

CIVITTA



INSTITUTIONAL FRAMEWORK IN THE FIELD OF HUMAN CAPITAL DEVELOPMENT POLICY

Analytical report

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INTRODUCTION

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INTRODUCTION

The development of human capital plays a vital role in the progress and prosperity of nations. Human capital encompasses the knowledge, skills, and abilities of individuals that contribute to economic growth, social well-being, and overall national development. As Ukraine strives to enhance its human capital, it is essential to examine international best practices in human capital development. This report aims to analyse six case studies of countries that have excelled in managing their human capital, with a specific focus on their government management systems, institutional work, and other relevant factors.

Human capital is a combination of factors, including knowledge, skills, health, living conditions, employment opportunities and others, which enable individuals to realise their full potential and to be more productive members of society, increasing the economic outputs on personal, corporate and state levels¹.

The purpose of this report is to analyse six case studies of countries that have excelled in managing their human capital, with a specific focus on their government management systems, institutional work, and other relevant factors. By studying these countries, we aim to gain insights into their strategies, policies, and practices that have contributed to their success.

Overall, the report aims to present a comprehensive overview of the selected countries' successful practices in human capital development, with the ultimate goal of guiding Ukraine's efforts to enhance its own human capital. By learning from the experiences of others and adapting these best practices to its unique context, Ukraine can effectively strengthen its human capital, contributing to sustainable economic growth, social progress and improved quality of life for its citizens.

¹ Institutional Framework in the Field of Human Capital Development Policy — CIVITTA Analytical Report

EXECUTIVE SUMMARY

Key findings of the research



1. EXECUTIVE SUMMARY

This report offers an overview of the best international practices in the field of human capital, based on the experiences of six countries selected for this purpose - Poland, Germany, the Republic of Korea, Slovakia, the Czech Republic, and Japan. The report focuses on the analysis of human capital policies in relation to four pillars of human capital, namely education, health, living conditions, and economic output. This includes considering the role of different stakeholders in policy formulation and implementation, structural reforms that shape the landscape of the modern human capital framework, recent developments in the sphere, and measures taken as a reaction to domestic or international crises. The report also considers the general institutional framework in the field of human capital and outlines the key challenges that the countries currently face.

General overview of human capital development

Poland, Germany, South Korea, Slovakia, the Czech Republic, and Japan have all made significant progress in human capital development over the past few decades. The countries stand out for their commendable growth in the Human Development Index (HDI), driven by economic expansion, increased years of schooling, and improved life expectancy. Among the six countries, Germany boasts the highest position in human development globally, ranking 9th in HDI in 2021. Overall, these countries serve as compelling models for effective human capital development, each emphasising various aspects such as economic growth, education, and healthcare, contributing to their overall progress.

Stakeholders responsible for the development of human capital

In the realm of human capital policy development, the countries exhibit distinct institutional frameworks, with the institutional framework varying greatly both in the number of central executive bodies and their organisation. Poland and Ukraine share similarities in this aspect. However, a distinguishing feature of all European countries analysed herein is that one central executive body (most commonly - the Ministry of Labour and Social Policy) encompasses the functions relating both to living conditions and economic output pillars. As for the institutional framework in East Asian countries that were considered, Japan has the most optimised structure of government stakeholders, with the two key Ministries fulfilling duties in the field of human capital. The common feature between Japan and South Korea is that one central executive body (in South Korea, for instance, the Ministry of Health and Welfare) performs the tasks relating to both health and living conditions pillars. These varying institutional structures reflect each country's approach to managing and developing human capital policies.

Education pillar

Education governance in the countries under review exhibits common features alongside notable differences. Poland, Germany, Slovakia, and the Czech Republic emphasise a multi-level governance approach, involving various ministries and regional governments in shaping education policies. They share recent reforms aimed at enhancing autonomy and decentralisation within their education systems, granting schools and higher education institutions more independence in curriculum development and administration. In response to the COVID-19 crisis, all four countries introduced comprehensive support programs to address mental health challenges and ensure continuity of education.

Japan stands out with a dual-level governance structure, where national authorities focus on equal opportunities and standards, while local governments tailor education strategies to their unique contexts. Japan has also prioritised stakeholder engagement and ICT integration in its recent reforms, aligning with the broader trend of digital advancement in education seen across all countries. In the context of South Korea's education system, transformative reforms, driven by Long-term Plans for Education, have addressed regional disparities and enhanced learning capacity. The Digital Education Strategy has successfully integrated technology into education, fostering digital skills and innovation. During

the COVID-19 pandemic, collaboration and surveys with stakeholders were instrumental in understanding crisis impacts, and the digital strategy facilitated the transition to online learning.

These nations collectively emphasise the **importance of responsive, decentralised education systems**, while adapting to modern challenges through **digital integration and comprehensive support measures**, particularly in the face of the COVID-19 pandemic.

Health pillar

The healthcare systems in the mentioned countries exhibit a shared feature of resilience that was especially visible during the COVID-19 pandemic. Healthcare reforms across these countries share common goals of enhancing accessibility, quality, and cost-efficiency. In Poland, efforts are directed towards improving medical care access, addressing major health concerns, and bolstering workforce capacity through digitalisation. In Germany, the system is complex and decentralised, with corporatist bodies playing key roles. Reforms in Germany have focused on enhancing ambulatory care and inpatient quality, as well as promoting health personnel training, qualification standards, and digitalisation.

South Korea focuses on suicide prevention, long-term care system efficiency, and reducing out-of-pocket expenses alongside effective pandemic management. The country has effectively managed the COVID-19 pandemic through a centralised response of the system under the Ministry of Health and Welfare, involving regional governments and private hospitals. Slovakia relies on compulsory insurance and government regulation, with reforms focused on managed competition, cost control measures, and healthcare optimisation through addressing workforce shortages, particularly for nurses and general practitioners. The country has also **benefited from the aid provided by the EU funds**, especially in creating integrated care centres.

Czechia introduces risk adjustment schemes and improvements in financing and reimbursement while enhancing specialised care and addressing regional inequalities. **Japan's reforms tackle fiscal pressures and an ageing population, emphasising community-based care** to reduce the financial burden of the health insurance scheme. These countries collectively work towards evolving healthcare systems to meet evolving healthcare challenges.

Common themes across these countries include **ongoing efforts to improve accessibility, quality, and cost-effectiveness in healthcare**, with variations in governance structures and approaches to address specific challenges such as ageing populations and the impact of the COVID-19 pandemic.

Living conditions pillar

The social security systems of the discussed countries exhibit a range of approaches, achievements, and responses to challenges. Poland's structure, fortified by Social Welfare Centers and child birth benefits, stands out for its **commitment to vulnerable citizens**. In contrast, Germany has focused on **privatisation, education promotion, and poverty reduction, further fortified by European integration**. Meanwhile, South Korea's concentration on **addressing an ageing population via long-term care and pension system improvements** illustrates their response to workforce shortages.

Slovakia, aligning with European standards, has pursued **social security reforms, including the establishment of a minimum wage and enhanced family protection**. Similarly, the Czech Republic's three-tier system **adheres to EU standards**, with specific attention to Roma integration. Notably, the **overlap between living conditions and health pillars underscores the erosion of boundaries between health and social welfare sectors** in East Asian countries like South Korea and Japan.

Japan's ageing population has driven measures to **support senior citizens and reverse demographic trends, including macro indexing in the pension system and expanded family support**. Japanese social policy is distinguished by systematic monitoring and data utilisation for policy formulation.

Collectively, these countries exemplify a **proactive and comprehensive approach to human capital development within living conditions pillar, tailoring their strategies to address demographic shifts, workforce shortages, and economic fluctuations**. The convergence of efforts across diverse regions highlights the universality of challenges faced and the value of adaptable solutions that Ukraine can draw inspiration from for its own path towards optimising human capital and fostering sustainable progress.

Economic output pillar

Employment policies in the mentioned countries reflect diverse approaches to address labour market challenges. Poland focuses on **promoting longer working lives**, combating age-based discrimination, and **systematic policy evaluation**, with the latter benefiting from the EU funds provided assistance. Germany's labour market reforms in the 2000s yielded mixed results but boosted employment overall, while an **open-door policy during the migration crisis** helped address labour shortages.

Most European countries prioritise further implementation of the EU standards. Slovakia aims to align with EU labour legislation to enhance transparency and promote work-life balance while proactively addressing demographic challenges through migration policy. The Czech Republic successfully attracts qualified foreign workers through liberalised schemes to complement the domestic workforce.

South Korea aims to enhance migrant workers' rights and ensure equal treatment for all ethnic Koreans, improving working conditions and job-search support. **Japan's employment policy targets** specific labour market issues, such as **increasing female employment, extending working age, and integrating foreign workers to address labour shortages**. Each country adapts its employment policies to its unique demographic and economic circumstances, striving to enhance labour market resilience and inclusivity.

Recommendations

The research findings present several pivotal domains of recommendations aimed at enhancing the process of human capital policy formulation while fortifying the institutions responsible. Firstly, it is advised to **establish a definition of human capital within legislative practice**, providing a robust foundation for policy coherence and implementation. Secondly, the **adoption of standardized metrics for evaluating human capital on both national and local levels** is proposed, ensuring alignment with recovery plans and facilitating the efficacy of governmental strategies. Thirdly, a **comprehensive institutional framework that encompasses all pertinent bodies and their respective expertise** is advocated to shape a comprehensive and inclusive human capital policy strategy, involving deepened collaborations between stakeholders in living conditions, economic output, and education. Fourthly, **facilitation of EU Integration and norm alignment** is crucial for the comprehensive policy making in the field. Finally, the **focused efforts to address specific challenges**, such as the establishment of robust data collection mechanisms, implementation of clear evaluation guidelines, and enhancement of data quality and sharing, to ensure accountability and compliance, as well as pillar-specific measures might be taken to enhance the human capital development.

METHODOLOGY DESCRIPTION

General Methodology and Methodology of Countries Selection for further research



2. METHODOLOGY DESCRIPTION

GENERAL METHODOLOGY | The decision to select an initial pool of 6 countries for the case studies was based on the need to gain a comprehensive understanding of international best practices in human capital development and management. By examining multiple countries, we can analyse a range of approaches, strategies and policies that have been successful in different contexts. The broader perspective enabled us to identify common trends, innovative practices and valuable insights that could be applicable to Ukraine's human capital agenda.

The methodology for the countries selection involved a multistep process. At the beginning, an initial pool of 191 countries was considered, with Ukraine's HDI ranking as a reference point. Disqualification rules were applied to narrow down the selection, excluding countries with lower HDI 2021 and HCI 2020 than Ukraine, as well as countries that are not relevant to Ukraine political system. The remaining countries were evaluated based on 3 criteria such as total population, economic size and regional relevance, and the final country was selected using a coefficient with HCI and HDI as components. The detailed steps of countries selection methodology are provided in section 2.2.

For each selected country, the research methodology followed a structured framework to ensure comprehensive analysis:

- **Description of human capital development over the last 20 years.** A retrospective analysis of the country's human capital development over the past two decades was conducted. It included assessing key indicators, trends and improvements in education, health and social protection. The analysis provided insights into the country's progress and identified noteworthy achievements and challenges.
- **Analysis of key stakeholders, reforms and developments and reaction to crises in spheres related to the education, health, living conditions and economic output pillars of human capital development.** The report provided an overview of the key stakeholders involved in human capital development and governance of sectors related to the human capital in each country. The report included identifying relevant ministries, state agencies and non-governmental stakeholders responsible for shaping and implementing human capital policies and outlining key reforms and developments as well as measures for addressing crisis situations.

A comprehensive summary of the findings from each case study was provided, highlighting key takeaways on human capital development and management. Lessons learned, best practices and recommendations relevant to Ukraine's context was emphasised. The insights will assist in formulating strategies and policies for enhancing Ukraine's human capital development efforts.

By following this methodology, the report aimed to provide a holistic understanding of the selected countries' human capital development approaches, key stakeholders and their implications for Ukraine.

Based on the analysis of the countries' experience in promoting their human capital within selected spheres of governmental policy, the comprehensive list of recommendations was developed, which could be taken to enhance the human capital policy-making process in Ukraine.

METHODOLOGY OF COUNTRIES SELECTION | To ensure a systematic and objective approach to the selection of 5 primary countries for the case studies of international experience, the following methodology was applied. The process involved multiple steps to narrow down the initial pool of countries and identify the most relevant ones for in-depth analysis.

STEP #1: DISQUALIFICATION

The initial pool consisted of **191** countries, with Ukraine ranked at 77 in the Human Development Index (HDI) 2021. Several disqualification rules were applied to refine the pool based on specific criteria (see Figure 1).

Disqualification Rule #1: Countries with a Human Development Index 2021 lower than Ukraine

This rule aimed to focus the analysis on countries that have achieved a higher level of human development than Ukraine. By excluding countries with lower HDI 2021 value, we ensured that the selected case studies would offer insights and practices that align with Ukraine's aspirations to enhance its human capital.

After applying this rule, we excluded 114 countries that cannot provide useful insights in this field, resulting in a remaining pool of **76** countries.

Disqualification Rule #2: Countries with a Human Capital Index (HCI) lower than Ukraine

To identify countries with well-established human capital management systems, it was important to exclude those with a lower HCI than Ukraine. This allowed us to prioritise countries that have made significant investments and advancements in human capital development, providing valuable benchmarks for Ukraine's own initiatives.

The remaining pool was reduced to **54** countries.

Disqualification Rule #3: Countries with political system not relevant to Ukraine

Given the focus on Ukraine's specific context, it was deemed relevant to exclude countries with governance structures significantly different from Ukraine's democratic system. By excluding dictatorships and monarchies, we ensured that the selected case studies would provide ideas applicable to Ukraine's political and institutional framework. Middle East monarchies were specifically excluded due to the huge influence of the ruling dynasties on the political and economic life of these countries. Microstates often have unique characteristics and circumstances that are not directly comparable to larger nations like Ukraine. Their small population size, geographical constraints, and specialised economies may result in human capital management practices that are not applicable or scalable to a larger country like Ukraine. Excluding microstates allows us to focus on case studies that provide more relevant insights for Ukraine's human capital development.

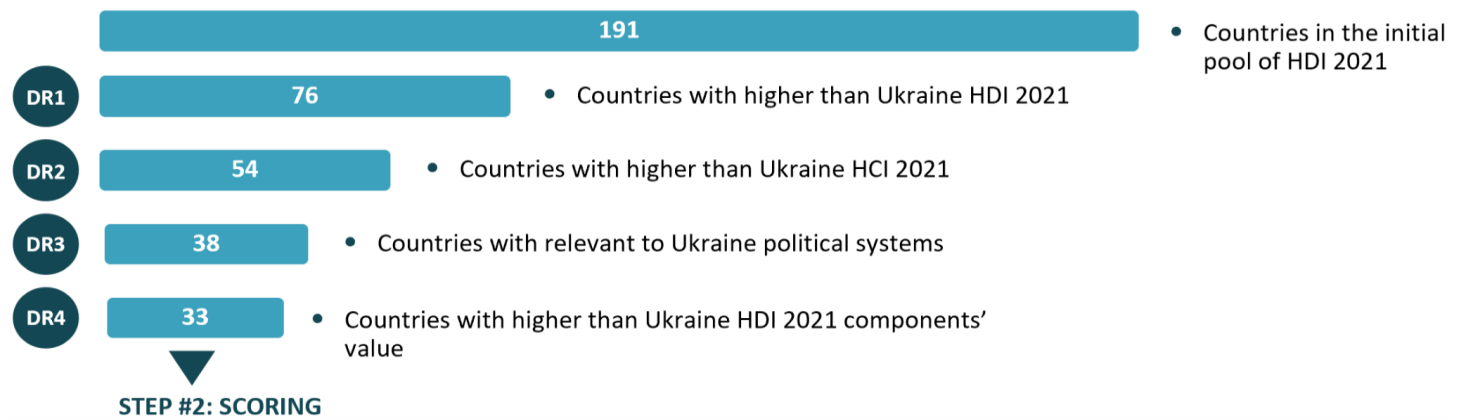
This disqualification rule further reduced the pool to **38** countries. However, we decided to apply one more disqualification rule to be sure that the pool of remaining countries obtains higher values in terms of all HDI components compared to Ukraine.

Disqualification Rule #4: Countries with HDI component values lower than Ukraine

The purpose of this rule was to exclude countries that lag behind Ukraine in specific dimensions of human development, such as education, health, and income. Countries that have achieved higher HDI component values demonstrate successful policies and practices in specific areas of human development. By excluding countries with lower HDI component values, we prioritise case studies that offer proven strategies and lessons that can be applied to Ukraine's own context.

The remaining pool narrowed down to **33** countries, which were taken as a basis for the next step.

Figure 1. Step 1: selection of countries based on disqualification criteria.



By applying these disqualification rules, we refined the pool of countries to a subset that aligns closely with Ukraine's context, aspirations, and requirements for human capital development. The selected countries represent benchmarks and best practices that can serve as a source of inspiration and guidance for Ukraine's own strategies and policies in managing and developing its human capital.

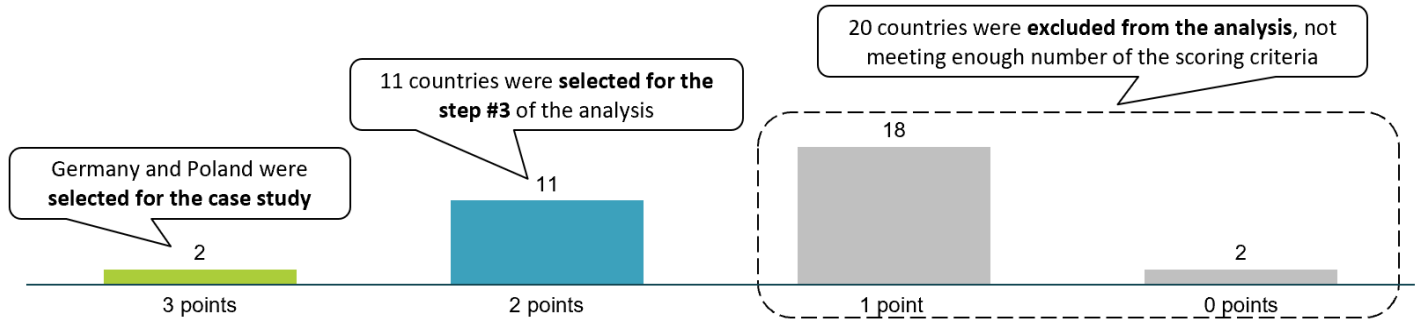
STEP #2: SCORING

The 33 remaining countries were evaluated based on **3 criteria**, each worth **one point** (see Figure 2):

1. **Total population** is at least 30% of Ukraine (more than 13,137,857²). It was included to ensure that the selected countries have a population size comparable to Ukraine. Countries with a similar population size are likely to face similar challenges and opportunities in managing and developing their human capital. This criterion allows for a more meaningful comparison and analysis of human capital management systems and strategies.
2. **Total size of the economy** is at least 50% of Ukraine (more than USD 100 billion). This criterion was considered to ensure that the selected countries possess economic dimensions that are comparable to Ukraine. Countries with a relatively similar economic scale can offer insights into how they have leveraged their economic resources to support human capital development.
3. Country is located in the **Former USSR, Warsaw Pact or Yugoslavia** sub-region or was partially included in those sub-regions. The criterion was included to enhance the comparability of selected countries with Ukraine, as these sub-regions share similar to Ukraine historical, geopolitical and socio-economic contexts. Analysing potential countries from these sub-regions allows for a deeper understanding of how similar regional influences and dynamics have shaped their approaches to human capital development. It also facilitates the identification of region-specific best practices and lessons that can be applied to Ukraine's context.

