FINANCING OF SOCIAL PROTECTION[1]

This Info edition examines the financing of social protection systems in the States participating in MISSOC and focuses especially on their adequacy and sustainability. Although the interaction between national economies and social protection systems makes the issue complex, for the purposes of this Info edition it will be examined in three parts:

I. Expenditure and funding of the social protection systems

II. The measures needed to make social security systems sustainable

III. Overview of the social protection financing systems

I. Expenditure and funding of the social protection systems

In the European Union the expenditure of social protection (per habitant) increased in the past five years (2000 – 2004) by around 16%, whereas the GDP increased only by around 13%.[2] The increase of social protection expenditure is owed to the interaction of many factors and mainly to the ageing of population, to the increase of health expenditure (due to the technological and scientific progress and the increasing of survival expectancy), to the changes of labour and familial relations and to the decreased economic growth rates.

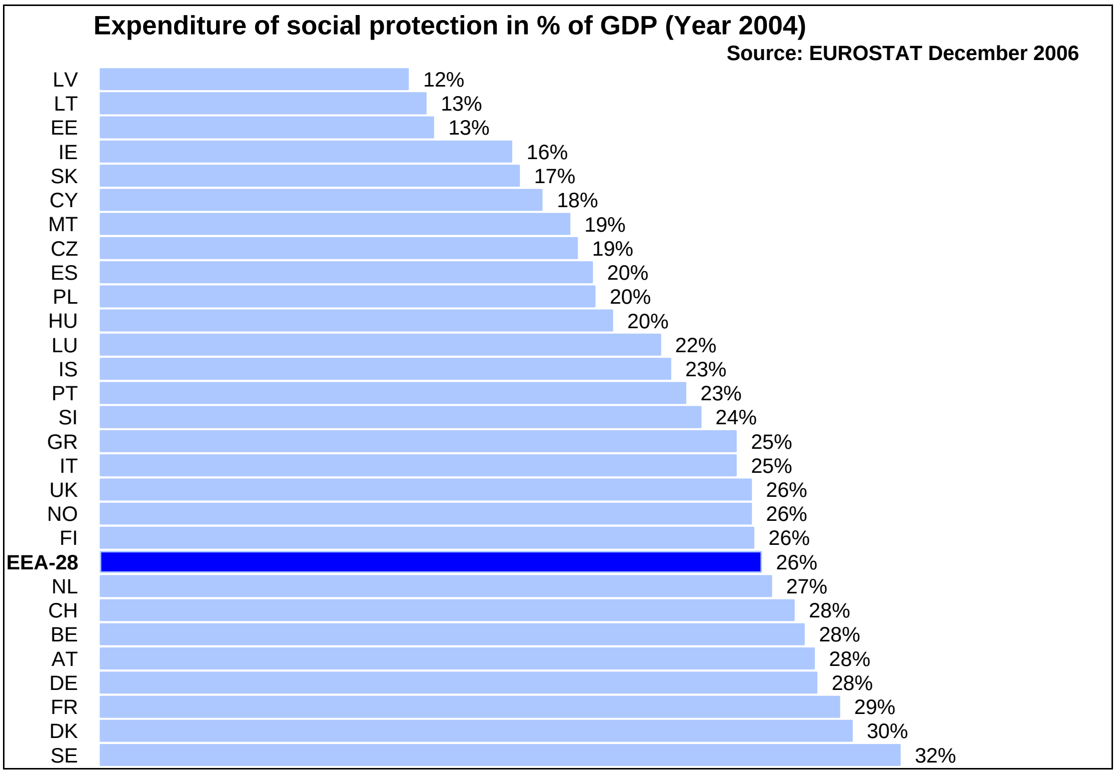
In the year 2004 the ratio of the social protection expenditure of the GDP was in the EEA-28-countries 26% on average, with the lowest rate in Latvia (12%) and the highest rate in Sweden (32%). The European Union seeks the maximization of the Union's share in the world market and simultaneously the maintenance of social cohesion and prosperity. Especially countries, in which expenditure of social protection already corresponds to a high percentage of GDP, try to fit their social protection schemes in the new demographic, labour, social and economic conditions, in order to continue fulfilling effectively their mission, which is the coverage of the social contingencies mainly through the social security technique, whose originality lies in the combination of the social solidarity with the contributory principle[3].

