notes:

1) the costs connected with activities Professional Activation Centres established in previous years;

2) costs of professional counsellors, other officials and entities under professional guidance financed by provincial governments;

3) donations and revenues from economic activity – an estimate.

Source: Own calculations based on data from the Central Statistical Office, Social Insurance Institution (ZUS), PFRON, Ministry of Finance and the Ministry of Labour and Social Policy.

Among the key factors which reduce the labour supply of people with disabilities one can include: system of pensions and disability pensions and social assistance, which are often used as a substitute

for early retirement. Benefits paid to the unemployed until they reach the standard retirement age are one of the examples of such type of social assistance. Economists point out that the amount and availability



of all the benefits that can replace the income from work contribute significantly to the decline of labour activity of people who are close to retirement age. The higher the transfers, and the sooner one can use them, the more people are choosing to leave the labour market before reaching the official retirement age.

The decision to continue or terminate the activity are also affected by demand factors, such as the state of economic activity and the associated volume of demand for labour. The better the prospects of economic development and expected increase of demand for labour in the future, the weaker stimuli do older people experience to an early exit from the labour market.

Tensions related to the financing of pensions are largely due to early exit of people from the labour market. People who receive pensions from the Social Insurance Fund, worked an average of 27,6 years (including men 29,2 years and women 24,4 years). Less than every fifth of pensioner has completed 40 or more years, and only one in ten more than 45 years. By comparison, more than one in ten pensioner worked for less than 25 years. Very little has changed in this respect, so far. The average length of service of people who have retired in 2010, was 35,3 years. Although the percentage of pensioners with a very short period of employment decreased, unfortunately the percentage of pensioners with normal or long period of employment decreased in the same way. Every second person who received the benefit in 2010 worked less than 25 years.

In 2010, the annual cost of public sector related to the payment of allowances to enable leaving the labour market before reaching standard retirement age and at the same time not resulting from poor health (i. e. without disability benefits for work) amounted to 28,3 billion PLN. This means that in 2010 the average burden of employed persons for the payment of these benefits amounted to 230 PLN per month (year 2614 PLN). For an employee who

receives the average salary, the additional burden amounted to 16% of total non-wage labour costs.

Since the beginning of this decade, the annual cost of these retirement benefits stood at 2,1% GDP. Such amount consisted of early retirement from Social Security Fund (1,4–1,7% of GDP), and pre-retirement benefits (0,5–0,6%, early retirement of people in the area supervised by Ministry of Defence, Ministry of Interior and Ministry of Justice (0,4–0,5% of GDP) and early retirement pensions from KRUS (0,0–0,1% of GDP).

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Social effect of this situation is loss of abilities of optimal support activities associated with actual needs of the person with disabilities in rehabilitation, among others because many people due to complicated bureaucratic procedure give up participating in the system. This causes the lack of discernment as for actual needs and



expectations of persons with disabilities in regard to the system (e. g. it isn't known, how many persons with disabilities needs support). It also leads to many negative stereotypes concerning the system failure and wasted public money.

Assessing the social security system of persons with disabilities, one must state that it is underfunded and overwhelmed with enormousness of tasks. From the analysis of financial means (their real decrease) it is obvious that this state will still deteriorate. Help provided has temporary character and does not fully satisfy the needs. The long-term tasks such as treatment, social work, prevention and those aimed to support persons with disabilities in recovery for independent functioning cannot be conducted under pressure in the appropriate scope. The institutions responsible for system functioning cannot cope due to limited financial means.

Proper construction of the social security system causes that persons with disabilities bring something into the society, and is not regarded as the burden for it. Properly organized as well as conducted social and professional rehabilitation of persons with disabilities creates conditions for the economic self-dependence of these people.

Achieving this they find appropriate place in the community and are regarded as its highly respect members. treatment, social work, prevention and these aimed to support persons with disabilities in recovery for independent functioning.

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