²Total population of Ukraine 1991 - 2022. World Bank. URL: <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=UA>

Figure 2. Step 2.2: selection of countries based on the scoring criteria.



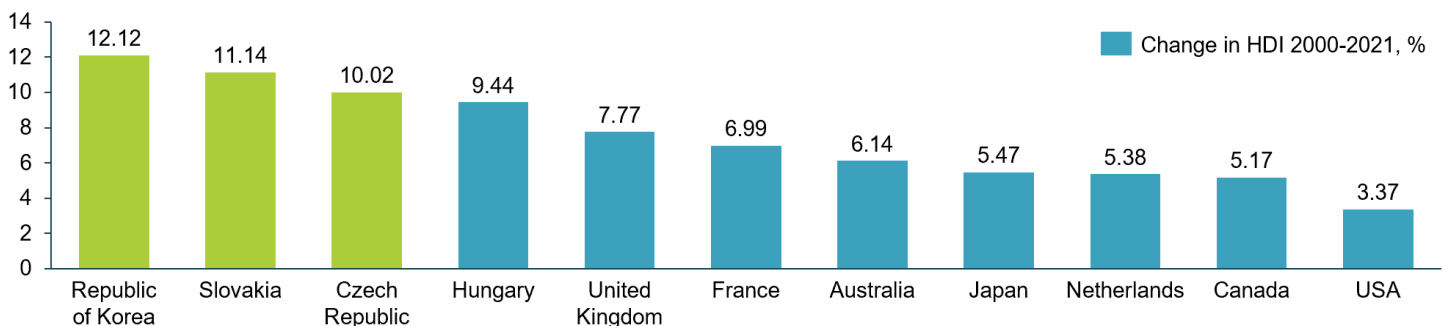
The selection process resulted in countries being assigned different scores based on the established criteria. Here is a breakdown of the scores achieved by the countries (see Figure 2):

- **3 points:** 2 countries obtained the maximum score of 3 points. These countries are **Poland and Germany**. They met all 3 criteria, indicating a high level of similarity with Ukraine in terms of population, economy and regional context. Therefore, these 2 countries should be considered as selected for comparative analysis.
- **2 points:** 11 countries received a score of 2 points. These countries partially met the criteria, demonstrating some degree of similarity with Ukraine. Although they fell short in one of the three criteria, they still showed promising characteristics for comparative analysis.
- **1 point:** 18 countries gained only 1 point. While they did not fully meet all the criteria, they exhibited some relevance to Ukraine in terms of population, economy or regional context. They surely can provide valuable insights, however, they should be excluded from the following selection stage.
- **0 points:** 2 countries did not meet any of the scoring criteria. These countries did not demonstrate significant similarity with Ukraine and therefore, they also should not be considered for further analysis in this particular study.

STEP #3: RANKING BASED ON % CHANGE IN HDI 2000-2021

This additional step was introduced to select the rest of the countries for case study. Among the 11 countries that scored 2 points, the ranking from the highest to the lowest was determined based on the percentage change in HDI value from 2000 to 2021 (see Figure 3).

Figure 3. Step 3: selection of countries based on the % change in HDI 2000-2021 .



By considering the percentage change in HDI value over a specific time period, we can assess the trajectory of a country's human capital development and identify countries that have made notable advancements over the past two decades. This ranking provides a historical perspective on the countries' efforts and achievements in such areas as education, healthcare and social support, which are essential components of human capital. Moreover, analysing the change in HDI value allows

us to identify countries that have successfully implemented policies, programs and initiatives to enhance their HD outcomes. Countries with higher positive percentage changes indicate substantial improvements in their human development indicators, making them valuable case studies for understanding the factors contributing to their success.

The highest-ranked 3 countries in this category were selected, resulting in the inclusion of the Republic of Korea, Slovakia and the Czech Republic to the final list.

STEP #4: RANKING BASED ON SPECIALLY DESIGNED COEFFICIENT OF HDI AND HCI

The last country was selected for the case study using specially designed coefficient (see Figure 4). HDI and HCI results of the remaining 8 countries (Hungary, United Kingdom, France, Australia, Japan, the Netherlands, Canada and the USA) were transformed using 0 - 1 scale, where 1 means the highest index score among these countries. The final index is a weighted average of the derived HDI and HCI scores³.

Figure 4. Step 4: Selection of countries based on the coefficient for HCI and HDI.

COUNTRIES	INDEX COMPONENTS		INDEX RESULTS**
	HCI COMPONENT*	HDI COMPONENT*	
Japan	1.000	0.973	0.4945
Canada	0.991	0.984	0.4942
Netherlands	0.982	0.989	0.4924
United Kingdom	0.973	0.977	0.4873
Australia	0.957	1.000	0.4871
France	0.984	0.950	0.4743
United States	0.872	0.968	0.4553
Hungary	0.849	0.890	0.4326

* Index scores are transformed using 0 – 1 scale, where 1 means the highest result among the sample of countries.

** The results are calculated using the weighted average of the derived HCI and HDI scores (weighted values was 0.6 and 0.4, respectively).

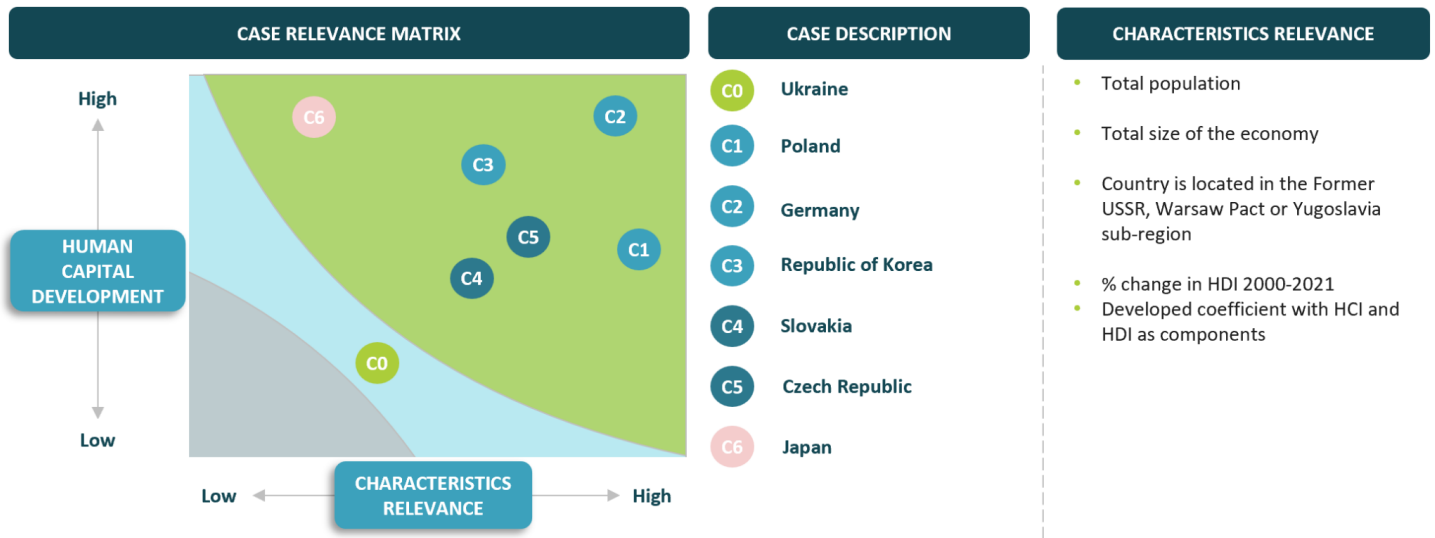
As a result, Japan was the 6th country selected to the final list which demonstrates its high achievements in the development of human capital pillars shown by both HCI and HDI scores.

FINAL RESULTS OF THE SELECTION

Based on the methodology outlined above, 6 countries were selected for the in-depth case studies. These countries were chosen based on their alignment with Ukraine’s context, their significant accomplishments in human capital development, and their potential to provide valuable insights and lessons for Ukraine (see Figure 5).

³ For the purpose of calculation of the final index, the new HCI score was multiplied by 0.6 and the new HDI score was multiplied by 0.4. The HCI value is given a higher coefficient due to the focus of this report on the human capital rather than human development. The HCI, calculated by the World Bank, is the key international metric in this domain, assessing economies from the prospect of the impact of health and education on individual and national productivity, i.e. how likely an individual is to realise its full potential.

Figure 5. Final results of the selection.



In the next chapters, we delved into a detailed examination of each country’s distinct strategies and initiatives. By focusing on their best practices and lessons learned, we tried to extract invaluable principles to bolster Ukraine’s efforts in human capital development. The exploration of these case studies promises to find measures and instruments enriching Ukraine’s approach and enhancing its prospects for harnessing its full human capital potential.

INTERNATIONAL CASE STUDIES

The analysis of best practices



3. INTERNATIONAL CASE STUDIES

The selected countries encompass a diverse range of approaches, achievements and challenges in human capital development. By studying their policies, strategic documents⁴ and institutional frameworks, Ukraine can gain valuable insights to enhance its own human capital agenda and improve its management and development practices. The analysis of these case studies will provide valuable perspectives and best practices that can contribute to Ukraine's long-term vision for optimising its human capital potential.

3.1. Poland

KEY TAKEAWAYS

- Poland has undergone a commendable evolution in various human capital metrics, including economic expansion, educational advancement, and health sector improvement. Evidenced by the **growth rate of the Human Development Index (HDI) by 22.4% over the past three decades**, Poland has secured a noteworthy position, ranking 34th globally with an HDI of 0.876 in 2021. This trajectory of advancement is accompanied by a remarkable **rise in GDP per capita**, surging from approximately USD 2.2 thousand in 1991 to **USD 18.3 thousand in 2022**, with a period of consistent growth, especially post-accession to the EU.
- Poland's commitment to education is evident in the **extension of expected years of schooling** from 12.3 years in 1991 to **16 years in 2021**, reflecting its dedication to educational progress. Additionally, health-related advancements are manifested through a remarkable rise in **life expectancy at birth**, ascending from an average of 70.6 years in 1991 to **77.9 years in 2019**.
- Poland has a **well-developed institutional framework** in the field of human capital, with several Ministries usually conducting activities relating to each pillar of human capital. While in general the government stakeholders framework has many similarities to that functioning in Ukraine, a peculiarity which is common in all Visegrád countries is that **one central executive body** (the Ministry of Family and Social Policy) **exercises functions relating to both living conditions and economic output pillars** of human capital.
- Poland's education system operates under the guidance of the Ministry of Education and Science, overseeing human capital development. The Ministry's structure comprises various units responsible for different educational aspects, from curriculum content to pedagogical supervision. This **multi-level governance involves collaboration with regional and local governments** for effective administration. Additionally, other ministries contribute to education-related areas, creating a comprehensive approach to human capital development.
- Recent reforms and developments have transformed the education landscape. Centralised governance coexists with **decentralised school administration**, aided by **external examinations**. Initiatives include **psychological support programs** for students and teachers, **Green School efforts** for energy efficiency, and **digital competence** enhancement. In response to the COVID-19 crisis, comprehensive psychological support programs were introduced at both school and higher education levels. These programs aim to address mental health challenges, foster peer relationships, and provide training and counselling services.
- Poland's healthcare system, led by the **Ministry of Health and the National Health Fund**, has a multi-level structure that involves collaboration with various territorial government tiers. However, this complexity poses challenges in coordinating activities effectively across administrative levels.
- Recent healthcare reforms in Poland have aimed at improving **medical care accessibility, coordination and addressing key health concerns** like cancer, cardiovascular diseases, and unhealthy lifestyles. Efforts include **tackling workforce shortages** and **developing eHealth services**.
- The multilevel structure of the Polish social security system enables the delivery of quality services to the population, which was especially improved after the construction of **Social Welfare Centers in each commune** as a result of reforms in the 1990s.

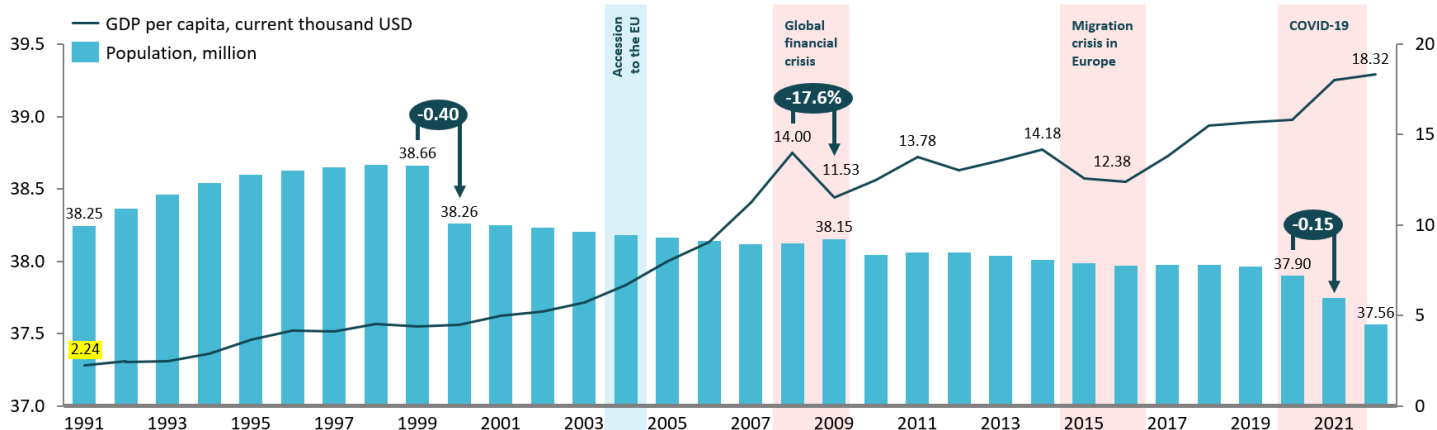
⁴ Across the examined nations, the domain of human capital is governed by a multitude of strategic plans and policy documents. These documents can encompass a direct focus on human capital or adopt a cross-sectoral approach, incorporating human capital concerns among other domains. The Annex contains a comprehensive list of the main strategic documents related to human capital in each country under study, accompanied by their intended objectives. Documents pertinent to specific pillars are delineated within the countries' pillars descriptions.

- Even though Poland has failed to transition to a multi-tier pension system due to the unrealistic assessment of the costs of the reform, the country has ensured the **effective provision of basic level of retirement income** as well as **pre-retirement guarantees** to the vulnerable. Among the most successful reforms was the introduction of the child birth benefits and the implementation of the “**500+ Family**” (“Rodzina 500+”) program which aims to support families with children and, therefore, increase the birth rates in Poland to solve demographic problems.
- The cooperation of social security and labour related stakeholders has been especially strong regarding the **promotion of longer working lives in Poland**. The measures include regulating the retirement age, ensuring basic level of retirement income, preventing discrimination in employment on the basis of age, and promoting the employability of workers throughout their working lives through training and facilitated job seeking.
- Poland has introduced more **systematic evaluation of labour related policies on national and regional levels**, which has been done primarily thanks to the support from European funds. At the same time, the practical implementation of recommendations made based on the assessment remains a challenge.

General overview of human capital development

Since the dissolution of the Warsaw Pact in 1991, Poland has demonstrated a significant level of human capital development, which is proved by the **Human Development Index (HDI)** growth rate (+**22.4% over the last 30 years**). HDI 2021 equals 0.876, guaranteeing the 34th position in the global ranking⁵. In parallel, the country has demonstrated remarkable economic growth, with **GDP per capita** increasing from roughly USD 2.2 thousand in 1991 to **USD 18.3 thousand in 2022**, with a period of stable growth prior and immediately after accession to the EU (see Figure 6). Even though Poland did not completely avoid economic shocks, such as the 2008-2009 financial crisis, and the influence of the regional challenges, among which the 2015-2016 migration crisis and the common problem of the population decline, altogether it can boast increased human productivity and economic growth.

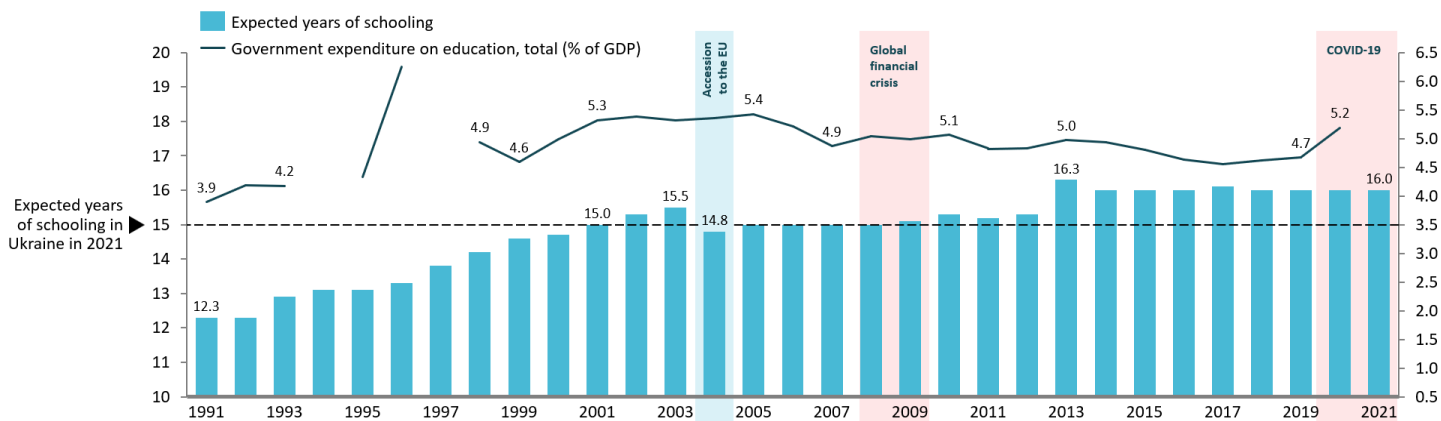
Figure 6. GDP per capita and population in Poland, 1991-2022.



With regard to the education domain, Poland demonstrated progress in the number of **expected years of schooling**, with the indicator growing from 12.3 years in 1991 to **16 years in 2021** (see Figure 7). Meanwhile, the 2021 indicator of Ukraine approximately stays at about the level which was reached by Poland in 2006-2008 and surpassed later. The **government expenditures on education (as % of GDP)**, despite minor fluctuations, have mostly remained within the range of 4.5%-5.4%, accounting for **5.2% of GDP in 2020**.