[1] Term used hereafter as including social security, social welfare and health services.

[2] Source: EUROSTAT (Dec. 2006). Please note, that the data are not inflation-adjusted, because they are not available for all 25 EU Member States.

[3] That means that there is a relation between contributions and benefits.

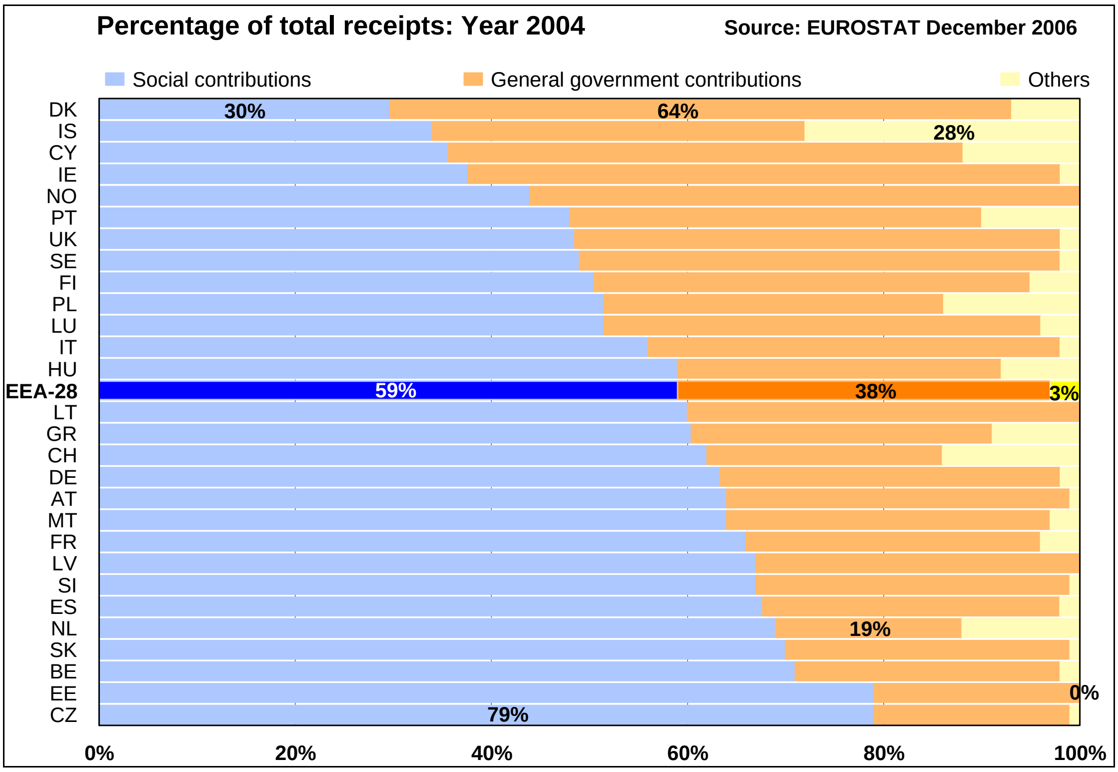
Figure 1



In the European Union member States a high percentage of GNP – with some differences – is required for social protection. There is a risk that economic growth will slow down with adverse effects to the income and the level of social protection. As a consequence, the main concern is not the way the money for social protection is collected (taxation or contributions) but on how to sustain an adequate economic growth and to increase the employment rate. Increasing employment reduces the need of financial resources because of unemployment (benefits for the unemployed, for early retirement because of unemployment) and increases the resources for all branches of the social security. In addition, social security benefits and generally social protection benefits are a factor of economic growth, since they increase the consumption of goods and services. Therefore economic growth goes hand in hand with social protection.

