

SUMMARY

Social protection is a human right as set forth in the Universal Declaration of Human Rights and the International Convention of Economic, Social and Cultural Rights. States are obliged to bring social protection to full realization with a maximum of their available resources. As a signatory to the Social Security (Minimum Standards) Convention, 1952 (No. 102), Ukraine has committed itself to maintaining internationally accepted minimum standards in all 9 branches of social security benefits.

- Ukraine’s social protection system needs reforms to remedy low coverage and access for the poorest and socially excluded, insufficient quality and gender-responsiveness of social services and growing funding deficits.
- Reform must utilize up-to-date and comprehensive, disaggregated data to develop a human rights-based, inclusive and gender-sensitive approach based on accepted international standards, methodologies and best practices.
- Old-age pension reform must ensure maximum coverage, including residents of non-government controlled areas, must ensure gender equity, adequacy of payments, funding security and be accompanied by measures to enhance labour market participation rates and to reduce informality and undeclared work.
- Reform must be designed in a participatory manner and establish transparent, accessible and accountable social protection systems in amalgamated territorial communities using strengthened local budgets.
- COVID-19 severely adds to these challenges, affecting in particular the most vulnerable and marginalized, but also provides an opportunity for systemic reform.
- To address COVID-19 it is critical that immediate and short-term social protection levels are maintained and expanded towards a comprehensive and equitable social protection system.
- People at risk of being left behind must be provided with sufficient social protection to ensure minimum levels of economic, social and cultural right and access to development opportunities.

OVERVIEW

Ukrainian Government’s spending on social protection reached 23 percent of total budget in 2019, with pensions accounting for more than half of expenditures. However, overall lack of transparency, weak targeting and low coverage and quality of support undermines the effectiveness of Ukraine’s social protection expenditure in reducing poverty and inequality. The minimum pension falls below subsistence level, negatively effecting the larger overall share of women pensioners, and pensions are projected to cover not more than 36 percent of pensioners by 2050. Categorical benefits constitute a large share of the welfare system and households above the bottom 40 percent income levels receive the bulk of payments. Despite changes to eligibility criteria and gains in recent years, targeting accuracy remains an issue in Ukraine. In 2018, only about 13 percent went to programmes classified as “social protection of families, children and youth”. The prevalence of informal employment and undeclared earnings diminishes social security contributions and attendant fiscal space. This weakens effective social security coverage and renders many people ineligible to receive contributory pensions in old age. In 2018, the overall poverty rate in Ukraine, measured as expenditure below actual subsistence minimum, was over 43 percent, with child poverty reaching almost 50 percent. Ukraine’s poverty profile is also highly gendered with single female-headed households and elderly women among those with the highest risk for poverty. COVID-19 has added to Ukraine’s social protection challenges.





It has exposed the limited absorbing capacity of the existing social security system and its limitations as an automatic stabilizer providing unemployment and sickness benefits, as workers in the informal economy and in non-standard forms of employment are not covered by existing schemes. At least 6.3 million more people are projected to be living in poverty in 2020, of whom 1.4 million will be children. The pandemic severely affects individuals and groups in vulnerable situations. Older persons, persons with disabilities, homeless people, Roma, asylum seekers, IDPs and refugees, Ukrainian migrants who have lost their work abroad, people living in conflict-affected areas, women and families with children are particularly affected. They often lack key resources for COVID-19 prevention, access to information, personal protection equipment and testing and health care, and they are likely to be disproportionately affected by mitigation measures. The pandemic has caused the loss of often informal income, the closure of care and nursing facilities adding to women’s unpaid care work at home, and limited access to income, health care, education, social benefits and pensions. By 2019, some 600,000 pensioners in NGCA had lost access to their pensions due to movement restrictions and complex administrative requirements. In 2020, a further 270,000 NGCA residents have been unable to make their pension withdrawals inside the GCA due to restrictions on crossing the line of contact. Yet, these pensions are vital for humanitarian reasons and important for the purpose of peacebuilding and social cohesion. Where services have been suspended, there are often challenges in securing alternative care, food and medicines. Groups already subjected to multiple discrimination, including Roma communities and homeless, suffer from lack of adequate access to social services, health care, water and sanitation, and from marginalization and stigmatization. The impact of COVID-19 exacerbates their situation, while missing identity documents or residence registration, discrimination and biased treatment limit remedial access to relevant services.