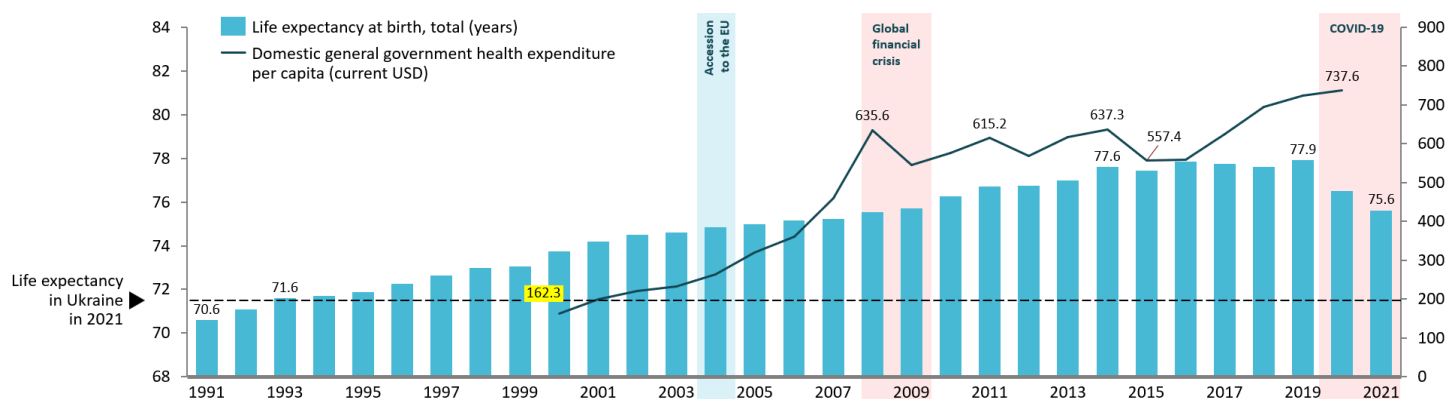
Figure 7. Expected years of schooling and government expenditure on education in Poland, 1991-2021.

⁵ Human Development Index (HDI). URL: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>



A significant improvement in the health domain over the past three decades resulted in the rise of **life expectancy at birth**. As of 1991, a person in Poland was expected to live 70.6 years on average, whereas in 2019 the life expectancy peaked at **77.9 years**. Even though life expectancy fell during COVID-19 to reach the level of 75.6 years, this is still significantly higher than that of Ukraine: life expectancy in Ukraine in 2021 stays at about the level of Poland in 1993 (see Figure 8). Furthermore, Poland demonstrated a positive trend of **domestic general government health expenditure per capita**, which grew from USD 162.3 in 2000 to **USD 737.6 in 2020**, increasing more than four times over the 20 years.

Figure 8. Life expectancy at birth and government health expenditure per capita in Poland, 1991-2021.



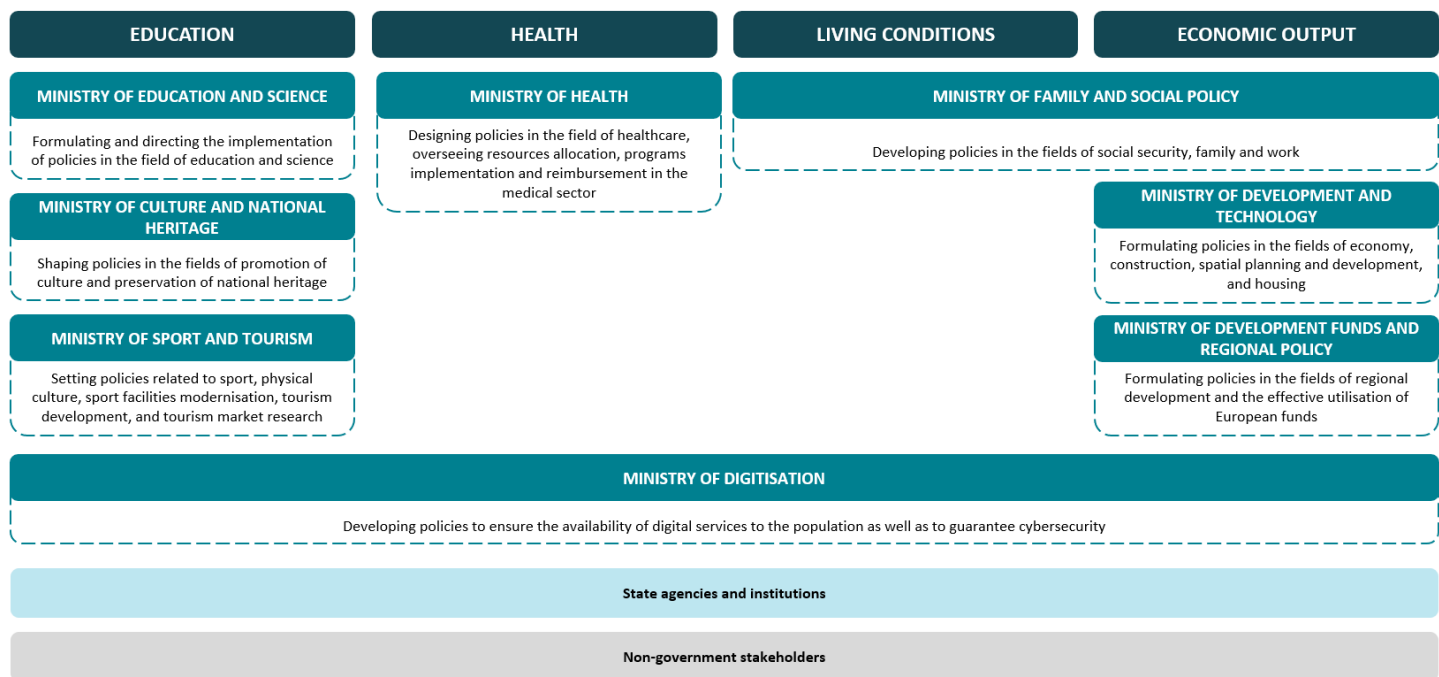
Overall, Poland has witnessed a noteworthy advancement in human capital related parameters, demonstrating progress in the economic, educational and health domains. This was reached due to successive reforms and investment in human development, the aspects of which will be discussed further in this section.

Stakeholders responsible for the development of human capital

Within the government of Poland, several key stakeholders are responsible for human capital policy⁶. These stakeholders perform tasks to set the agenda and formulate the policies in the related areas in the field of human capital, as well as oversee the implementation of such policies on the national level and monitor the effectiveness of the work conducted in each sector. The government stakeholders in Poland execute activities in education, health, living conditions and economic output pillars of human capital, and they encompass Ministries, state agencies and government institutions. Apart from this, a strong cooperation with non-government stakeholders, including civil society organisations and private entities, has been established (see Figure 9).

⁶ Lista ministerstw i jednostek podległych. URL: <https://www.gov.pl/web/gov/ministerstwa>

Figure 9. Key stakeholders in the field of human capital in Poland⁷.



Several government stakeholders hold their activities within the education pillar of human capital. The **Ministry of Education and Science** is responsible for formulating and directing the implementation of educational and science policies in Poland. The goal of the Ministry is to build a modern school, develop the competences of the future and provide all students with equal access to high-quality education, as well as support science and innovative development and promote its active cooperation with the economy. It works together with entities such as the Central Examination Commission, IT Education Center, Educational Research Institute based in Warsaw, Education Development Center in Warsaw, and the Center for the Development of Polish Education Abroad. Additionally, such stakeholders as universities, schools, institutes and research centres play a vital role in shaping education and human capital development.

The **Ministry of Culture and National Heritage** performs tasks of policy formulation in the field of promotion of culture and preservation of national heritage in Poland. It also oversees cultural and music education institutions, contributing to the cultural development aspect of human capital.

The **Ministry of Sport and Tourism** is responsible for policy formulation and monitoring the implementation of measures in the areas of sport, physical culture, sport facilities modernisation, tourism development directions, and tourism market research.

The **Ministry of Digitisation** is responsible for ensuring the availability of digital services to the population as well as guaranteeing cybersecurity in Poland through domestic measures and international cooperation. The institution performs cross-sectoral functions, ensuring the work of digital and information systems throughout all pillars of human capital. At the same time, unlike the case of Ukraine, the Polish Ministry does not perform tasks relating to the development of digital skills and competencies of the population, thus its work cannot be considered exclusively vising the education pillar of human capital.

The government stakeholders within the health pillar of human capital are primarily represented by the **Ministry of Health**, which is responsible for health-related policies and institutions. It performs multiple tasks, including but not limited to supervision over the National Health Fund, reimbursement of medicines and medical devices, developing and

⁷ Lista ministerstw i jednostek podległych. URL: <https://www.gov.pl/web/gov/ministerstwa>

coordinating the implementation of health programs, organisation and supervision of the State Medical Rescue system, and others.

The **Ministry of Family and Social Policy** performs activities in three main areas, namely social security (social security and social provision, pension funds, government programs in the field of social assistance, social economy and social entrepreneurship, veterans and repressed people, with the exception of medical benefits), family (demographic conditions, care for a child up to 3 years old, protecting and supporting families with dependent children, development of the child foster care system), and work (employment and counteracting unemployment, employment relations and working conditions, collective labour relations and collective disputes). Therefore, the functions of this executive body are considered in relation to two pillars of human capital, namely living conditions and economic output.

The economic output pillar of human capital encompasses several other Ministries along with subordinate or supervised bodies. The **Ministry of Development and Technology** bears responsibilities in the areas of economy, construction, spatial planning and development, and housing, covering the matter of competitiveness of national economy, economic cooperation with foreign countries, innovation, business, as well as architecture, construction, spatial planning and development, geodesy and cartography, revitalization, supporting housing, real estate management, municipal infrastructure, and others.

The **Ministry of Development Funds and Regional Policy** focuses on regional development and the effective utilisation of European funds. Entities under its purview include the Center for European Projects in Warsaw, Polish Agency for Enterprise Development, Department of Regional Policy and Cohesion at the Permanent Representation of the Republic of Poland to the EU in Brussels, and the National Center for Research and Development.

Education pillar

KEY STAKEHOLDERS | Educational component of the development of human capital in Poland generally lies under the responsibility of **the Ministry of Education and Science**. The structure of the Ministry of Education and Science comprises the Minister's Political Cabinet and the Minister's Office, the Digital Transformation Centre, the Office of the Director General, an independent position of Internal Auditor, and 15 other units: departments, each with divisions, which are responsible for specific aspects of the national education policy⁸. At regional level the Head of the Regional Education Authorities (REA) (kurator oświaty) performs pedagogical supervision over school educational institutions. Local government units are not responsible for exercising typical tasks in this sphere, considering the **high level of autonomy of educational institutions in Poland**⁹.

At the school level the responsibility for the administration of the school education system rests with **the minister in charge of school education (Minister of Education and Science)** and his / her deputy ministers. The Director General is responsible for efficient functioning of the ministry as the institution supporting the minister. The responsibilities of the ministry include such areas as contents of the general and vocational education and textbooks; pupils assessment; admission to public schools and other educational institutions, governance and organisation of institutions within the school education system; pedagogical supervision; pre-school education; continuing education; initial and in-service teacher training; etc.

At the higher education level, since 1 January 2021 the Minister of Education and Science has become responsible for the development of research, the training of students and doctoral students, and the functioning of higher education institutions (HEIs). There are **five departments of the Ministry** that perform activities related to higher education, namely

⁸ National Education Systems. Poland Overview. Administration and governance at central and/or regional level. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/poland/administration-and-governance-central-and-or-regional-level>

⁹ National Education Systems. Poland Overview. Administration and governance at local and/or institutional level. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/poland/administration-and-governance-local-and-or-institutional-level>

Higher Education Department, Innovation and Development Department, Science Department, Department for Research and Investment Programmes and Digital Transformation Centre. Specific higher education development functions are supervised by other bodies in higher education, notably the Scientific Excellence Council (SEC), the General Council for Science and Higher Education, the Polish Accreditation Committee, etc¹⁰. For instance, the Scientific Excellence Council (SEC) (Rada Doskonałości Naukowej) acts as a government administration body which aim is to promote the growth of research personnel in accordance with the rigorous standards of research excellence necessary for attaining doctoral and post-doctoral degrees in the fields of science and fine arts, as well as for achieving the title of professor.

It is worth mentioning that the **education system in Poland implies activities of ministries other than the Ministry of Education and Science to promote the development of the education pillar of the human capital**. The Minister of Culture, National Heritage and Sport; the Minister of Agriculture and Rural Development; the the Minister of Climate and Environment; the Minister of Infrastructure; the Minister of Health; the Minister of Justice; the Minister of Interior and the Minister of National Defense are also responsible for the administration of the specific areas belonging to the spheres of their responsibilities.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | After the collapse of the communist regime in 1989 the political transformation, including the reform of the Polish education system, began in Poland. The **education system has experienced significant transformations across various dimensions, encompassing structural, organisational, and managerial aspects, as well as the core curriculum**. The results of profound reforms include¹¹:

- **Combination of centralised governance** (i.e. laws/ regulations for which the Minister Education and Science is responsible) **and decentralised school administration** (for which local authorities are responsible);
- **System of external examinations**, which are carried out at the end of compulsory education (on completion of a single-structure 8-year primary school and on completion of general and vocational secondary schools. The examinations are high stake ones having influence on the choice of a student’s educational and/or vocational path, they are prepared and evaluated by external body/ evaluators. The examination concluding compulsory education is obligatory for all students, while the secondary examination is taken only by the students who either want to continue their education at the tertiary level, or want to obtain/confirm a vocational qualification (vocational exams);
- **Specific definition of the status of teachers**. The teaching profession is regulated by separate legislation (the Teacher’s Charter) which defines rules of admission, duties, remuneration and dismissal of teachers and their career path;
- **Domination of the public education sector over private**. In school education, the number of public schools and students attending them greatly outweighs the number of non-public schools and their pupils. In the higher education system, the majority of students are also enrolled in public HEIs.

In conformity with the chapter **“Friendly school and culture for the new century” of the Polish Deal**¹², the modern education strategy announced the establishment of a Child and Family Centre to support the development of learners, a new model of psychological support and a psychological-pedagogical office in every school, Green School initiative for the thermal modernization of schools improving energy efficiency and further development of students’ digital competences.

¹⁰ National Education Systems. Poland Overview. Administration and governance at central and/or regional level. 2023. URL:

<https://eurydice.eacea.ec.europa.eu/national-education-systems/poland/administration-and-governance-central-and-or-regional-level>

¹¹ National Education Systems. Poland Overview. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/poland/overview>

¹² Polish Deal. Friendly school and culture for the new century. URL: <https://www.gov.pl/web/polski-lad/przyjazna-szkola-i-kultura-na-nowy-wiek>

In September 2013, the **Life Learning Perspective (PLLL)**¹³, currently implemented by the Institute for Educational Research (IBE), was adopted to develop a consistent attitude towards lifelong learning.

The **reform of the structure of the school education system** launched in 2016. It was focused on the transformation of the two-stage general full time compulsory education (6-year primary school + 3-year lower secondary school) into one stage general full time compulsory education (8-year single structure called primary school). Such changes resulted in creation of a new core curriculum and new formulas for external exams¹⁴.

The **reform of the higher education system** is in the process on the basis of “Strategy towards scientific excellence, modern higher education, partnership with business and social responsibility of science”¹⁵. It is focused on systemic changes in science and higher education, commercialization of research and partnership with business and social responsibility of science.

RESPONSE TO CRISIS | In response to the COVID-19 crisis, the Ministry of Education and Science of Poland **initiated comprehensive psychological support programs across different education levels.**

At the school level, a pilot project was launched in March 2021 to **provide psychological and pedagogical assistance to students and teachers.** The effort included diagnosing emerging problems, developing support models, and offering training to educators. The program aimed to foster a holistic approach to student well-being by addressing mental and emotional crises, enhancing peer relations, and engaging parents in understanding and assisting their children’s needs. Over 100,000 hours of psychological support were planned, with individual and group sessions, emphasising the importance of early intervention and prevention. Teachers were also targeted for training to identify students’ challenges and learn effective strategies for support. The research outcomes and materials developed through the program were shared across all schools to ensure a widespread positive impact.

At the higher education level, the Ministry of Education and Science introduced a “**Psychological Package**” with a range of recommendations for universities to enhance students’ psychological well-being. This package, devised in June 2021, emphasised **access to health-promoting information, support for adjusting study plans, awareness of state aid options, dedicated counselling units, and psychological counselling services.** Universities were encouraged to collaborate with students’ councils and offer workshops on mental health, stress management, and soft skills. The initiative underscored the importance of open communication and stigma reduction around mental health, promoting an environment that supports students’ holistic development. The Ministry’s proactive approach acknowledged the importance of psychological support for students and seeks to ensure their well-being and academic success during the challenging times.

Moreover, in order to adjust to the outcomes of the COVID shock, Poland has finalised the “**Digital Competence Development Programme**”, targeting the development of digital skills under the coordination of the Ministry of Digital Affairs. The strategy places its emphasis on digital skills development of citizens, ICT specialists, and personnel within SMEs and public administration. In parallel, the “**Operational Programme Digital Poland for 2021-2027**” received co-funding from the European Regional Development Fund. The program encompasses various initiatives, including but not limited to support for broadband infrastructure, the development of e-services (comprising e-government and e-health services),

¹³ National Education Systems. Poland Overview. Ongoing reforms and policy developments. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/poland/ongoing-reforms-and-policy-developments>

¹⁴ National Education Systems. Poland Overview. Ongoing reforms and policy developments. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/poland/ongoing-reforms-and-policy-developments>

¹⁵ Strategy towards scientific excellence, modern higher education, partnership with business and social responsibility of science. URL: https://www.ue.katowice.pl/fileadmin/user_upload/akademia/aktualnosci/2016/9/Strategia_na_rzecz_doskonalosci_naukowej.pdf

the cultivation of fundamental and advanced digital skills, as well as the promotion of upskilling and reskilling opportunities, with a particular focus on skills essential for the future¹⁶.

Health pillar

KEY STAKEHOLDERS | Poland's healthcare system is founded on a framework of social health insurance (SHI), with **the Ministry of Health** and **the National Health Fund (NHF)** serving as pivotal entities overseeing operations. The Ministry collaborates with territorial government tiers, wherein municipalities supervise primary care, counties manage smaller hospitals, and regions (voivodeships) oversee larger regional healthcare institutions¹⁷. The Ministry plays a central role in devising and executing health policies and programs, managing the State Medical Rescue system, and providing oversight for various state agencies including the Bureau for Chemical Substances and the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products. It also exercises authority over specialised tertiary care providers, national health institutes, and medical university clinics.

The National Health Fund, supervised by the Ministry of Health, operates as the exclusive purchaser within the SHI system. It functions through regional branches across voivodeships, responsible for procuring services in their respective areas from both public and private providers¹⁸. The scope of guaranteed services is determined at a centralised level. **The Agency for Health Technology Assessment and Tariff System (AOTMiT)** holds a notable role in evaluating publicly funded health initiatives and technologies and for setting tariffs for SHI health services, thereby influencing resource allocation decisions¹⁹.

Municipalities also carry out certain public health responsibilities, although their budgets are often insufficient. In addition, various entities including inspection and assessment agencies, medical centres, research facilities, medical universities, and training institutions collectively contribute to the development of human capital within the healthcare sector. The majority of primary health care and specialised outpatient services are delivered through independent private practices or small group practices. These entities can offer services through agreements with the NHF or to self-paying individuals. Inpatient services are mostly provided by public hospitals²⁰.