The financing systems of social protection are in all EEA-Countries mixed systems with social contributions (contributions paid by employees, employers, and inhabitants), general government contributions (taxes) and other sources. In the EEA-countries the ratio of social contributions is 59% on average whereas the ratio of taxes is 38%, other sources account for 3%. However the financing systems of the several countries are very different: In the countries covered by this report, Denmark's financing system has the lowest proportion (30%) of social security contributions and the Czech Republic has the highest (79%). With regard to taxes, Denmark uses the largest proportion (64%) towards social security expenditure and Netherlands uses the lowest (19%).

Figure 2



In order to make the social protection systems sustainable, measures concerning the revenue side and the expenditure side are required. Relating to the revenue side concepts on how to sustain a high economic growth for supporting the social protection systems are needed. One aspect of this field also concerns the impact of the financing systems and their reshuffling on the labour market[4].

II. The measures needed to make social protection systems adequate and sustainable

The increase of social protection expenditure creates a corresponding inflation of regulations in that field. These regulations can be classified in those that have an isolated character and those that are part of a comprehensive strategy. More specifically:

a) Isolated measures

Isolated measures mainly aim to redress economic deficits and reduce the level of public debt. This can be achieved by reducing the level of expenditure on social security benefits and increasing the income of social security organisations.

Expenditure can be reduced for example by raising the age limit for claiming old age pensions and increasing the minimum qualifying period (these are under discussion in Cyprus), using “unfavourable” (for beneficiaries) formulas for the calculation of pensions (e.g. taking

4 OECD (March 2007): Financing social protection: the employment effects.

into consideration salaries of a working life and not only the last years) or by modifying the adjustment of salaries and social security benefits (under discussion in Luxembourg), etc.

An increase in contributions, taxes or state subsidies can enhance the income of social security organisations (e.g. in Malta, during 1999-2002 social security contributions for employed persons increased from 25% to 30%) Many countries prefer to introduce other taxes, such as those on tobacco and alcohol consumption. Austria for example used these taxes for health care, but they amounted to less than 1% of the total income from tax. In Romania taxes on tobacco and alcohol finance infrastructure and national health programs. The incomes from these taxes represent 37.8 % of the total funds approved in the budget of the Ministry of Health for the year 2007. The introduction of such taxes is also under discussion in Luxembourg. Also, in France there is a debate concerning the substitution of the employer's contributions by new taxes or by an additional part of VAT.

Another measure is the simplification and improvement of the procedure for collecting and/or managing the contributions e.g. by entrusting this task to a single tax authority (e.g. in U.K Her Majesty's Revenue and Customs collects social security contributions and taxes, in Italy employers present a single annual declaration to the tax authorities and the social security organisations, in Bulgaria the National Revenue Agency is competent for the collection of social security contributions and taxes) or by entrusting this task to several tax authorities. In Romania, following the recommendations of the International Monetary Fund and the World Bank, the Government decided to integrate the collection of health, unemployment and pension contributions by deducting taxes from wages and transferring social security contributions directly and immediately to the fiscal institution [National Agency for Fiscal Administration]. In the Netherlands the Ministry of Finance and in Hungary the National Tax Authority are also responsible for collecting taxes and all social security contributions. In general, if the collection of social security contributions is entrusted to tax authorities, the concept of salary in the social security legislation approaches the concept of salary in the tax legislation. In Slovenia, the tax administration is in charge of social security contributions with the exception of health care and pensions. In Norway, contributions are collected by the local tax authorities. In Portugal, the "Institute for Financial Management of Social Security" is competent for the management of social security economic resources and the "Institut de Gestion de Fonds de Capitalisation de la Sécurité Sociale" is competent for the management of the funded part of the system. Also in Spain the General Social Security Revenue Office (TGSS) is responsible for the administration of funds, assets and credits and for the management of services regarding the collection and payment of liabilities of the social security system.