SUSTAINABLE DEVELOPMENT GOALS

The Universal Human Rights Declaration stresses that every member of society has the right to social security. Social protection systems with wide population coverage and adequate and affordable benefit levels are a key instrument for sustainable development. The 2030 Agenda therefore commits governments to implementing social protection systems and floors to achieve substantial coverage for the poor and vulnerable. Social protection is critical in promoting the well-being of society at large, by helping to end poverty in all its forms (SDG 1), by ensuring healthy lives and the promotion of well-being for all at all ages (SDG 3), and by fostering gender equality and the empowerment of women and girls (SDG 5). Social protection helps to maintain a stable, productive, employable workforce that can adapt to changes and so promotes decent work and economic growth (SDG 8). Social protection addresses inequalities within society (SDG 10) and reinforces social cohesion by promoting peace, justice and strong institutions (SDG 16).

POLICY CONSIDERATIONS

- Ukraine’s social protection system requires reform. Support to low income and vulnerable households is inadequate, difficult to access and remains fragmented.
- COVID-19 provides a unique opportunity to reform politicised social protection structures toward universality through better targeting. While it is critical that immediate and short-term social protection levels are maintained, it is important to focus on building forward better towards a more comprehensive social protection system. Reform should utilise accepted international methodologies such as the Core Diagnostic Instrument and combat structural economic and social inequalities.
- Reform must be inclusive and Government’s policy and programme design and implementation must actively involve and solicit participation of individuals in vulnerable





situations, social service providers, national human rights institutions and other relevant entities.

- Integration is needed between social assistance and insurance programs and social services into a comprehensive social protection system, for which a single registry of beneficiaries is a prerequisite.
- A unified system of regular collection and storage of disaggregated data is needed to ensure better access, to identify who is being left behind and their vulnerabilities, and to facilitate evidence-based decision making and policy measures.
- The old-age pension system is structurally deficient and requires reform. A basic pension formula needs to be introduced to sustain the pension value over time. The pension formula for earnings-related contributory pensions needs to be increased to at least 40 percent after 30 years of contribution as required by the Social Security (Minimum Standards) Convention, 1952 (No.102). A gradual increase in the statutory retirement age for both men and women and raising the minimum earnings eligibility requirements will mobilize additional funds. Usage of a mandatory second pillar pension system should be avoided.
- Pension obligations to an increasing proportion of eligible NGCA residents must be met with adequate budget provisions and a multi-year instalment plan for paying back pension arrears. Ease of access must be ensured by de-linking pension payments from IDP registration through the enactment of legislative and regulatory amendments to facilitate pension payments through Ukrainian GCA banks with simplified registration, verification and access to online banking, as well as the progressive easing of COVID-related restrictions on the freedom of movement.
- Labour market participation rate, especially for women and youth, and the transition to formality must be enhanced. This requires support for youth transitioning from education to work, legislation that facilitates men and women sharing family and work obligations including accessible and affordable child-care services, improvement of anti-discriminatory provisions in labour legislation, and policies that encourage employment of older persons able and willing to work.
- Reform must aim at the building accessible, transparent and accountable social protection systems in amalgamated territorial communities using local budgets to address local vulnerabilities. The subnational government revenue base must be further strengthened, in particular through enhanced flexibility in designing local tax policy. Improved accessibility will stimulate traditionally weak demand for social services.
- Rising inequality among newly created communities as main providers of social services must be addressed through capacity building and financial support to communities where social protection funding does not meet demand.
- Social protection floors need to be introduced to provide a rights-based, systemic insurance against poverty and other risks and contingencies.
- In addition to the social protection measures described, the Government should cultivate and financially support non-governmental entities to gradually become full-fledged social service providers in their communities.
- The comparatively high share of social protection spending relative to GDP offers scope for efficiency gains through gradual dismantling of regressive categorical programs and reduction of administrative costs.
- The portability of social benefits for Ukrainian migrants can significantly contribute to the social protection of the population without impeding to state budget. Negotiations for signing bilateral social security agreements with main destination countries for Ukrainian migrants should be prioritized to facilitate easier access to social security, especially pensions, for returning migrants.





- “New” poor and those likely to be most affected by the pandemic must be provided with sufficient social protection to ensure minimum essential levels of economic, social and cultural rights. This includes access to basic services, adequate food, housing and sanitation, pensions and income, health and education. Income support, including sick and family leave payments, need to include workers in the informal economy and in the non-standard forms of employment.