Physicians and dentists have their self-governing body - **the Chamber of Physicians and Dentists**, along with regional chambers, represents, addressing various aspects of medical practice and ethics. Its organs include the General Assembly, Supreme Medical Council, Supreme Screener for Professional Liability, Supreme Medical Court, and Supreme Audit Committee, aiming to regulate professional standards and oversee activities within the medical field²¹.

Overall, Poland's healthcare system grapples with the challenge of harmonising activities across diverse administrative levels due to its complex multi-level governance structure²².

¹⁶ How do Economies in EU-CEE Cope with Labour Shortages? URL: <https://wiiw.ac.at/how-do-economies-in-eu-cee-cope-with-labour-shortages-dlp-5641.pdf>

¹⁷ Poland: Country Health Profile 2021. URL: <https://www.oecd-ilibrary.org/docserver/e836525a-en.pdf?expires=1691745174&id=id&accname=guest&checksum=EDE93ECEf277409F123628F251A0148B>

¹⁸ Poland: Country Health Profile 2021. URL: <https://www.oecd-ilibrary.org/docserver/e836525a-en.pdf?expires=1691745174&id=id&accname=guest&checksum=EDE93ECEf277409F123628F251A0148B>

¹⁹ Poland: Country Health Profile 2019. URL: <https://www.oecd-ilibrary.org/docserver/297e4b92-en.pdf?expires=1691745181&id=id&accname=guest&checksum=3F1A91038DA9E940FDB76C99077B565F>

²⁰ Sowada C, Sagan A, Kowalska-Bobko I (2022), Poland: Health System Summary, 2022. WHO Regional Office for Europe on behalf of the European Observatory on Health Systems and Policies, Copenhagen.

²¹ Professional self-government in Poland on the example of the professional self-government of physicians and dentists – past, present, and future challenges URL: https://www.researchgate.net/profile/Yuliana-Palagnyuk/publication/338955215_Peculiarities_of_Clientelism's_Influence_on_Power_Processes_in_Ukraine_during_the_Decentralization_Reform/links/5e3479b9a6fdccd9657bfdc6/Peculiarities-of-Clientelism's-Influence-on-Power-Processes-in-Ukraine-during-the-Decentralization-Reform.pdf?page=259

²² Poland: Country Health Profile 2021. URL: <https://www.oecd-ilibrary.org/docserver/e836525a-en.pdf?expires=1691745174&id=id&accname=guest&checksum=EDE93ECEf277409F123628F251A0148B>

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | Recent reforms have primarily concentrated on ensuring the availability of efficient medical care and enhancing the management of key health issues like cancer, cardiovascular diseases and unhealthy lifestyle. These efforts involved addressing the shortage of medical workers and reinforcing care coordination, in particular within primary care.

Over the past decade, the Polish government has undertaken several strategic initiatives to address the **health workforce shortages**. Notably, in response to medical workers' protests, salary and the number of residency places funded by the state increased. Additionally, in 2019, financial incentives were instituted to attract doctors to rural areas²³. To address the lack of general practice doctors, Poland permits internal medicine specialists and paediatricians to serve as GPs. Moreover, since 2015, trained nurses and midwives can also prescribe specific medicines and tests²⁴. During the pandemic, Poland streamlined the recruitment procedures for international medical staff from non-EU countries²⁵.

To address **financial challenges and debt in public hospitals**, the government initiated the 'hospitals network' in 2017. This program aimed to enhance hospital organisation, access to services, and management. Most of public hospitals joined, receiving biannual lump sum payments based on DRGs²⁶ for both inpatient and outpatient care. Regulations altered payment mechanisms, moving from ad hoc to a global budget system. The program's implementation and effectiveness evaluation challenges have led to mixed results. However, hospital managers noted that it helped to improve financial flexibility and stability of the hospitals²⁷.

To address treatable mortality rates, the NHF increased **investment in cardiac care**. Notably, the Comprehensive Care after Myocardial Infarction (CCMI) program, launched in 2017, targeted post-MI patients. This initiative emphasised intensive treatment, improved rehabilitation, and outpatient follow-up, aligning with ESC guidelines. Its positive results encompass lowered mortality risk within the first year post-MI, diminished risks of future cardiac events, and improved return-to-work rates²⁸.

After cardiovascular diseases, cancer is the second leading cause of death in Poland, prompting ongoing efforts to **improve cancer patient outcomes** since the mid-2000s. National Programs for Cancer Diseases Control initially focused on prevention and diagnostic access. Introduced in 2015, the "fast pathway" was aimed to expedite diagnosis and treatment for suspected cancer cases. Currently, Poland is implementing the National Oncology Network under the National Cancer Strategy 2020-2030, alongside a lung cancer education and screening program for high-risk individuals. While these initiatives have improved survival rates, challenges of late-stage diagnoses and prolonged waiting times for further comprehensive care persist²⁹.

To enhance **citizens' access to medications**, Poland has taken several measures to aid vulnerable groups and regulate the illegal export of drugs while promoting more affordable alternatives. In 2016, the country introduced exemption mechanisms for outpatient prescriptions and offered a range of free medicines to the elderly. A similar provision was extended to pregnant women in 2020. However, safeguards for low-income households and those with chronic illnesses remain insufficient. High drug costs led to parallel exports and shortages of specific medications, prompting countermeasures such as curbing legal exports, establishing criminal penalties for illegal drug export, and enhancing drug

²³ Exploration of Estimated Emigration Trends of Polish Health Professionals; <https://doi.org/10.3390/ijerph19020940>

²⁴ Poland: Country Health Profile 2021. URL: <https://www.oecd-ilibrary.org/docserver/e836525a-en.pdf?expires=1691745174&id=id&accname=guest&checksum=EDE93ECEf277409F123628F251A0148B>

²⁵ Exploration of Estimated Emigration Trends of Polish Health Professionals; <https://doi.org/10.3390/ijerph19020940>

²⁶ Diagnosis-related groups

²⁷ The 2017 reform of the hospital sector in Poland – The challenge of consistent design <https://doi.org/10.1016/j.healthpol.2019.03.013>

²⁸ Comprehensive Care after Myocardial Infarction (CCMI): Long-Term Investment in the Health of Polish Citizens URL: <https://doi.org/10.3390/ijerph19127518>

²⁹ Assessing Recent Efforts to Improve Organization of Cancer Care in Poland: What Does the Evidence Tell Us? URL: <https://doi.org/10.3390/ijerph19159369>

trade monitoring. Also, price restrictions for specific groups of medicines were introduced, and pharmacists were obligated to inform patients about cheaper generic equivalents. In addition, the NHF has significantly increased the number of new drugs that are subject to the SHI. The legislative reforms of 2012 bolstered price competition in the generics market, although significant price disparities continue for medications introduced before 2012³⁰.

Between 2020 and 2022, Poland made significant strides in its **public e-Health services**, partly fueled by the COVID-19 pandemic. **Efforts have concentrated on developing electronic health data platforms and related tools**. Both public and private institutions contribute to the process: while the private sector prioritises e-queues and teleconsultations, public institutions focus on accessible eHealth services tied to the national health system and education. At the national level, in 2019, medical records switched to electronic format, and from January 2020, only e-prescriptions on medication were permitted. In 2021, phased e-referral implementation began. Key eHealth services also include e-medical supplies, e-sick leave and Patient Online Account (online health card). Successful implementation depends on the development of digital skills among health care providers and users, which is particularly reflected in regional differences, where rural areas lag behind in ITC implementation³¹.

Poland employs a multi-faceted approach to promote a **healthy lifestyle**, involving educational campaigns, tax policies, and restrictions on harmful products. Measures include introducing regulations on products with added sugar or salt in schools in 2015 and implementing food marketing rules. In 2021, a “sugar tax” on beverages with added sugar, sweeteners, caffeine, or taurine was enacted, resulting in positive changes in drink composition³². While tobacco and alcohol regulations were eased over time, recent efforts in 2020 have reinforced these policies³³.

RESPONSE TO CRISIS | Poland faces a **migration crisis** due to the ongoing war in Ukraine, placing added pressure on its healthcare system. To facilitate medical care for Ukrainian refugees, they are given free access to medical services on par with Polish citizens. They can also receive prescriptions, referrals, and vaccinations. Given low COVID-19 vaccination rates among Ukrainians, refugees receive free COVID-19 testing and vaccination access. A language barrier is addressed through a system of medical institutions offering services in Ukrainian/Russian, interpreters, patient materials, and interview questionnaires. Nonetheless, systemic solutions require further efforts from both state and local authorities³⁴.

Living conditions pillar

KEY STAKEHOLDERS | The central role of agenda setting and policy formulation as well as overseeing the implementation of measures and ensuring the effective monitoring and assessment of the results is played by the **Ministry of Family and Social Policy**. As mentioned above, the executive body performs activities in three main areas, namely social security, family, and work, with the latter relating to the economic output pillar. The Ministry is primarily responsible for conceptualising and strategising social assistance, formulating legal regulations, setting service standards for social assistance units, and evaluating the impact of measures taken³⁵.

³⁰ Sowada C, Sagan A, Kowalska-Bobko I (2022), Poland: Health System Summary, 2022. WHO Regional Office for Europe on behalf of the European Observatory on Health Systems and Policies, Copenhagen.

³¹ Płaczewski K, Wierzbna W, Ostrowski J, Pinkas J, Jankowski M. Factors associated with the use of public eHealth services in Poland – a 2022 nationwide cross-sectional survey. *Ann Agric Environ Med.* 2023; 30(1): 127–134. doi: 10.26444/aaem/158027

³² The Impact of the Sweetened Beverages Tax on Their Reformulation in Poland-The Analysis of the Composition of Commercially Available Beverages before and after the Introduction of the Tax (2020 vs. 2021) URL: <https://doi.org/10.3390/ijerph192114464>

³³ Poland: Country Health Profile 2021. URL: <https://www.oecd-ilibrary.org/docserver/e836525a-en.pdf?expires=1691745174&id=id&accname=guest&checksum=EDE93ECEF277409F123628F251A0148B>

³⁴ Organization of Medical Assistance in Poland for Ukrainian Citizens During the Russia-Ukraine War URL: <https://www.frontiersin.org/articles/10.3389/fpubh.2022.904588/full>

³⁵ Social assistance. Ministry of Family, Labour and Social Policy. URL: <https://archiwum.mrips.gov.pl/en/social-assistance/>

The Ministry manages entities like the **State Fund for the Rehabilitation of the Disabled, Office for War Veterans and Victims of Oppression**, and social security programs that play a role in social protection and welfare. This indicates the Ministry's activities are aimed at covering the needs of a wide range of population groups, while not only providing the assistance to all citizens but also specifically targeting the necessities of vulnerable groups. The latter include war veterans, victims of oppression, homeless, unemployed, disabled and the dependent people, the poor, the elderly, families and children, and victims of natural and ecological disasters³⁶.

Considering the regional and local bodies responsible for management of the social system, following the 1999 reform, the local government system in Poland operates on three levels: **social assistance centres in municipalities and communes; poviats centres for family support in poviats (districts);** and **regional social policy centres in voivodeships**. Each level encompasses governing and administrative entities responsible for social policy and self-governance units. The regional and local institutions assume responsibilities including assessing the efficacy of social assistance conditions, overseeing activity quality, and ensuring the observance of service standards within social assistance units at the respective levels. Among these, the regional social policy centres (RSPC) hold paramount significance in terms of regional oversight and coordination. Noteworthy examples include centres in Opole, Kraków, Toruń, and the Mazowieckie Center for Social Policy³⁷. Meanwhile, such centres collaborate extensively with social assistance providers and organisers, which often encompass NGOs, offering a range of services such as shelters for the homeless, facilities for single mothers, day-care homes, and others.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | The structural reforms in the Polish system of social assistance started in late 1990s, following the political and economic transformations in the country. Some of the issues that were addressed in that period included adopting the Social Welfare Act that established the **construction of Social Welfare Centers** in each commune, together with measures to facilitate the transition to disability pensions and early retirement³⁸. As for the latter, the reform was much needed due to the growing expenditures for sickness and disability benefits in the early 1990s. The reason for this was the high rate of unemployment and harsh situation on the labour market which caused people to apply for disability pensions perceived as an alternative to unemployment benefits. The reforms aimed to enhance the eligibility criteria for benefits, coupled with an emphasis on reintegration into the workforce. The initial phase encompassed a significant **overhaul of the disability assessment process**, with an assessment of disability for non-insurance purposes separated from incapacity to work assessment (mostly done by the Polish Social Insurance Institution (ZUS)). Also, since 2005, a disability pension undergoes automatic conversion into an old-age pension once the pension recipient attains the statutory retirement age. The reforms implemented in 1997 led to an exceptional reduction in the rate of benefit inflow, declining by over 50% in a span of 6 years. The number of new disability pensions decreased from 154.9 thousand in 1997 to 45.6 thousand in 2008³⁹.

In 1998, the Polish Government approved a **pension system reform**, one of the most radical ones in the region. The preconditions for the reform encompassed high pension costs caused by the growing number of young pensioners and increasing social benefits. The system's viability was in question, necessitating reforms to raise the effective retirement age. The reform introduced a multi-tiered structure and individual-account schemes. However, due to the excessive cost of the transition, as well as high administrative cost of the private pension funds, disappointing rates of return, projected

³⁶ Social assistance. Ministry of Family, Labour and Social Policy. URL: <https://archiwum.mriips.gov.pl/en/social-assistance/>

³⁷ Dr. Richard Szarfenberg. Social Policy - A Short Introduction. Polish Society for Social Policy. URL: <https://ptps.org.pl/o-polityce-spolecznej/>

³⁸ Dr. Richard Szarfenberg. Social Policy - A Short Introduction. Polish Society for Social Policy. URL: <https://ptps.org.pl/o-polityce-spolecznej/>

³⁹ Grażyna Wawrzyńczyk-Kaplińska, Agnieszka Szatanowska. Reforms, challenges and social policy options for Poland. *Modernising and activating measures relating to work incapacity, Spain*. 4-5 February 2010. URL: <https://ec.europa.eu/social/BlobServlet?docId=8292&langId=it>

low replacement rates, poor governance and market concentration of the pension industry, the reform was reversed by the changes made in 2011 and 2013⁴⁰.

In Poland, the social security system includes a minimum pension provision within the pay-as-you-go scheme. To ensure a **basic level of retirement income**, a guaranteed minimum old-age pension of PLN 1,200.00 was implemented from 1 March 2020. Under the new pension scheme, the minimum retirement guarantee is funded by the state budget. This guarantee applies to both men and women who have contributed to the system for at least 25 and 20 years, respectively. Additionally, there is a scheme called pre-retirement allowances, which provides financial support to unemployed individuals who have been laid off due to factors such as liquidation, bankruptcy, or restructuring. These allowances are funded by the state budget and are available to women aged 55 and men aged 60 until they reach the official pension age. These regulations have been in effect since May 2004. Prior to that, pre-retirement benefits were granted to women starting from age 50 and men from age 55. Pre-retirement benefits are not subject to contributions to the pension scheme⁴¹.

Starting in the early 2000s, several reforms were conducted in the area of **family planning and family benefits**. For instance, the “becikowe”, i.e. an increase in cash benefits for the birth of a child, was introduced, together with tax reliefs for children⁴². In 2016, the “500+ Family” (“Rodzina 500+”) program was launched aiming to provide government support for children under the age of 18. The program not only marked an improvement in the material conditions of families but also, at least in part, encouraged more people to have children, as well as improved relations in families⁴³. All of these measures aimed to solve the growing demographic crisis in Poland, namely the decrease in the number of children born annually, population ageing and population decline.

RESPONSE TO CRISIS | Among the key challenges that Poland faces today is the ageing of the population which, together with outflow of young specialists after accession to the EU, is a major issue for the country’s future prospects in terms of socio-economic development. In this regard, **social security services are working closely with other stakeholders in the fields of health, education and employment** in order to create a favourable environment for senior citizens as well as to assist the society in adjusting to demographic changes.

The active ageing policy in Poland, which primarily emerged after 2012, has undergone a gradual transformation. Initially centred on boosting the workforce participation of older individuals and extending their economic engagement, it has evolved to encompass a broader spectrum of support for older age groups. Positive economic conditions, pension system reforms, and active labour market policies implemented over the past two decades have **increased the labour market participation** rate for individuals aged 50 and above. In terms of social participation, Poland lags behind, despite several initiatives introduced since 2014. For example, the **Multiannual Programme for Older Persons “Active+” for 2021-2025** prioritises social activity, social participation, digital inclusion, and preparation for old age. NGOs, often supported by local governments, play a central role in implementing activation programs for older people. However, the public long-term care system in Poland is underdeveloped, fragmented, and lacks coordination. Consequently, most care is provided by family members. Future changes should focus on **enhancing support for home-based care, daily semi-permanent care within local communities, and 24-hour care in facilities for those in need**. Regarding the supportive environment, architectural barriers still exist in the homes and community areas of older individuals. Additionally, ensuring accessible public transportation for older residents is a critical challenge. The financial independence of older people in Poland largely hinges on pension benefits. The regulations of the defined contribution pension system, coupled with a low retirement

⁴⁰ Michał Polakowski, Krzysztof Hagemeyer. Reversing Pension Privatization: The Case of Polish Pension Reform and Re-Reforms. *International Labour Organization. ESS – Working Paper No. 68*. 2018. URL: <https://www.social-protection.org/gimi/gess/RessourcePDF.action?id=55309>

⁴¹ Pensions at a glance 2021: Country profiles — Poland. URL: <https://www.oecd.org/els/public-pensions/PAG2021-country-profile-Poland.pdf>

⁴² Dr. Richard Szarfenberg. Social Policy - A Short Introduction. Polish Society for Social Policy. URL: <https://ptps.org.pl/o-polityce-spolecznej/>

⁴³ "Family 500+" programme. Ministry of Family and Social Policy of the Republic of Poland. URL: <https://www.gov.pl/web/family/family-500-programme>

age and employment gaps (particularly among women), are likely to result in reduced pension benefits in the future. Good practices in this domain include the **Senior Apartment Model Project** (in 2016, a model apartment without architectural or design barriers was presented for public discussions in Warsaw) and **organisation of transport to a vaccination point in 2021**. Overall, Poland requires a long-term policy framework that guarantees sufficient income for future generations in their old age⁴⁴.

Economic output pillar

KEY STAKEHOLDERS | As a result of the reforms conducted in late 1980s and in the 1990s, Poland has developed a system of public employment services that has three operational levels. The highest level is represented by the **Ministry of Family, Labour and Social Policy** (before 2015 - Ministry of Labour and Social Policy) which is in charge of establishing the legislative framework, devising the national strategy, overseeing the administration of the Labour Fund, and funding active labour market policies.