However, the isolated measures don't have the broader outlook for the economy as a whole and don't – in general – help in the increase of GNP, which is the principal aim. Such measures will soon reach their upper limits, if they have not done so already. Socially, politically and economically further reduction of expenses or continuous increases of contributions and taxation might not be tolerated.

b) Comprehensive strategies

Comprehensive measures should combine interventions in employment, social security and taxation as part of a general plan for the growth of the economy.

Such measures are among others the suitable and prudent investments that ensure an increase of social security organizations' income proportional to the growth of economy. The world wealth is expected to increase in the next years and the question lies in how the social security organizations will profit by acquiring part of this wealth (In Greece, there is a debate on the modernisation of the current institutional framework relating to investments, the management of the funds assets and in general the property of the social security organizations. In Slovakia there is a discussion on the transfer of part of the contributions to private managing companies.). Other measures promote employment. Incentives to work longer are provided and the link between contributions and benefits is strengthened.

Special measures are taken in order to promote employment of large groups of population that today are not at all or are insufficiently employed. A lot of women are not working, because of family duties, which include not only the upbringing of young children but also the care of older relatives. Reconciling of family and professional life will allow this large group to enter and remain longer in employment. Measures against discrimination on employment on grounds of disablement, age, race, religion and conviction aim to include economically and socially vulnerable groups of the population. Last but not least, measures that are reported in the education and training of workers are taken. The internationally competitive market requires staff with knowledge and skills. Only continuously trained employees have good chances to avoid unemployment. Many States give incentives to employers, as wage or contributions subsidies, in order to promote the implementation of all the above-mentioned categories or to strengthen new or medium and small businesses. These measures are targeted towards certain categories of people. However, they can also be targeted towards certain employment sectors (this happens in Malta in the form of tax credits) or towards new or small businesses.

The choice of the measures must also take into account their social and economic impact. For example, if social security is financed through taxes, the type of tax (direct, indirect) is of great importance, because each one presents different advantages and disadvantages regarding employment, competition, economic growth, equality and justice[5]. All these measures should be taken after consultation and with the consensus of social partners.

The balance between social security and social welfare, private and public sector, solidarity and contributory principle, freedom and equality is particular to every State. However, the exchange of views and experiences and the open method of coordination could help to evaluate in the broader European context the common goals of economic growth and of adequacy and sustainability of social protection systems and the measures taken to achieve it.

[5] OECD (March 2007): Financing social protection: the employment effects.

The impact of the above-mentioned measures on the concept of social security is crucial. In all Member States two trends can be observed: First, towards private law[6] and market mechanisms and second, towards social welfare. The introduction and development of supplementary pension schemes; the regulations for the management and investment of social security organizations' reserves, in order to achieve better returns; the entrusting of some contingencies in the hands of private insurance, under a special regime of state control (for example in Netherlands health care) constitute some characteristics examples of the trend towards private law and market mechanisms.

On the other hand, the institution of a means or needs tested minimum income is an example of the trend towards social welfare. The risk of regression of insured people's rights is inherent to this trend, given that in social security no means-test or needs-test applies nor is the benefit is awarded on the discretion of the competent authorities.

III. Overview of the social protection financing systems in Europe

1. Measures that refer directly to the financing system

a) Bismarck and Beveridge model

The distinction between social security systems that follow the Bismarck model and systems that follow the Beveridge model is no more rigid. European social security systems present mixed characteristics. Systems that were based on contributions introduce partial financing through taxation. Inversely, systems that were financed through taxation introduce partial financing by contributions as well.

- **Systems financed primarily through contributions**

In 20 of the countries participating in MISSOC social protection financing happens mainly through contribution, in which the branches of social insurance systems are mainly financed by contributions and the universal non-contributory branches are financed by taxes[7]. There are different ways of collecting contributions: In most of the countries employees and employers pay the contributions. In some countries the State also contributes a fixed percentage e.g. of income tax or the State supports a possible deficit.

In recent years the state participation has increased in the 'classical' insurance branches as well: Either the special branches of social security are now also financed through taxes (e.g. Italy) or the tax financing affects the system as a whole (e.g. Belgium). In Belgium direct and indirect taxes, such as a part of VAT, contribute to social security financing; the percentage of taxes increases successively, in order to hold employer's contributions low. In France, contributions that until 1980 represented 80% of income today represent only 2/3rds. At the same time, the proportion of the financing by taxes has increased, in order to ensure the

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[6] In legal systems that make the distinction between public and private law. These systems are known as "continental" in contrast with the "Anglo-Saxons" that don't follow this distinction.

[7] See figure 2, source: Eurostat December 2006.

financing of the social security system. New taxes have been introduced, as the “Contribution Sociale Généralisée” which is imposed on all kinds of income sources (work, property, investments, pensions, lotteries, etc.). There is a debate on different future reforms on social security financing, such as the replacement of employers contributions by new taxes or the financing by an additional part of VAT, in order to make social security system sustainable and maintain employment.

The organisation of financing social protection with mixed systems (contributions and taxes from different sides, collected by different institutions that are responsible for different branches) can be very complicated and inefficient. Malta and Netherlands have simplified the collection of social protection income. In Malta, the contributory scheme, where specific contribution conditions have to be satisfied is financed through the payment of social security contributions and the non-contributory scheme, which is means-tested, is paid by taxes. All revenues (contributions, taxes, loans, grants, subsidies, etc.) flow into one consolidated fund and this finances all government expenditure, including social security benefits. In the Netherlands, the social insurance schemes can be divided into employee benefit schemes, that cover employed people and national insurance schemes that cover residents. The contributions for the social insurance schemes are levied – in a single sum together with the wage tax – as a percentage of the taxable income from labour and from investment income. Self employed and non-active population are covered by the national insurance scheme. Their contributions are levied by the tax administration by means of the income tax return. The income-related contributions for health care are paid by the insured person on the income tax return as well.

In France, the State’s policy aims to simplify the calculation and the collection of contributions and to ameliorate the relations between the insured people and the social security organizations.

- **Systems primarily financed through taxation and other sources**

In 9 ‘MISSOC countries’ the percentage of contributions for financing social protection schemes is 50% or less. In Finland (50% contributions in 2004), minimum pensions, health care services, basic unemployment benefits, social welfare and family allowances are financed from taxes. The earnings-related pension scheme, sickness insurance, occupational accident and disease insurance, and earnings-related unemployment benefits are based exclusively on contributions.

In the UK (49% contributions), benefits are financed by the National Insurance Fund through the pay-as-you-go system. Non-contributory benefits such as disability, occupational injury or disease and universal child benefits are financed by general taxation through the Consolidated Fund.

In Cyprus (36% contributions), the Social Insurance Scheme (that provides pensions and other benefits in cash) is wholly financed through contributions paid by employers, the employees and the State. A *Social Cohesion Fund*, which is financed by contributions paid only by employers (2%), provides benefits to special categories of persons. Benefits in kind or cash provided by the Social Welfare Services, the Service for the Care and Rehabilitation of the Disabled, and the Grants and Benefits of the Ministry of Health are financed by taxes.

In Denmark (30% contributions), only supplementary social security, unemployment and occupational injury and disease are financed exclusively through contributions. The other contingencies are financed through taxation and contributions. In recent years, taxes on consumption are introduced in order to avoid a further increase of the income taxation. A contribution to the *Fund of Market* has been introduced to finance unemployment and health care benefits to economically vulnerable people. This contribution is equal to 8% of the salaries or the net income. Another local tax equal to 8% has been introduced to finance the health expenses of local authorities.

b) Share of contributions between employers and employees

The share of contributions between employers and employees is economically not of big interest, given that contributions fall into the product costs category. Some States, as Luxembourg, Germany, or Liechtenstein provide for equal contributions of employers and employees and others provide for a different share according to the different contingencies (e.g. in Austria for unemployment insurance). The reduction of the employers' contributions aims to reduce production costs. Usually this measure is accompanied by an increase in the State's subsidies to the social security organisations. However, if the necessary source to finance these subsidies is the introduction of a new tax on consumption, or the increase of an existing one, then any positive effect of the reduction of the employer's contributions is doubtful.