The second level is made up of **regional labour offices**, the duties of which are linked to analysing, conducting strategic planning, and ensuring the provision of services to specific groups. On the third level, **poviat labour offices** which are tasked with disbursing benefits to individuals without employment and executing initiatives related to active labour market policies. The 1999 reform granted greater independence to poviat labour offices and enhanced their capacity to perform activities pertaining to the local labour market. This was facilitated by the fact that local authorities at the poviat level also hold responsibilities in other policy domains associated with the labour market, such as secondary education, including vocational education, as well as the provision of more specialised social assistance services, including aid for individuals with disabilities⁴⁵.

These three levels operate autonomously, lacking any hierarchical connection among them. Local government bears the responsibility for covering the operational expenses of poviat labour offices, while the financing for unemployed benefits and active labour market policy initiatives comes from the **Labour Fund**. The Fund is an integral component of the national budget, which is allocated by the Ministry of Family, Labor, and Social Policy to regional labour offices and subsequently distributed to poviat labour offices. **Labour market councils** function at each level of governance, albeit predominantly in an advisory capacity, and their actual impact on program and policy determinations may fluctuate⁴⁶.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | Among the focuses of the Polish labour policies has been the promotion of longer working lives. The common goals of the measures relating to this matter are to increase the capacity of the workforce which has been diminishing due to shrinking population and ageing, along with reducing the burden on the social security system. Some measures that have been implemented include the following⁴⁷:

- **Raising the statutory age of retirement.** Although the initial plans involved raising the retirement age for men from 65 years in 2013 to 67 years by 2020, and for women from 60 years in 2013 to 67 years by 2040, in 2016, it was decided to lower the retirement age to 60 for women and 65 for men, , with this gender-specific retirement age, particularly low for women, being uncommon in the EU.
- **Better combining of pensions (or partial pensions) and work income.** Working and receiving a pension concurrently is feasible in Poland. Nevertheless, in order to access a full pension, an existing employment

⁴⁴ Ageing policies – access to services in different Member States. Annex VII - Country study on Poland. European Parliament Policy Department for Economic, Scientific and Quality of Life Policies. October 2021. URL: [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662940/IPOL_STU\(2021\)662940\(ANN07\)_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662940/IPOL_STU(2021)662940(ANN07)_EN.pdf)

⁴⁵ Employment and Skills Strategies in Poland. OECD Reviews on Local Job Creation. 2016. URL: <https://doi.org/10.1787/9789264256521-en>

⁴⁶ Employment and Skills Strategies in Poland. OECD Reviews on Local Job Creation. 2016. URL: <https://doi.org/10.1787/9789264256521-en>

⁴⁷ Key policies to promote longer working lives. Poland - Country note 2007 to 2017. OECD. 2018. URL: https://www.oecd.org/els/emp/Poland%20Key%20policies_Final.pdf

agreement must be terminated. Subsequently, the pensioner can pursue new employment under a different contract while simultaneously receiving the full pension.

- **Preventing discrimination in employment on the basis of age.** The measures included launching public awareness campaigns (in 2017 an information campaign titled “Worthy choice. Restoration of the retirement age” was conducted, supported by the Social Insurance Institution), encouraging employers to use the “50+ do pracy” logo, conducting conferences, etc.
- **Promoting the employability of workers throughout their working lives.** This is done by promoting lifelong learning and development of the adult vocational education and training system, providing access to training adjusted to their experience and learning needs, and setting up mechanisms for recognising and validating skills.

An important measure is that Poland has become **more systematic regarding the monitoring and evaluation of labour policies**. Assessments are primarily conducted at the regional or national level and **typically focus on activities funded by European funds**, including active labour market policy measures (such as initiatives targeting the elderly or youth), educational programs, social integration efforts, and economic development projects. The quantity of evaluations has substantially risen in recent years, primarily because they are mandated and European funds are accessible to support them. Nevertheless, there appears to be limited awareness of and engagement with these evaluations at the local level, largely stemming from the **restricted participation of local partners in the evaluation process**. In numerous instances, the findings and recommendations from evaluations do not find practical application in the policymaking process⁴⁸.

RESPONSE TO CRISIS | Given that Poland has only recently transitioned from predominantly emigration country dominated by emigration to emigration-immigration state which records high levels of emigration, but also attracts immigration, mostly labour-related⁴⁹, the Polish migrant and refugee policy was formulated fairly recently, mainly after the country’s accession to the EU in 2004. Therefore, the **2015-2016 migration crisis** in Europe was the first major challenge for Poland that forced the government to develop its own approach to migration. In this context, even though Poland agreed to accept 2,000 people in July 2015 and then another 5,000 in September 2015 under the EU relocation scheme, the country was systematically opposed to such measures of dealing with the ongoing crisis. The position of the Polish authorities was legitimised on 1 April 2016 in the Resolution on the Immigration Policy of Poland, which set out the **opposition to the EU’s refugee relocation strategy**⁵⁰.

The point raised by the Polish government in discussions about the refugee matter, both within the European Union and the Visegrad Group, also encompassed the topic of **migrants from Ukraine** arriving in Poland after the beginning of Russian aggression in March 2014⁵¹. The dual approach to accepting migrants was evident after the new massive inflow of Ukrainian migrants as a result of the Russian full-scale invasion on February 24, 2022. Although Poland welcomed refugees from the neighbouring Ukraine, providing immediate humanitarian help and welfare, it continues to oppose the EU relocation schemes, refusing to take in refugees under a previous quota system in 2020 and voting against new migration and asylum rules in June 2023, which will require countries to either take in migrants or make a financial contribution of EUR 20,000 for each relocation they refuse⁵².

⁴⁸ Employment and Skills Strategies in Poland. OECD Reviews on Local Job Creation. 2016. URL: <https://doi.org/10.1787/9789264256521-en>

⁴⁹ Prof. Małgorzata Szyłko-Skoczny and PhD Maciej Duszczyk. Polish immigration policy – opportunities and challenges for the labour market. URL: https://ec.europa.eu/migrant-integration/sites/default/files/2010-12/doc1_17372_1202229.pdf

⁵⁰ A. Zygula, Poland in the face of the 2015 migration crisis. *Rocznik Instytutu Europy Środkowo-Wschodniej*, 20(2022), z. 2, s. 155-166. URL: https://ies.lublin.pl/wp-content/uploads/2022/11/riesw_2022-02-09.pdf

⁵¹ A. Zygula, Poland in the face of the 2015 migration crisis. *Rocznik Instytutu Europy Środkowo-Wschodniej*, 20(2022), z. 2, s. 155-166. URL: https://ies.lublin.pl/wp-content/uploads/2022/11/riesw_2022-02-09.pdf

⁵² Poland condemns EU migration and asylum pact agreed by European Council. Notes from Poland. June 9, 2023. URL: <https://notesfrompoland.com/2023/06/09/poland-condemns-eu-migration-and-asylum-pact-agreed-by-european-council/>

3.2. Germany

KEY TAKEAWAYS

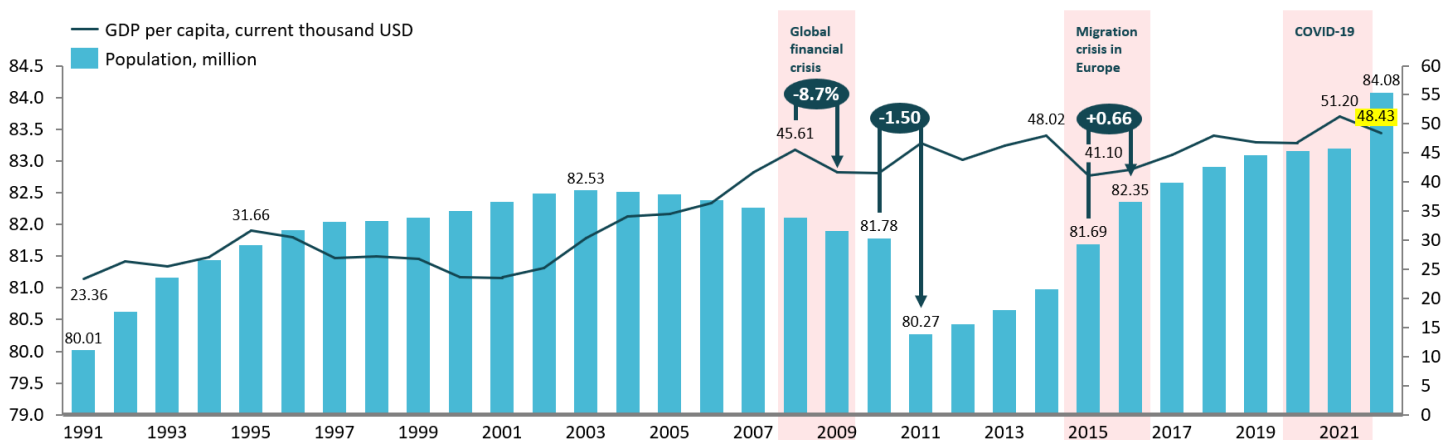
- Germany's robust human capital advancements, exceeding both Ukraine and EU averages, showcase it as a compelling model for effective human development strategies. Its human capital development has seen remarkable growth since 1991, as evidenced by a **13.6% increase in HDI over the past three decades**, securing the **9th position globally** with an HDI of 0.942 in 2021. This progression has been accompanied by consistent economic expansion, with the country's **GDP per capita** rising from USD 23.4 thousand in 1991 to **USD 48.4 thousand in 2022**, and an increase in population despite ongoing demographic challenges, reaching 84.1 million in 2022.
- The commitment to education is reflected in the **growth of expected years of schooling** from 14.7 years in 1991 to **17 years in 2021**, complemented by **stable government expenditure on education and consistent healthcare investment**, leading to a rise in **life expectancy at birth** from 75.3 years in 1991 to **80.9 years in 2021**.
- Given that Germany is a federal state, **the duties in all areas**, including those relating to human capital development, **are divided between the Federal Government and the government in the states (Länder)**. On the federal level, the institutional framework in the field of human capital is limited to the **relatively small number of Federal Ministries**, with most commonly one central executive body bearing responsibility for policy formulation regarding each pillar.
- Education governance in Germany is shared between the Federation and the Länder. **Each Land has its Ministry of Education, Cultural Affairs, and Science**, contributing to the country's autonomy in education administration and unique sub-national engagement, resonating across diverse educational sectors, marked by robust **participation of employers in vocational education** and a **growing integration of external representatives into the governance of tertiary institutions**. These progressive measures collectively aim not only to bolster institutional autonomy but also to forge a cohesive framework for quality assurance.
- Recent education reforms aim to enhance sub-national engagement, address institutional challenges, and promote sustainable local educational governance. Initiatives like the **Local Learning program** and **transfer responsibilities for the municipal education management** underscore the importance of local involvement. The Federal Ministry of Education and Research leads initiatives for sustainable development, while the **creation of the German Accreditation Council** unifies quality assurance in higher education. In response to the crisis caused by the COVID-19 pandemic, Germany employed multifaceted measures, including funding programs, legal adjustments, and flexible teaching approaches, to safeguard education across different levels.
- Germany's healthcare system is decentralised and complex, with **decision-making primarily held by corporatist bodies within the SHI system**. The legal framework is set at the federal level when the state governments handle hospital planning and public health.
- The healthcare reforms have centred on **enhancing ambulatory care equity and improving inpatient care quality**. The changes primarily focused on boosting the SHI system, expanding coverage and controlling costs. **Health personnel training, qualification standards, and digitalisation** have all been significantly upgraded.
- The social security system in Germany has been developing in the past decades with the focus on **privatisation of social services**, promotion of education and social investment, combating poverty, especially among vulnerable groups, and **reduction of gender gap**.
- The **Europeanisation of German social policy** has played a crucial role in the country's socio-economic transformation, being one of the major factors in its advancement as a strong social state in the EU.
- The **systematic labour market reforms** in Germany were conducted in the 2000s, aiming to **reduce unemployment and increase the labour market participation**. Despite the controversial results of growing inequalities and poverty among unemployed, in general the measures, which included facilitated training and reemployment opportunities, grants to support the transition from unemployment to entrepreneurship, and introducing "ein-euro-jobs" program, proved successful in boosting employment and enhancing the labour market's resilience.

- Germany's **open-door policy during the 2015-2016 migration crisis in Europe**, which involved facilitated asylum granting procedures and integration of migrants into the domestic labour market, has helped the country tackle the issue of labour shortage due to the demographic changes.

General overview of human capital development

Since 1991, Germany has demonstrated an incredible growth of the level of human capital development. The country's **Human Development Index increased by 13.6% over the last 30 years**. HDI 2021 equals 0.942, guaranteeing the 9th position in the global ranking of 191 countries. This is higher than the average for the Europe and Central Asia region and high-income countries group⁵³. Moreover, advancement in human development was accompanied by consistent economic growth as Germany's **GDP per capita** enlarged from USD 23.4 thousand in 1991 to **USD 48.4 thousand in 2022** (see Figure 10). Another distinctive feature is that the country's **population** has been rising since 2011: despite the ongoing demographic crisis in the country, it grew from 80.3 million in 2011 to **84.1 million in 2022**. Most likely, these changes can be attributed to the inflow of migrants which Germany accepted with an open-door policy (see Economic output pillar section for more detail).

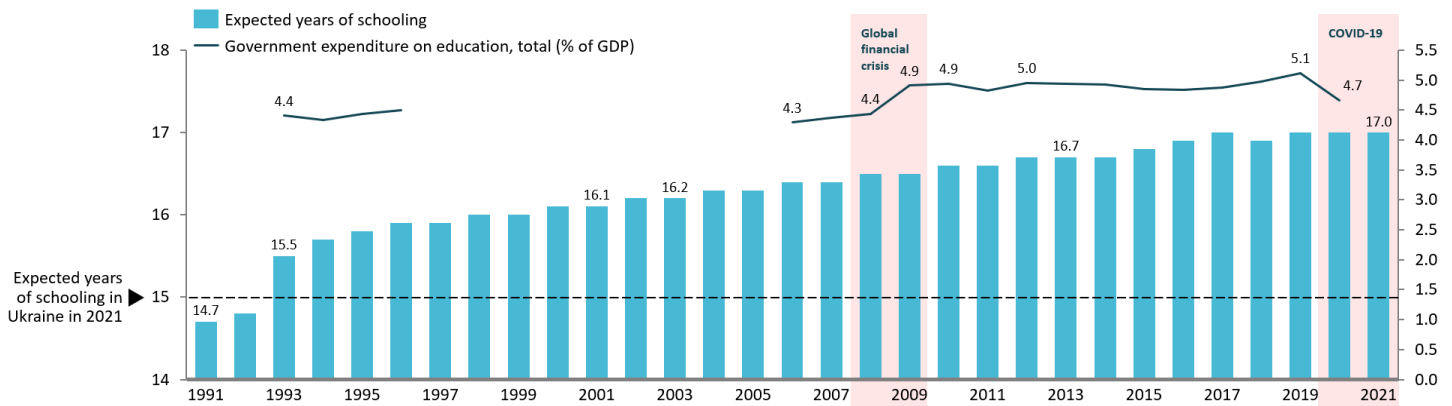
Figure 10. GDP per capita and population in Germany, 1991-2022.



Germany has demonstrated a stable growth in the number of **expected years of schooling**, with the indicator growing from 14.7 years in 1991 to **17 years in 2021**. Remarkably, the current indicator of Ukraine was surpassed by Germany back in 1993 which shows a significant gap between two countries (see Figure 11). Alongside, Germany's **government expenditure on education** has remained stable, ranging from 4.3% in 2006 to a peak of 5.1% of GDP in 2019. However, the expenditures have dropped to **4.7% of GDP in 2020** during the COVID-19 pandemic.

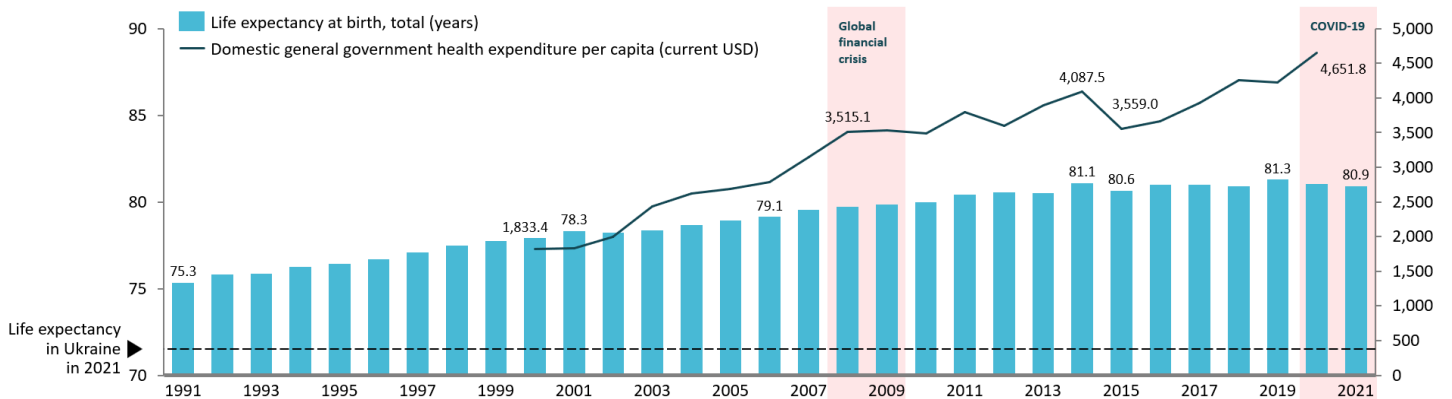
Figure 11. Expected years of schooling and government expenditure on education in Germany, 1991-2021.

⁵³ Human Development Index (HDI). URL: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>



The **life expectancy at birth** in Germany has been considerably higher than that of Ukraine in 2021 over the whole period. The parameter increased from 75.3 years in 1991 to **80.9 years in 2021**, avoiding significant drops even during the COVID-19 pandemic (see Figure 12). In addition, the **domestic general government health expenditure per capita** has grown from USD 1.8 thousand in 2000 to **USD 4.7 thousand in 2020**, which is the highest indicator among the countries studied in this report.

Figure 12. Life expectancy at birth and government health expenditure per capita in Germany, 1991-2021.



In general, Germany demonstrates significantly higher results on human development than Ukraine, while also reaching above the EU average level. Consequently, the country is a positive example of human capital development, the best practices of which are considered further in this section.