c) Type and character of taxes

Concerning the type of tax, a slight preference on direct taxes can be observed. In Luxembourg, for example a tax of 0.07€ per litre of petrol and 0.01€ per litre of fuel has been introduced for the needs of the Fund for Employment. In Switzerland, direct taxes are the main source of social security finance. However a part of the VAT is given for 1st pillar pensions plus a part of gambling taxes. Additionally, taxes on tobacco and alcohol finance old age, survivor and disablement 1st pillar pensions. In Belgium, only indirect taxes initially funded social security, but since 2004 a part of direct taxes also fund social security. In Austria almost ¼ of the health system costs is financed by indirect taxes. In Liechtenstein, an indirect tax on heavy good vehicles for the use of roads provides for the financing of old age and dependants benefits. In Estonia, 32% of the amount of gambling tax supports projects related to families, medicine, welfare, elderly persons and disabled. In Spain, tax levied on petrol and other special taxes finance health care services and sickness benefits.

In States where social security is financed largely through taxation the central, regional or local character of taxes is very important: In Denmark, the State and the Municipalities finance pensions. Regions and Municipalities finance health care. In Finland, the local authorities finance health care through local taxes and fees paid by users of services. In addition the State transfers a lump-sum for the funding of social and health services to local authorities. In Estonia, state taxes are: the income tax, social tax, land tax, gambling tax, VAT, customs duty, excise duties, heavy good vehicle tax. Local taxes are: the sales tax, boat tax, advertising tax, road and street closure tax, motor vehicle tax, animal tax, entertainment tax, parking charge, etc.

d) Method of financing depending on the nature of the contingency

In MISSOC-countries a differentiation of the type of financing according to the nature of the contingency is observed. Exemptions are Belgium and Malta, where all branches of the social security are financed through a mixed system with global contributions and taxes.

In most countries *old age pensions* are financed only by contributions or by contributions and taxes,[8] but in Denmark and Estonia the national pension is only financed through taxes. *Occupational accidents and diseases* are in nearly all countries (with exemption of the United Kingdom) financed through contributions or through a mixed system. Thereby, the contributions are usually paid only by the employers (and self employed). With *sickness benefits in kind*, all methods of financing are used i.e. only contributions (Italy, Switzerland), mainly contributions and taxes (most of the countries), mainly taxes (Ireland, Norway, United Kingdom) and only taxes (Denmark, Spain, Iceland, Cyprus, Portugal, Sweden). In some countries where sickness benefits are mainly financed by contributions, there is a provision for the coverage of different categories of the population (e.g. Netherlands, Bulgaria, and Liechtenstein) by the State's budget. Finally also the *risk of unemployment* is in nearly all countries financed by contributions or by a mixed system, with the exemption Luxembourg. Furthermore, Germany, Estonia and United Kingdom have a system with two parts of unemployment benefit (financed through contributions) and unemployment assistance (financed through taxes).

Other benefits, like family and poverty benefits are prevailingly financed through taxes (national social solidarity). The idea that these contingencies concern the whole society and not only the insured population becomes dominant. Family benefits are financed by taxes in 21 of the MISSOC-countries. In the other countries family benefits are financed by a mixed system (Belgium, France, Luxembourg, Malta, Austria and Portugal) or by contributions (Greece, Italy, Liechtenstein and Switzerland). In addition e.g. in Finland *measures on parental leave* are now funded according to joint responsibility. All employers take part in funding this reimbursement.

f) Introduction of the funded (capitalization) principle

The Introduction of the funded (capitalization) principle takes the form of supplementary social security schemes, or of the creation of special Funds, or even of switching a part of the public scheme into a private funded system. The prevailing idea is to formulate capitals and fund the excess social security expenditures from the capital gains. In Bulgaria, since 2000 a compulsory supplementary pension scheme has been introduced, consisting on indi-

[8] See also for the following information: MISSOC Comparative Tables, Table I: Financing. http://ec.europa.eu/employment_social/social_protection/missoc_tables_en.htm

vidual accounts, managed by licensed pension insurance companies and regulated by the Financial Supervision Commission.

In Switzerland, the 1st pillar of pensions is financed by a PAYG system with a capitalization element that is represented by the *Compensation Fund*. The 2nd pillar or health care is financed by the funded (capitalization) principle. Invalidity and survivors pension is financed by the system of PAYG system for covering capital.

In the UK, law provides different rates of contributions for those who are “contracted out” of the public scheme. A new scheme of personal accounts will be introduced in 2012. All employees will be automatically enrolled into a personal account or a high quality employer sponsored scheme. Employees will contribute a minimum of 4% of their gross earnings and their employers a 3%. People will also receive a 1% tax relief from the State.

In Slovakia, the supplementary pension savings pillar is based on funded principle, sponsored by employers who pay contributions to the accounts of their employees. Contributions are managed by 6 private pensions managing companies. There is a discussion on the introduction of compulsory supplementary social security of persons for whom the contributions are paid by the State. Furthermore, tax incentives are given into the supplementary voluntary pension insurance scheme.

In Greece, a working group examines the introduction of tax incentives regarding occupational social security funds.

In Spain, the creation of reserves is one of the measures taken after the “Toledo Agreement”, in order to ensure the financial balance of the social security system. The Reserve Fund in the Social Security General Treasury aims to meet future liabilities of the system with regard to contributory benefits.

2. Measures for the promotion of employment

These measures have a direct – but limited – economic effect on social security financing since they are financed mainly through taxation. They also have an indirect effect on social security financing, because they increase the active population. Specific measures are taken for the employment of vulnerable groups such as unemployed persons and especially the long term unemployed, disabled persons, older or younger employees, trainees, self-employed, and other special groups (single parents, low wagers, or pensioners, etc.). In Malta tax incentives are targeted towards certain employment sectors (e.g. in the fields of science and technology, or to enterprises that facilitate the post-graduate studies of their employees). Also, in Portugal reduced contributions are provided for certain activities especially non profit activities or activities with low income.

In Norway, the criterion is not a special group of the population, but the level of economic development in different geographical zones. Contributions are determined according to that criterion and therefore employment is encouraged.

a) Unemployed persons

Concerning measures for unemployed persons it can be distinguished between tax incentives (Poland), general wage subsidies (Poland, Slovakia, Romania,) and reductions of the social protection contributions (Belgium, Greece, Poland, Ireland). In Finland, economic support may be granted to employers that offer work to unemployed. In Poland, tax incentives, such as exemption from property taxes, taxes on civil law transactions, etc. aim to help the promotion of employment. Measures for special groups of unemployed persons consist of the partial reimbursement for the costs of remuneration, bonuses and social security contributions. These reimbursements are paid by the Labour Fund. In Hungary, an exemption from the flat-rate health tax, the 3% employer's contribution and the total of 29% social security contribution is provided for the employment of registered unemployed. For "career starters" there is no exemption but a reduction of the total of 29% of social security contributions. Wage and social security subsidies are also provided for the creation of new jobs. In Bulgaria, employer's contributions are taken on behalf of the state budget if they employ unemployed single parents, unemployed women over 50 years of age, unemployed part time workers upon referral from the Employment Agency.

In Slovakia, wages for employment of disadvantaged jobseekers like long term, young or old unemployed are subsidized. In Greece also the employer's contributions are subsidised when they employ persons from certain groups of the population including long term unemployed, unemployed older persons, etc. In Belgium, the reduction of contributions of certain groups, such as young employees, older employees, low-wage employees etc., aims to promote their employment.

In Romania, the employers are entitled to wage subsidies for a defined period (12 months). This includes the obligation to employ graduates employed for a minimum period (three years). Employers are also reimbursed the employer contributions for the graduates during the defined period (12 months). Employers who retain the graduates for a defined period (two years) after the minimum period (three years), required in order to receive the wage subsidy are also reimbursed the employer contributions owed for the graduates during the defined period. In Luxembourg, the Fund of Employment reimburses the employer's contributions for the employment of unemployed persons older than 45 years.