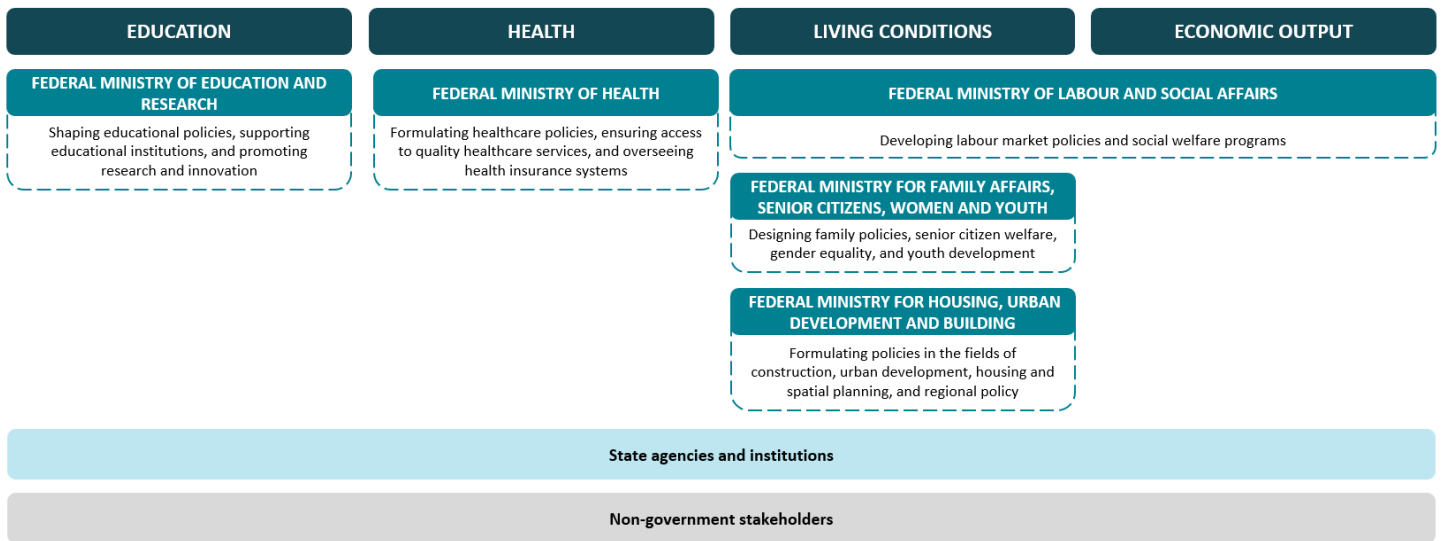
Stakeholders responsible for the development of human capital

Given that Germany is a federative state, the tasks related to human capital development are performed by state bodies on different levels, including federal, regional and local. However, the primary role in policy formulation lays upon the Federal Government of Germany and the separate Federal Ministries conducting activities related to distinct pillars of human capital (see Figure 13)⁵⁴. At the same time, some responsibilities, mainly the implementation of the government policies, rest on government stakeholders in federal lands as well as on the local level. With this in mind, government stakeholders responsible for human capital policies' implementation in Germany include the following Federal Ministries.

Figure 13. Key stakeholders in the field of human capital in Germany⁵⁵.

⁵⁴ The scheme provided in this section shows the Federal Ministries that perform functions in the field of human capital. However, each state in Germany has its own Ministries that are tasked with designing and implementing human capital related policies that address specific issues on the regional level.

⁵⁵ Federal Government. URL: <https://www.bundesregierung.de/breg-en/federal-government/ministries>



Within the education pillar of human capital, the **Federal Ministry of Education and Research** focuses on education and research initiatives, aiming to foster knowledge and skills development among the population. It plays a vital role in shaping educational policies, supporting educational institutions, and promoting research and innovation.

The **Federal Ministry of Health** plays a critical role in the health pillar of human capital, promoting and maintaining the health of the population. It is responsible for shaping healthcare policies, ensuring access to quality healthcare services, and overseeing health insurance systems.

The **Federal Ministry of Labour and Social Affairs**, with a primary focus on labour market policies and social welfare programs, plays a crucial role in fostering employment opportunities, ensuring fair working conditions, and providing social support to individuals. It works to create a favourable environment for labour market participation, address unemployment challenges, promote workforce training and development, and implement social security measures. Even though the Ministry's activities primarily lay within the economic output pillar of human pillar, its functions relating to social welfare can be attributed to the living conditions pillar.

With regard to the living conditions pillar, the **Federal Ministry for Family Affairs, Senior Citizens, Women and Youth** is dedicated to supporting diverse groups in society and promoting social inclusion. It focuses on family policies, senior citizen welfare, gender equality, and youth development.

Also, the **Federal Ministry for Housing, Urban Development and Building** bears the responsibilities for policy formulation in the fields of construction, construction industry and federal buildings, urban development and urban development programs, housing and spatial planning, regional policy and state planning.

Overall, these government stakeholders play critical roles in shaping policies, implementing programs, and allocating resources to enhance human capital development in Germany.

Education pillar

KEY STAKEHOLDERS | In the Federal Republic of Germany, the **education system's authority is shared between the Federation and the Länder**⁵⁶ (however, there are instruments of cooperation between them at the highest level). The extent of the Federal Government's obligations in the realm of education is outlined in the Basic Law (Grundgesetz). **Responsibilities of the Federal Government lie with the respective ministries.** In particular, the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth is responsible for early childhood education and care in day-care centres

⁵⁶ Länder means the equivalent to a State or Province in the Federal Republic of Germany.

and in child-minding services, the Federal Ministry of Education and Research is in charge of education, scientific and research spheres. The scope of the Ministry also includes the Federal Institute for Vocational Education and Training - a platform for cooperation between employers, trade unions, Federation and Länder at the national level⁵⁷.

In cases where legislative authority is not specifically granted to the Federation by the Basic Law, the states (Länder) retain the right to legislate. This pertains to various components of the education system, including schools, higher education, adult education, and continuing education. Administration of the education system in these areas is almost exclusively a matter for the Länder. **Each Länder has its own Ministry of Education, Cultural Affairs and Ministry of Science** that perform the role of the highest authorities responsible for the development of the education pillar of the human capital of Germany. The Länder also hold the responsibility for establishing and regulating laws related to overnring career paths, remuneration and pensions of civil servants of the education system⁵⁸.

This distinguishes Germany from other federal systems, as **local administrations and schools in the Länder have greater autonomy**. The engagement of sub-national actors is prominent across all education sectors, with notable involvement of employers in vocational education and increasing inclusion of external representatives in institutional governing boards within tertiary education. These developments aim to enhance institutional autonomy and promote harmonisation of quality assurance processes across the Länder. In terms of funding, Germany consistently exceeds the OECD average in per-student spending across all education levels, particularly in early childhood education, vocational upper secondary education, and tertiary education, reflecting the country's policy priorities.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | One of the main goals of modern reforms in Germany in the sphere of education governance is to **maintain and enlarge its well-established structure of engagement of responsible authorities with sub-national actors**⁵⁹. As a result, nowadays a further increasing number of stakeholders operating at the sub-national level play a significant role in the process of decision-making (vocational education and training (VET) is a clear example). Nevertheless, institutional problems remain, especially in ensuring that schools have the capability to address local demands while operating within a framework where decision-making authority is concentrated at the Länder level.

In the period between 2009 and 2014 to **establish sustainable local structures for educational monitoring and management, the Local Learning program (2009-2014)** was a collaborative effort between the federal government and the European Social Fund. This initiative brought together educational experts from 40 districts and cities, along with over 180 local foundations. It played a crucial role in introducing innovative concepts for local educational governance. Building upon the achievements of this program, the federal government initiated a transfer effort for municipal education management (2014-2022) to extend the program's outcomes to municipalities across the nation. The extension involved a network of nine transfer agencies, offering guidance to local authorities, leveraging successful models and concepts established during the initial program. Additionally, **a second transfer initiative (2015-2022)** complements the efforts of these transfer agencies and aids in the localised implementation of educational governance systems. Supported partially by the European Social Fund, this initiative offers assistance to over 130 cities and districts. Furthermore, between 2016 and 2021, the **transfer initiative strategy** was effectively applied to assist 321 local governments, constituting 80% of Germany's districts and cities. The objective was **to enhance coordination and optimization of educational provisions for immigrants**.

⁵⁷ National Education Systems. Germany Overview. Administration and governance at central and/or regional level. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/germany/administration-and-governance-central-and-or-regional-level>

⁵⁸ National Education Systems. Germany Overview. Administration and governance at central and/or regional level. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/germany/administration-and-governance-central-and-or-regional-level>

⁵⁹ Education Policy Outlook - Germany. OECD. June 2020. URL: <https://www.oecd.org/education/policy-outlook/country-profile-Germany-2020.pdf>

The Federal Ministry of Education and Research (BMBF) is at the forefront of implementing UNESCO's Global Action Programme on Education for Sustainable Development. Since 2015, BMBF has been leading a biannual national platform that serves as a focal point, bringing together more than 300 decision-makers from politics, research, the private sector, and civil society, in order to facilitate this endeavour across all sectors. In 2017, the National Platform for ESD took a significant step by adopting **the National Action Plan for ESD**. This comprehensive plan outlines 130 short-, mid-, and long-term objectives that encompass all aspects of education to **examine further implementation strategies of ESD in education and to develop recommendations in order to support the federal states in including ESD further on different educational levels**. Notably, it was the first endorsed plan for ESD by the Federal Government, the Länder, local authority organisations, economic bodies, civil society, and academic institutions involved in related fields.

In 2017 the **German Accreditation Council** was created as Germany's first **joint institution of the Länder for quality assurance in higher education**. It signifies a united endeavour to create a unified accreditation framework encompassing all tertiary institutions in Germany. The ultimate objective is to promote uniformity across the nation's educational landscape, and also on an international scale, especially within the context of the common European education area.

The most recent reforms are directed towards quality assurance, strengthening vocational schools and digital education (strategy "Education in the Digital World", the design of the Gymnasiale Oberstufe, etc.)

RESPONSE TO CRISIS | In the face of the unprecedented challenges posed by the COVID-19 pandemic, **Germany adopted a multifaceted approach to safeguard its education system**, responding to the challenges posed by the COVID-19 pandemic **across various education levels**. At the school level, the "Catching up after Corona for Children and Youths" program⁶⁰ was initiated with EUR 2 billion funding to address learning gaps in students. Higher education institutions adapted by utilising digital tools and offering flexibility in teaching methods, including adjustments to the Federal Training Assistance Act (BAföG) to support students affected by the pandemic. Financially, a bridging aid program combined interest-free loans from KfW with grants to aid students facing emergency situations. Legal changes enabled online exams and extended contract terms for academic and artistic staff⁶¹. In vocational education and training, the "Securing Apprenticeship Places" program supported SMEs, providing temporary aid to maintain training activities and support young trainees. A comprehensive approach was evident, encompassing financial support, legal adjustments, and flexible teaching methods⁶².

Therefore, the Government of Germany responded comprehensively to the COVID-19 crisis in education, **implementing financial assistance, legal adjustments, and flexible teaching approaches** at various levels to mitigate the pandemic's impact on students and institutions.

Health pillar

KEY STAKEHOLDERS | Germany's healthcare system mandates health insurance through either statutory health insurance (SHI) or substitutive private health insurance (PHI). Governance in the sphere is complex and decentralised. Decision-making power, legal rights and responsibilities within the SHI system is primarily held by corporatist bodies. The legal framework is set at the federal level when the state governments handle hospital planning and public health⁶³.

⁶⁰ National Education Systems. Germany Overview. National reforms in school education. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/germany/national-reforms-school-education>

⁶¹ National Education Systems. Germany Overview. National reforms in school education. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/germany/national-reforms-higher-education>

⁶² National Education Systems. Germany Overview. National reforms in vocational education and training and adult learning. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/germany/national-reforms-vocational-education-and-training-and-adult>

⁶³ Blümel M, Spranger A, Achstetter K, Maresso A, Litvinova Y, Busse R (2022). Germany: Health system summary, 2022

The **Federal Ministry of Health** is the senior authority for health matters, responsible for legislative proposals, ordinances and regulations. It supervises key health institutions like the Federal Institute for Drugs and Medical Devices, the Paul-Ehrlich-Institut, the Robert Koch Institute, and the Federal Centre for Health Education. The Federal Minister of Health is supported by commissioners for long-term care, drugs, and patients' affairs. The Ministry's tasks also span European and international health policy. The **Bundesrat** is a key driver of federal health policy, allowing state governments to discuss health issues⁶⁴.

The **States** hold legislative power and handle federal law implementation, inpatient care planning, and financing. SHI oversight is mostly federal, but states supervise regional health insurance funds, medical associations, and doctors treating SHI patients. **Municipalities** provide local healthcare, preventive services, and medical care, often managing hospitals themselves⁶⁵.

The **Federal Joint Committee** (G-BA) plays an important role in healthcare self-administration. Comprising representatives from insurance funds, doctors, hospitals, and patient groups, it decides on covering new treatments, medicines, and therapies. Patients' organisations also contribute. G-BA's decisions encompass ambulatory, dental, and hospital care, including new technologies and drug coverage, pricing, and care standards⁶⁶.

Statutory health insurance is the primary coverage option in Germany, with 1059 insurance funds. This includes local, company, guild, substitute, agricultural, and miners' funds. The **National Association of Statutory Health Insurance Funds** (GKV-Spitzenverband) represents these funds, negotiating treatment payment agreements with medical associations, hospitals, and pharmacies at both federal and regional levels⁶⁷.

Corporatist bodies include a network of federal and regional associations representing various medical professions. The landscape also includes patients' organisations, medical associations, associations of other healthcare professionals, private health insurance funds, and pharmaceutical associations⁶⁸.

Hospitals in Germany operate collectively through associations at both regional and federal levels. Regional associations represent hospitals in their land or state, and their delegates form the **German Hospital Federation** (DKG) at the federal level. The DKG is mandated by law in the healthcare sector's self-administration system⁶⁹.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | Healthcare reforms in Germany have prioritised equitable ambulatory care, improved inpatient care quality, and better care coordination. These reforms primarily centred around enhancing the SHI system, expanding coverage, containing costs, and ensuring financial sustainability. In 2009, health insurance became mandatory for all residents. Health personnel training and qualification standards have also been revamped, and attention was also paid to the digitalisation effort.

The **long-term care** reform that started in 2008 brought tangible improvements for individuals requiring long-term care, their families, and caregivers⁷⁰. Acts in 2015 and 2017 comprehensively revamped the benefits, eligibility, and assessment procedures, allowing more flexibility in service delivery. From this point, emotional and psychological dependence, including dementia cases, is also considered alongside physical limitations. However, while these changes increased long-term care insurance contribution rates, concerns about its financial sustainability persist⁷¹.

⁶⁴ The German Healthcare System: Strong, Reliable, Proven, Federal Ministry of Health, 2020

⁶⁵ The German Healthcare System: Strong, Reliable, Proven, Federal Ministry of Health, 2020

⁶⁶ Blümel M, Spranger A, Achstetter K, Maresso A, Litvinova Y, Busse R (2022). Germany: Health system summary, 2022

⁶⁷ The German Healthcare System: Strong, Reliable, Proven, Federal Ministry of Health, 2020

⁶⁸ The German Healthcare System: Strong, Reliable, Proven, Federal Ministry of Health, 2020

⁶⁹ The German Healthcare System: Strong, Reliable, Proven, Federal Ministry of Health, 2020

⁷⁰ The Federal Ministry of Health. URL: <https://www.bundesgesundheitsministerium.de/en/ministry/the-federal-ministry-of-health.html>

⁷¹ Germany: health system review 2020 URL: <https://eurohealthobservatory.who.int/publications/i/germany-health-system-review-2020>

In 2003, Germany introduced **Disease Management Programs (DMPs)** to enhance outpatient care for chronic patients. These programs follow clinical guidelines, emphasise patient self-care, and seek to improve disease management and lower mortality rates. Additionally, DMPs foster better coordination between family physicians and specialists. Initially covering conditions like diabetes, coronary heart disease, obstructive pulmonary disease, and breast cancer, the range of DMPs has since expanded⁷².

To manage costs and improve **pharmaceutical care** efficiency, Germany introduced the early benefit assessment in 2011. It involves evaluating new medicines for added benefits over existing alternatives. If no added benefit is found, the medicine joins a reference price group with the same reimbursement as existing treatments. For medicines with added benefits, reimbursement is negotiated. This mechanism aims for economically efficient prices while promoting innovation. However, during the assessment, manufacturers can set prices freely, potentially causing high spending. Germany has also effectively shifted pharmaceutical consumption towards generics⁷³.

Since 2012, a series of reforms centred on **reshaping curricula, qualification standards, and training prerequisites for healthcare professionals**. These changes were driven by the evolving demands of training, aligning with medical advancements, shifting health patterns, and outdated standards. Tailored to distinct healthcare sectors, these reforms encompassed emergency paramedics, nursing professionals including pediatrics and geriatrics, psychotherapists, midwives, and pharmaceutical-technical assistants. Their primary objective was to cultivate pertinent skill sets among professionals, emphasising patient-centeredness, proficiency in general medicine, and consultation competencies⁷⁴.

Germany's **digital health system**, lagging behind some European countries, received a boost in 2019 through the Digital Health Law. This law facilitated the development of electronic services and data systems. A key initiative at the national level was the introduction of electronic medical records, starting in 2019. The same year, the Federal Ministry of Health became the main shareholder of Gematik GmbH in order to implement the electronic medical data card (eGK) and ensure data security. The pandemic further accelerated eHealth development, with a notable rise in telemedicine services, establishment of electronic reporting, and creation of health-related mobile apps. However, despite increased funding and the popularity of electronic services, significant strides in healthcare digitisation remain elusive^{75,76}.

RESPONSE TO CRISIS | To counter **nursing staff shortages**, the Nursing Staff Empowerment Act (2019) directed costs for nursing personnel to be excluded from the DRG system. Since 2020, sickness funds fully cover nursing staff costs in acute care hospitals. Minimum staffing requirements are established, especially in critical care, to ensure patient safety⁷⁷. In 2017, a bachelor's level degree for nurses was introduced alongside vocational training. Also, the three vocational nursing programs merged into a standardised two-year track for flexibility. Initiatives also train nurses for new tasks to support GPs, especially in rural and elderly care, although such innovations remain pilot-focused and localised⁷⁸.

Living conditions pillar

KEY STAKEHOLDERS | At the federal level, the **Federal Ministry of Labour and Social Affairs** plays one of the central roles in ensuring social welfare and providing social benefits for individuals in Germany, along with bearing responsibilities relating to labour market management and employment. It cooperates closely with other central executive bodies mentioned above, namely the **Federal Ministry for Family Affairs, Senior Citizens, Women and Youth**, focusing on family

⁷² Blümel M, Spranger A, Achstetter K, Maresso A, Litvinova Y, Busse R (2022). Germany: Health system summary, 2022

⁷³ Germany: Country Health Profile 2019 URL: <https://doi.org/10.1787/36e21650-en>

⁷⁴ Germany: health system review 2020 URL: <https://eurohealthobservatory.who.int/publications/i/germany-health-system-review-2020>

⁷⁵ The German Healthcare System: Strong, Reliable, Proven, Federal Ministry of Health, 2020

⁷⁶ Germany: Country Health Profile 2021 URL: <https://doi.org/10.1787/e4c56532-en>

⁷⁷ Germany: Country Health Profile 2021 URL: <https://doi.org/10.1787/e4c56532-en>

⁷⁸ Germany: Country Health Profile 2019 URL: <https://doi.org/10.1787/36e21650-en>

policies, senior citizen welfare, gender equality, and youth development, and the **Federal Ministry for Housing, Urban Development and Building**, working in the sectors of housing and spatial planning, regional policy and state planning.

Several state agencies contribute to the management of the social security system on the federal level. Among these entities, there is a legal regulatory body overseeing statutory pension and occupational accident insurance, known as the **German Federal Insurance Authority**. Its jurisdiction extends to supervising social insurance providers that offer statutory pension, health, long-term care, and/or occupational accident insurance across more than three federal states. While it operates under the purview of the Federal Ministry of Labour and Social Affairs, it collaborates with the Federal Ministry of Health to oversee health and long-term care insurance providers⁷⁹.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | Germany's welfare system is one of the most comprehensive in the world. As in other developed democracies, spending on the welfare state represents the largest individual item of public spending. Expenditure on the welfare state amounted to EUR 1.19 trillion in 2020, equivalent to 33.6% of GDP⁸⁰.