In Austria, an exemption or reduction of charges, which are levied on wage income, is granted for long term unemployed as well as for work returnees, older employees, first time employees and new company set-ups.

In the Netherlands, there are incentives for sick persons to retain their jobs: The employer pays the salary of the employee during the first two years of sickness. This measure aims to make the employer responsible for reintegrating his employees in the labour market. Consequently employers do not pay contributions for sickness benefits.

b) Disabled people

To promote the employment of disabled persons either economical incentives (mainly tax incentives, wage subsidies, reduction of social security contributions), like for the unemployed, can be given or quotations of the employment of disabled are given combined with punishment if this quota falls below the set limit (e.g. Romania, Slovenia). Following measures are implemented:

In Luxembourg, social security charges for the disabled are undertaken by the State. In Czech Republic and in Slovakia the employment of disabled people is promoted through *sheltered workshops, allowances to employers* that employ more than 50% disabled persons of the total number of workers, *protected jobs* and *vocational rehabilitation*. In Netherlands, a *contribution deduction* for hiring a partially disabled, a no risk policy to compensate for the labour costs, a test placement and, a subsidy regulation for the adaptation of the workplace and other facilities, aim at stimulating the employer to hire partially disabled. These measures are financed through general means.

In Slovakia, *preferential employment* of disabled persons is established. All employers with 20 or more employees must employ at least 3.2% disabled persons. In Cyprus law provides the *subsidization of contributions* to the Social Insurance Fund for disabled persons who will be employed in private sector establishments. In Romania, *wage subsidies for a defined period* are the main component of supported employment. They include the obligation to keep disabled people in employment for a minimum period. Sheltered employment that comprises sheltered workplaces and sheltered enterprises receive support through tax incentives. *Quota* with levies for enforcement is another measure for people with disabilities. A standard quota is directed to both public and private employers.

c) Self employed

The measures for self-employed refer to the income of a self-employed or to start up enterprises. If the income of a self-employed person is below a certain limit the contribution rate can be reduced: In the UK, self-employed with low income do not have to pay contributions, but those with income above a prescribed level have to pay a flat rate contribution and a percentage of their annual profits. In Switzerland a *reduction of the contributions* for pensions is granted if the annual income of the self-employed is low. In Poland, contributions for old age and disability pension during the first 24 months as from the date of the commencement of business correspond to the amount declared by the entrepreneur. However, this amount cannot be lower than 30% of the minimum wage.

Incentives for establishing a new enterprise are given in terms of grants (Slovakia, Finland): In Finland a two years *start up grant* is granted to an unemployed jobseeker establishing his own enterprise. In Slovakia, a start up allowance is awarded for the self-employed.

d) Older workers

Measures for older works concern a reduction of contributions of social protection for elderly (e.g. Slovenia), subsidies, or wage supports (e.g. Norway, Finland). In Slovenia, a bonus malus system and partial exemption from contributions aim to postpone retirement. In Finland, the *temporary low wage support* aims to encourage older and low productivity employees to continue working and to be reemployed. In Norway the subsidy for the employment of employees aged over 62 years has been replaced by incentives to employ and retain senior workers.

Switzerland has a special measure for persons that continue to work after the legal retirement age: The contributions of these persons are only imposed on the part of their income that is higher than a certain amount (16.800 € per year).

e) *Other groups*

In Lithuania, *measures for the participation* in training programs have been taken and a *"job rotation" measure* is aimed to assist employers to compensate the temporary absence of their permanent staff by employment of the unemployed. Employers that hire unemployed persons following the work rotation principle are paid a monthly compensation. Similar system works in Slovenia and Portugal

IV. Conclusion

European Union member States have set common values and goals, as the adequacy and sustainability of their social protection systems. The overview of the member States' social protection financing systems confirms that there is no legal convergence. However, the fact that similar measures are undertaken, in order to achieve adequacy and sustainability, can be conceived as steps towards a de facto convergence.

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