Germany's social security system incorporates diverse mandatory social insurance and tax-funded social welfare programs, aiming to offer extensive assistance to citizens throughout their life, from infancy to seniority. Germany's social insurance schemes comprise **five major schemes, namely unemployment insurance, pension insurance, health insurance, long-term care insurance, and occupational accident insurance schemes**⁸¹. Overall, since 1990s, the major trends in German social policy included the following⁸²:

- **Growing role of markets in social policy, i.e. privatisation of social security and social services.** This was caused by the growing liberalisation and deregulation in the 1990s, as well as legislative equalisation of for-profit private organisations and the previously privileged nonprofit charitable organisations as the first step towards an increased role of the private sector in providing social services, which play an especially visible role in the long-term care sector. Also, in 2001, the Riester pension was introduced as a state-subsidised private pension initiative.
- **New role of education and social investment policy in the welfare state.** Some measures implemented in this domain encompass adopting the "Act to Strengthen Health Promotion and Preventive Health Care" in 2015; promotion of early childhood policies, especially development of children's daycare centres, as the means of poverty prevention through early education; introduction of language-assessment tests as a measure to compensate for early deficits, with the focus on migrants; abolishing tuition fees in state universities; and others.
- **Discursive hegemony of poverty reduction, social assistance, and minimum-income schemes in the public.** In 2005, the Unemployment Benefit II was introduced, marking a shift from social-insurance system to minimum-income schemes. As a result, the general focus altered to poverty reduction, especially in childhood and old age, with the latter being a major issue due to demographic changes and decreased pension benefits.
- **Changes in gender relations and family policies.** Germany has achieved remarkable progress in gender policy due to the adoption of anti-discriminatory legislation, female quotas, and equalisation of marriages and registered partnerships. However, some traditional aspects of family policy remained unchanged, including tax reductions through income splitting for married couples and co-insurance of family members. Additionally, gender pay gap reinforces remaining economic inequalities between men and women.

⁷⁹ Social security system in Germany. Fact Sheet. Legislative Council Secretariat. URL: <https://www.legco.gov.hk/research-publications/english/1415fsc11-social-security-system-in-germany-20150225-e.pdf>

⁸⁰ Strong Welfare State. URL: <https://www.tatsachen-ueber-deutschland.de/en/germany-glance/strong-welfare-state>

⁸¹ Social security system in Germany. Fact Sheet. Legislative Council Secretariat. URL: <https://www.legco.gov.hk/research-publications/english/1415fsc11-social-security-system-in-germany-20150225-e.pdf>

⁸² Frank Nullmeier. Changes in German Social Policy, 1990-2018. *Social Work & Society*, Volume 16, Issue 2, 2018. URL: <https://d-nb.info/1193483859/34>

- **Internationalisation and Europeanisation of social policy.** Over the past 30 years, Germany has benefited from the recommendations of the European Commission in social policy issues, as well as freedom of movement for workers and anti-discriminatory framework. Concurrently, as one of the leading European powers, Germany has had noteworthy influence on social and economic transformations in other member states, in particular the southern European countries.

Among other changes is the introduction of the **pension package** that entered into force in 2014 and improved the situation of elderly people. The reform saw the introduction of the full pension from 63 years of age and the so-called “mother’s pension”. Women who brought up children born before 1992 were not able to access the childcare support available to parents today, which reduced their opportunities in the world of work. The mother’s pension acknowledges the work they did in bringing up children. Since 2014, around 9.5 million women (and a smaller number of men) have had their pensions increased by over EUR 300 a year. Also, a basic pension scheme was introduced in early 2021. Anyone who has paid into the pension insurance scheme for at least 33 years will receive a bonus. The basic pension will benefit around 1.3 million people, many of them women⁸³.

In 2023, a new social scheme of **unemployment benefits** was introduced as a reaction to the growing costs of basic living expenses such as rent, heating and water, groceries as well as health insurance. First, the standard allowance was raised from EUR 449 to EUR 503 per month, while households will also receive more money for their underage dependents (EUR 420 for those aged 14-17, EUR 348 for those aged 6-13, and EUR 318 for those aged 5 or younger). Second, those receiving benefits will also get more support in gaining new vocational skills to prepare for permanent employment through increased training. During vocational qualification, recipients would be granted another EUR 150 per month, or an additional EUR 75 if other training measures are accepted. This measure is also supposed to mitigate the shortage of skilled workers Germany is currently experiencing⁸⁴.

RESPONSE TO CRISIS | As most of the other European countries, Germany has been developing measures to tackle the population ageing. Some of the good practices in this regard cover the following^{85,86}:

- Since late 2015, the “**Shared Housing, Self-Determined Living**” pilot program has been promoting select housing projects as exemplary models and encouraging their replication. The general idea is to satisfy the interest of older individuals in innovative shared housing arrangements, where they live with both peers and younger generations in multi-generational homes. This initiative places a strong emphasis on fostering close connections between these housing projects and their local communities and surroundings.
- The recently introduced federal model program funded by the European Social Fund (ESF), titled “**Enhancing Older People’s Involvement - Addressing Loneliness and Social Isolation in Later Life**”, seeks to enhance the social engagement of individuals aged 60 and above. Additionally, this model program aims to start the establishment of dedicated support systems for social work with older individuals, particularly those experiencing loneliness and social isolation, within their local communities.
- Practically every municipality in Germany boasts a **multi-generational centre**, with the country hosting approximately 550 of these facilities in total. These centres serve as hubs for fostering connections and enhancing collaboration among residents of all ages, representing diverse cultural and religious backgrounds. These interactions provide opportunities for people who might not otherwise cross paths in their daily lives to

⁸³ Strong Welfare State. URL: <https://www.tatsachen-ueber-deutschland.de/en/germany-glance/strong-welfare-state>

⁸⁴ German parliament approves new welfare scheme. 2022. URL: <https://www.dw.com/en/german-parliament-approves-new-welfare-scheme/a-63706567>

⁸⁵ Ageing policies – access to services in different Member States - Country Study on Germany. European Parliament Policy Department for Economic, Scientific and Quality of Life Policies. October 2021. URL: [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662940/IPOL_STU\(2021\)662940\(ANN03\)_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662940/IPOL_STU(2021)662940(ANN03)_EN.pdf)

⁸⁶ Mainstreaming Ageing - Germany. UNECE. 2021. URL: https://unece.org/sites/default/files/2021-03/Germany_CN_EN.pdf

experience and contribute to a sense of community. This inclusivity is evident in activities such as language exchanges, cooking classes, afternoon care support, and more.

- Another initiative aimed at boosting digital inclusion among older individuals is the “**Train the Trainer - Digital Topic Champions Qualification for Seniors in North Rhine-Westphalia**”. This program is designed to assist older adults in utilising the internet, social networks, and smartphones securely. As part of this project, older individuals receive training and subsequently assist their peers in becoming digitally proficient and engaged.

In addition to that, Germany has reacted to the COVID-19 effects on active ageing due to the imposed restrictions on leisure, cultural and other activities, infrastructure functioning, etc. Even though the **German Recovery and Resilience Plan did not specifically address the needs of the elderly, some measure were beneficial in this domain**, including introduction of a digital pensions overview, strengthening of a pandemic- resilient healthcare system mainly through introduction and expansion of IT/telemedicine services, and reducing disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners⁸⁷.

Economic output pillar

KEY STAKEHOLDERS | The **Federal Ministry of Labour and Social Affairs** focuses on labour market policies, employment opportunities, fair working conditions, and social support. The core tasks of the Federal Ministry are securing employment and combating unemployment. The functions of this central executive body encompass the following: promotion of employment; ensuring basic income support for jobseekers under the Second Book of the Social Code (SGB II); creating favourable conditions for innovation and skilled workers; analysing transformations of the labour market and taking into account during policy-making; managing the general statutory minimum wage; protecting employees’ rights through enforcing labour laws and regulations; and others⁸⁸.

The **Federal Employment Agency**, supervised by the Federal Ministry of Labour and Social Affairs, administers unemployment insurance and the tax-funded unemployment benefit scheme⁸⁹. Also, the **Public Employment Service** in Germany is a public employment service agency. Its tasks include processing and paying out unemployment benefits and providing other relevant assistance to unemployed people, people desiring to start an apprenticeship and employed workers at risk of unemployment⁹⁰.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | The reforms that had the most considerable impact on Germany’s labour market in the past decades were the **Hartz reforms** implemented in four waves on an annual basis from 2003 to 2005⁹¹. The reforms are frequently cited as exemplary measures for mitigating unemployment which was at its peak at the time period. The reforms were implemented as follows⁹²:

- **Hartz I**, enacted in January 2003, **facilitated training and reemployment opportunities for jobseekers**, introducing Personal Service Agencies, which were temporary agencies established under public employment service agencies. This law also **extended the possibilities for temporary employment** by removing the previous 24-month

⁸⁷ Ageing policies – access to services in different Member States - Country Study on Germany. European Parliament Policy Department for Economic, Scientific and Quality of Life Policies. October 2021. URL: [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662940/IPOL_STU\(2021\)662940\(ANN03\)_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662940/IPOL_STU(2021)662940(ANN03)_EN.pdf)

⁸⁸ Federal Ministry of Labour and Social Affairs - Labour. URL: <https://www.bmas.de/EN/Labour/labour.html>

⁸⁹ Social security system in Germany. Fact Sheet. Legislative Council Secretariat. URL: <https://www.legco.gov.hk/research-publications/english/1415fsc11-social-security-system-in-germany-20150225-e.pdf>

⁹⁰ Institutional and regulatory set-up of active labour market policy provision in Germany - Research Note. OECD. June 2021. URL: https://www.oecd.org/els/emp/Germany_ALMP_Institutional_set-up.pdf

⁹¹ Labor market reforms: An evaluation of the Hartz policies in German, URL: <https://www.sciencedirect.com/science/article/abs/pii/S0014292119300029>

⁹² How have the Hartz reforms shaped the German labour market? TRÉSOR-ECONOMICS, No. 110, March 2013, p. 1-8. URL: <https://www.tresor.economie.gouv.fr/Articles/11552d91-508e-41c3-bc26-47196d2ae247/files/905f6f1f-0f34-43d2-9c10-6a58f2891502>

limit on assignments and allowing exceptions to equal treatment and pay obligations between temporary agency workers and permanent employees.

- **Hartz II**, passed in April 2003, established a new **grant to support the transition from unemployment to entrepreneurship**, particularly for one-person companies. In 2006, this grant was combined with the transition benefit to form a new **startup subsidy**.
- **Hartz III**, implemented in January 2004, reformed the Federal Employment Agency, restructuring its management at the federal level, **granting more local autonomy**, and **increasing the ratio of counsellors to jobseekers**. Furthermore, it imposed stricter conditions for unemployment insurance benefits, reducing the minimum prior-contribution period from 12 months in the previous 3 years to 12 months in the previous 2 years.
- **Hartz IV**, introduced in January 2005, **merged two types of assistance into a single benefit**. The former long-term unemployment benefit, intended for those whose unemployment insurance benefits had expired and based on the reference salary, was combined with social welfare benefits designed to provide a minimum income. For those whose unemployment insurance benefits had expired, the new system significantly worsened their financial situation. Hartz IV also established a program called **“ein-euro-jobs”** for insertion in the non-private sector, offering at least one euro per hour for work in the public interest while recipients continued to receive the benefit.

In total, the reforms resulted in increased labour market participation and employment, a large decline in unemployment, and an increase in non-standard employment, while also increasing the incentive to return to work. This also boosted Germany's labour market resilience that showed during the 2008-2009 crisis. On the other hand, since the start of 2000s, a strong performance on the employment front has been accompanied by a rise in inequalities and poverty, especially for the unemployed⁹³.

RESPONSE TO CRISIS | Germany has experienced multiple phases of migration into the country starting from the 1960s. In the last 30 years, a major migration wave occurred in 2015 when over 1 million migrants entered Germany, which made it the recipient of the highest number of applicants in Europe. The government under chancellor Angela Merkel adopted an **open-door policy, with rapid processing of asylum applications**. Germany initiated the refugee welcome program that many European countries followed, aiming to promote civic education for migrants, equality in media, sports and culture, and combat discrimination. A crucial challenge for Germany is the **integration of migrants and refugees into the labour force**. However, according to the Federal Employment Agency, approximately half of immigrants have been employed in Germany within 5 years, thus contributing to the German economy and increase in GDP by approximately 1%⁹⁴. Overall, simplified migration procedures have helped Germany overcome certain challenges with growing demand for labour force and population decline.

⁹³ How have the Hartz reforms shaped the German labour market? TRÉSOR-ECONOMICS, No. 110, March 2013, p. 1-8. URL: <https://www.tresor.economie.gouv.fr/Articles/11552d91-508e-41c3-bc26-47196d2ae247/files/905f6f1f-0f34-43d2-9c10-6a58f2891502>

⁹⁴ Elena Ajluni. Germany's Migration Crisis. Observatory on Contemporary Crises. 2022. URL: <https://crisesobservatory.es/germanys-migration-crisis/>

3.3. The Republic of Korea (South Korea)

KEY TAKEAWAYS

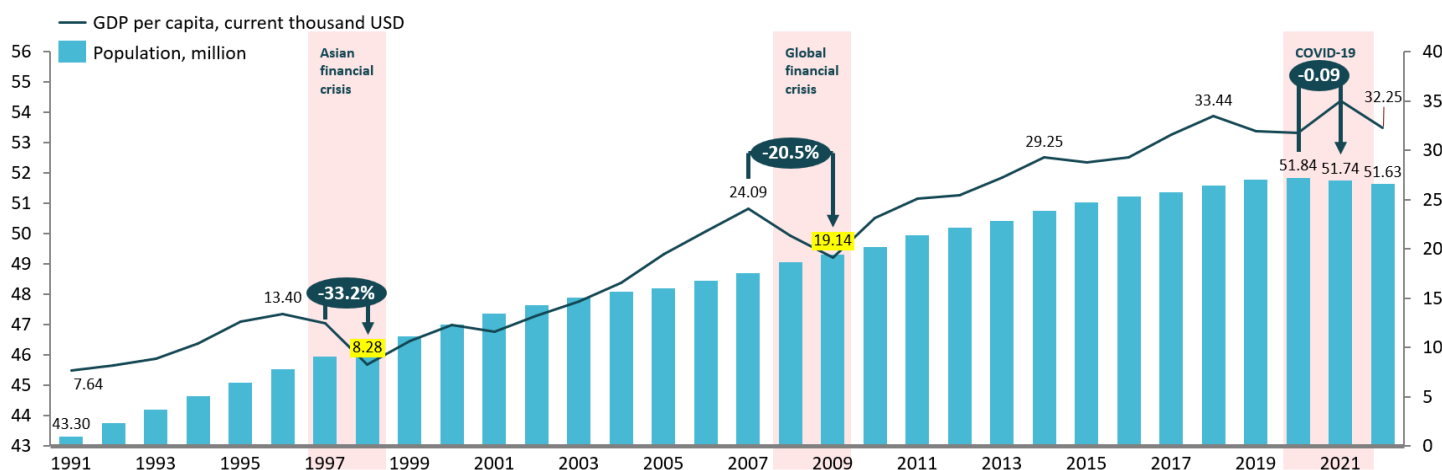
- South Korea has achieved a significant growth rate in human development, with **HDI increasing by 25.5% over the last 30 years**, positioning the country at the **19th spot in the global ranking** with an HDI of 0.925 in 2021. This advancement is mirrored in the economic sector, where South Korea's **GDP per capita** grew from USD 7.6 thousand in 1991 to **USD 32.3 thousand in 2022**, despite facing financial crises.
- The nation's education sector also flourished, evident in the **extension of expected years of schooling** from 13.7 years in 1991 to **16.5 years in 2021**, surpassing Ukraine's 2021 indicator since 1997. In health, South Korea demonstrated a significant **rise in life expectancy at birth**, increasing from 72 years in 1991 to **83.5 years in 2021**, even maintaining stability during the COVID-19 pandemic. Additionally, the **government health expenditure per capita** saw a substantial increase, rising from USD 241.7 in 2000 to **USD 1.9 thousand in 2021**, with a noticeable upward trend in 2020 amid the pandemic.
- A distinctive feature of the South Korean institutional framework in the field of human capital is that one central executive body, namely the **Ministry of Health and Welfare**, **combines the functions** relating to the policy development and coordination **regarding the health and the living conditions pillars**. Also, separate bodies have been established to manage the veterans affairs and to promote patriotism in the country (**Ministry of Patriots and Veterans Affairs**) and to facilitate inter-Korean dialogue and cooperation (**Ministry of Unification**).
- The education administration operates under a **dual structure of central and provincial organisations**. While the Ministry of Education is responsible for nationwide educational matters, decentralisation efforts since 1991 have shifted decision-making power and budget control to provincial education administrations. This elevates the role of provincial education committees and offices, overseen by elected provincial superintendents of education. In higher education, **private institutions hold autonomy**, guided by central regulations and specialised admissions procedures.
- Notable reforms target tertiary education, aiming to **diversify admissions criteria and enhance quality**. To address upcoming challenges in higher education caused by declining student numbers, recent initiatives seek to **optimise institution sizes, ensure financial stability, and encourage collaboration** within the higher education ecosystem.
- Healthcare in South Korea is universal and based on a **single-payer insurance system**. The **Ministry of Health and Welfare** oversees policy, legislation, and specialised hospitals. The **National Health Insurance Service** and **Health Insurance Review and Assessment Service** oversee NHI and care coverage. **Regional governments** manage local health centres and services, while **private hospitals** play a vital role due to the absence of a strong primary care system. **Intergovernmental cooperation is strong** through effective communication, as well as active engagement with civil society, patient groups and consumers.
- Beyond insurance system reforms to enhance accessibility, efficiency, and cost containment, South Korea is actively **addressing issues related to suicide prevention**, establishing an **efficient long-term care system**, and mitigating out-of-pocket healthcare expenses.
- South Korea successively managed the COVID-19 pandemic which can be attributed to an **efficient pandemic alert system, a centralised response hierarchy, rigorous testing, infection tracing and containment measures**. The state implemented legal changes promoting transparency and public trust.
- The cornerstone of South Korean social security is the issue of population ageing due to the low birth rates, resulting in the workforce shortage and the increased burden on the social services system. Taking this into account, the government aims to address the problem through the measures of **improving long term care and pension system**, and **developing targeted measures with regard to different groups** (women, elderly, local citizens, and general public).
- The government also approached the issue of poverty by introducing the **Basic Livelihood Security Program (BLSP)**, while introduction of a **universal child allowance for young children** in 2018 marked a significant progress in family policy development, which has been engaging special notice since the early 2000s.
- The existing approach to fixing labour market problems in Korea is two-pronged: first, to **afford more rights to all migrant workers** and, second, to **guarantee equal treatment to all ethnic Koreans** while also providing more

favourable working conditions through **limiting working hours, creating more family-friendly workplaces, and providing broader assistance in job searching and training.**

General overview of human capital development

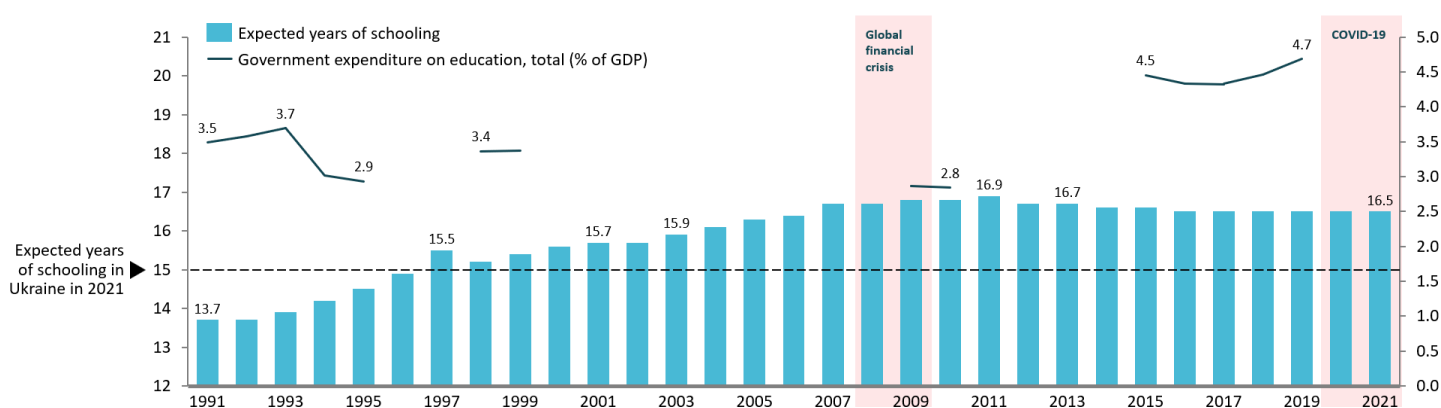
South Korea has demonstrated a significant level of human development, which is proved by the **Human Development Index** growth rate (**+25.5% over the last 30 years**). HDI 2021 equals 0.925, guaranteeing the 19th position in the global ranking. The Republic of Korea is one of the key leaders in human capital development in the Asian region and in the world in general⁹⁵. South Korea is also a rapidly growing economic power: over the past three decades its **GDP per capita** increased from USD 7.6 thousand in 1991 to **USD 32.3 thousand in 2022**. Even though the growth of Korea's economy was interrupted by the 1997-1998 Asian financial crisis and the 2008-2009 global financial crisis, the country's economy proved itself resilient and was able to reach a positive economic growth shortly afterwards (see Figure 14).

Figure 14. GDP per capita and population in the Republic of Korea, 1991-2022.



With regard to the education sphere, the number of **expected years of schooling** in South Korea increased from 13.7 years in 1991 to **16.5 years in 2021**, while the maximum of 16.9 years was reached in 2011. The country surpassed Ukraine's 2021 indicator in 1997 (see Figure 15). At the same time, the **government expenditure on education as % of GDP** extended only in the 2010s, accounting for **4.7% in 2019**.

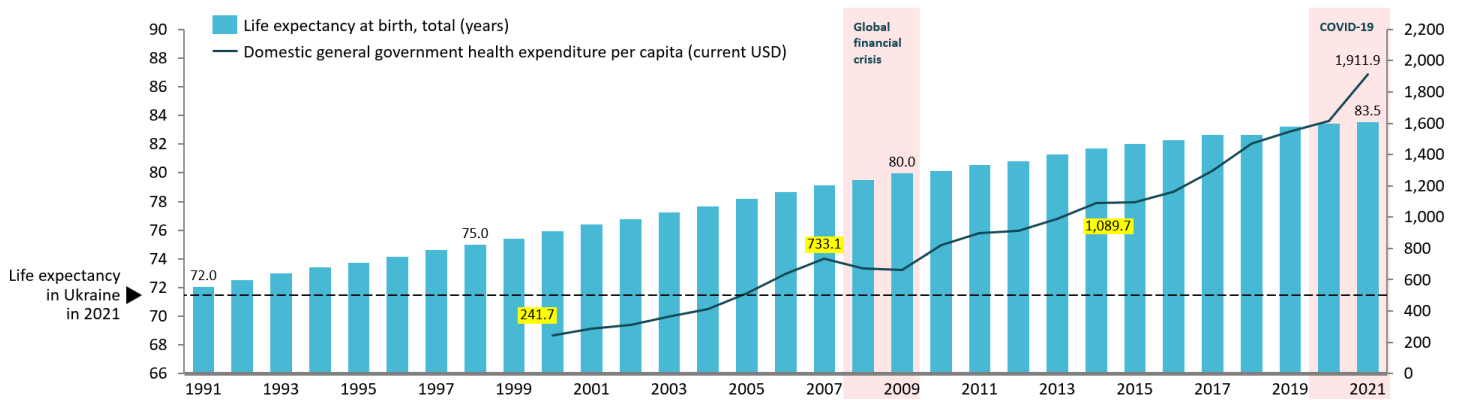
Figure 15. Expected years of schooling and government expenditure on education in the Republic of Korea, 1991-2021.



⁹⁵ Human Development Index (HDI). URL: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

The Republic of Korea can boast remarkable progress in the health domain. The **life expectancy at birth** has increased by more than 10 years in the past three decades, increasing from 72 years in 1991 (the indicator is already higher than that of Ukraine in 2021) to **83.5 years in 2021**, avoiding the common drop during the COVID-19 crisis (see Figure 16). Also, the **domestic general government health expenditure per capita** has enlarged almost eightfold, rising from USD 241.7 in 2000 to **USD 1.9 thousand in 2021**, while showing a visible upward trend during the COVID-19 pandemic (health expenditure per capita accounted for USD 1.6 thousand in 2020).

Figure 16. Life expectancy at birth and government health expenditure per capita in the Republic of Korea, 1991-2021.

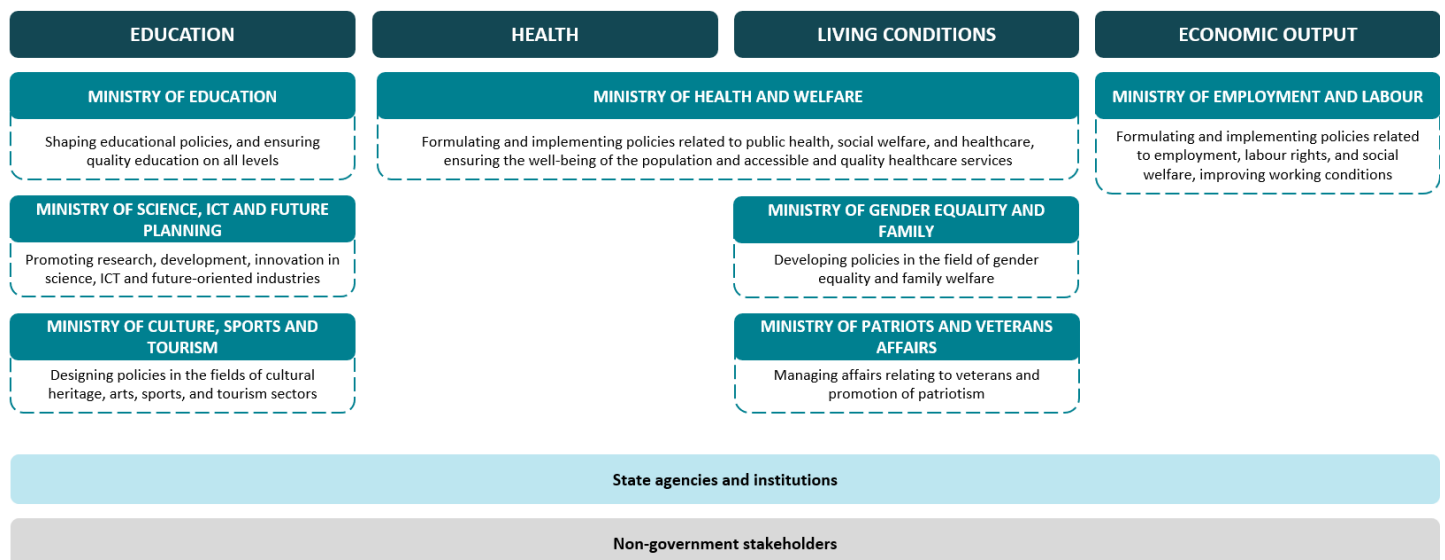


Overall, the Republic of Korea has been demonstrating stable improvement on the human development parameters presented above, which contributes to its consistent economic growth and human capital advancement as well as resilience to regional and global crises.

Stakeholders responsible for the development of human capital

South Korea has established several government bodies that play key roles in the agenda setting, formulation and implementation, as well as evaluation of policies related to human capital development and ensuring the effective utilisation and enhancement of the country’s human resources (see Figure 17).

Figure 17. Key stakeholders in the field of human capital in the Republic of Korea⁹⁶.



⁹⁶ The Republic of Korea Cabinet. URL: <https://www.korea.net/Government/Administration/Cabinet>

Several Ministries are responsible for the policies within the education pillar of human capital. The **Ministry of Education** is responsible for shaping South Korea's educational system and policies, and ensuring access to quality education at all levels, from early childhood to higher education.

The **Ministry of Science, ICT and Future Planning** focuses on promoting research, development, innovation in science, ICT and future-oriented industries, and driving technological advancements.

The **Ministry of Culture, Sports and Tourism** promotes South Korea's cultural heritage, arts, sports, and tourism sectors, contributing to the overall enrichment of the country's human capital and its cultural and creative industries.

As for the health and living conditions pillar of human capital, the **Ministry of Health and Welfare** plays the central role in both domains as it is responsible for formulating and implementing policies related to public health, social welfare, and healthcare. The Ministry focuses on ensuring the well-being of the population, providing accessible and quality healthcare services, addressing social welfare needs.

The living conditions pillar is also represented by two other Ministries in South Korea. The **Ministry of Gender Equality and Family** is committed to promoting gender equality and family welfare in South Korea by working towards eliminating gender-based discrimination and creating a society where all individuals have equal opportunities and rights.

The **Ministry of Patriots and Veterans Affairs** manages affairs relating to veterans, including social assistance and healthcare, as well as entrench patriotism as the nation's spiritual foundation and culture. It was upgraded to the Ministry status from the previous sub-ministry level in June, 2023.

Within the economic output pillar, the **Ministry of Employment and Labor** is dedicated to formulating and implementing policies related to employment, labour rights, and social welfare, improving working conditions, etc.

It is also worth mentioning that South Korea has established the **Ministry of Unification**, which gained its current status in 1998. Its major duties lay within the areas of maintaining inter-Korean dialogue, promoting inter-Korean cooperation, and educating the general public on unification. The experience of the Ministry can be of crucial value to Ukraine in the process of reintegration of temporary occupied territories.

Education pillar

KEY STAKEHOLDERS | In Korea, the national education administration is **governed by both the central and provincial organisations**. The central education administration is overseen by the President, Prime Minister, and Ministry of Education along with its affiliated bodies. It is important to highlight that the Minister of Education also holds the position of Deputy Prime Minister. The Ministry of Education functions as the primary administrative body responsible for overseeing comprehensive educational matters on a national scale, encompassing policy development for human resource development, school education, lifelong learning, and academic affairs in a broader context.

Since the enactment of the Local Education Autonomy Act in 1991, a process of decentralisation has taken place in Korea's education administration, leading to the **transfer of significant decision-making power and provincial education budget control from the Ministry of Education to provincial education administrations**. The shift has elevated the role of provincial education committees, which are responsible for deliberation and decision-making in provincial education matters, along with the provincial education offices themselves. Local education governance is notably influenced by **elected provincial superintendents** of education who serve four-year terms, overseeing educational, arts, science, and general provincial administrative affairs. There are 17 provincial education offices and 176 district education offices across the country as of 2021⁹⁷.

⁹⁷ Ministry of Education. Educational Administration. URL: <https://english.moe.go.kr/sub/infoRenewal.do?m=0308&page=0308&s=english>

The Ministry of Education bears the responsibility for upholding the quality of the education system, with policies directed by the central government and reinforced through diverse entities. This ministry takes charge of the design of the school system, formulating nationwide education policies and criteria for early childhood education, primary and secondary education, encompassing assessment benchmarks and a comprehensive curriculum structure. Concerning higher education, the ministry establishes guidelines for teaching and examination frameworks. Besides the Ministry of Education such bodies as the Korean Education Development Institute, the Korea Institute of Curriculum and Evaluation, the National Institute for Lifelong Learning, the Korean Research Institute for Vocational Education and Training, the Korean Women's Development Institute, the National Youth Policy Institute as well as other ministries (for instance, the Ministry of Finance and the Ministry of Labour) and stakeholders (for example, voluntary citizens groups and schools' workers unions) also share the responsibility for the development of education pillar of human capital development in South Korea.

The majority of **higher education institutions in Korea are privately owned**⁹⁸, and although some central regulations exist, such as admission and enrollment policies, these institutions have a degree of autonomy. Government-imposed limitations on the number of graduates are in place, yet steps have been taken to grant institutions greater independence in creating specialised admissions screening procedures. Private universities have the authority to autonomously appoint board members, establish governance structures, and make decisions regarding their operations.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | Preserving high autonomy of educational institutions while maintaining quality of educational services is the major challenge of the education system of South Korea.

The major part of recent reforms in the country was directed into the development of education at tertiary level (Although there were measures of school liberalisation, e.g. the reform in 2008, when the municipal authorities received much more autonomy concerning educational issues from the central authorities).

At higher education level, since the 1990s the **Korean Council for University Education (KCUE)**, a representative body of four-year universities in the country, has received more governance authority of the higher education sector from the Ministry of Education. Moreover, nowadays all presidents of four-year Korean universities must hold membership within the KCUE.

In 2008 two major reforms took place in South Korea. Firstly, the implementation of the **University Entrance Liberalisation Policy** allowed universities to admit students based on their individual admission criteria, including factors like academic records, College Scholastic Ability Test (CSAT) scores, practical skills assessments, and essays. This policy diminished the excessive emphasis on CSAT scores, yet it led to increased intricacies in university admissions procedures, thereby prompting calls for additional enhancements. Secondly, the **Admissions Officer System** was introduced for tertiary institutions in Korea to address the issue of universities primarily considering CSAT rankings for admissions, which led to high household spending on private education for entrance exam preparation. The system introduced Admissions Officers, professionally trained experts who evaluate university applications based on a more comprehensive assessment of students' abilities, extracurricular engagements, and academic accomplishments. This approach offers universities greater flexibility to admit students with specific talents, potentially bypassing CSAT requirements. Nonetheless, critics argued that prioritising non-academic activities in admissions criteria might contribute to increased private education expenses in those activities.

To resolve problem points of the above-mentioned reforms, the Korean government introduced the **University Entrance Simplification Policy** in October 2013, urging universities to implement more efficient admission processes tailored to their specific criteria. This approach includes pathways that prioritise school records, essays, CSAT scores, or practical skills. Additionally, in 2015, revisions were made to the Admissions Officer system to exclude consideration of out-of-school activities in university applications. Instead, emphasis shifted to students' records, self-introduction letters, and

⁹⁸ Education Policy Outlook - Korea. OECD. November 2016. URL: <https://www.oecd.org/education/Education-Policy-Outlook-Korea.pdf>

recommendation letters. As a result, more than 160 universities have adopted the Admissions Officer System, where school records have now become the most influential factor in the university admissions process.

RESPONSE TO CRISIS | In response to an anticipated **significant decline in the school-age population** leading to a projected 160,000 drop in college freshmen in 2023 compared to 2013, higher education institutions in Korea are facing challenges that could impact their effectiveness in education and research. To prevent potential deterioration in tertiary education quality, the Ministry of Education launched a restructuring initiative, known as the **Support Strategy for Systematic College Management and Innovation**, on May 20, 2021. Three policy directions were detected⁹⁹:

- Actively support colleges to voluntarily adjust to optimal sizes to **pursue self-sustaining innovation**;
- Induce financially and educationally unstable colleges to **undergo drastic transformation**, whereas those not showing improvement are closed;
- **Create a more collaborative higher education ecosystem** between colleges in the metropolitan area and elsewhere, universities and junior colleges, as well as colleges in the same locality.

The efforts are aimed to foster innovation through autonomy and accountability, ensuring the optimal size and sustainability of colleges, while also addressing financial and educational instability through transformation or closure. The strategy additionally seeks to foster collaboration between institutions in metropolitan areas and provinces and among different types of higher education entities. These institutions encompass four-year universities and colleges, junior and technical colleges, and graduate schools, catering to various educational and professional needs.

Health pillar

KEY STAKEHOLDERS | South Korea's public health system is called National Health Insurance (NHI), which covers the entire population. **The Ministry of Health and Welfare (MoHW)** shapes health policy, plans and develops legislation. The Ministry also manages specialised national hospitals for areas where the private sector falls short, like psychiatric and tuberculosis care.

The NHI is overseen by **the National Health Insurance Service (NHIS)**, while care coverage is assessed by **the Health Insurance Review and Assessment Service (HIRA)**. These organisations, though separate from the Ministry, maintain some indirect control by the MoHW. NHIS manages insurance-related tasks such as eligibility, contributions, benefit payments, and prevention projects. It also negotiates medical fees annually with provider associations. HIRA supervises reimbursement, pharmaceutical applications, medical device pricing, and quality assessment. It reviews claims, manages drugs, and accesses clinical data from the Hospital Quality Data Acquisition System.

Regional governments oversee local medical centres and facilities based on community needs. Each municipality has a **Public Health Centre** providing primary and preventive services (like check-ups, vaccinations, and antenatal care). **Sub-Health Centres** can be opened if needed. Local health administration groups within health centres are part of the comprehensive administration, with a dual system overseen by the Ministry of Interior and Safety for organisation and the Ministry of Health and Welfare for guidance. Given that about 50% of Koreans live in the Seoul metropolitan area, the **Seoul City Government** plays a big role in the nation's public health policies.

Due to the absence of a well-established primary care system, private hospitals have a significant role in healthcare delivery in Korea. Private clinics and hospitals, covered by NHI, are monitored by HIRA for quality. Primary-level care also is available at Public Health Centres.

⁹⁹ Ministry of Education. Higher education. URL: <https://english.moe.go.kr/sub/infoRenewal.do?m=0305&page=0305&s=english>

The **National Evidence-based Healthcare Collaborating Agency (NECA)** is an independent agency in collaboration with MoHW. NECA leads health technology assessment, generating evidence on clinical and cost-effectiveness of healthcare services, products, and technologies, including medical devices and medicines.

The **Korea Health Promotion Institute (KHPI)** collaborates closely with civil organisations to implement evidence-based health promotion projects. It oversees four national policy areas: smoking reduction, nutrition, alcohol consumption, and active lifestyles. In addition, it collects health risk and behaviour data, conducts surveys, designs programs, and supports local public health policies. Ad hoc expert committees, including civil society and academic experts, inform KHPI's policy design.

The **Korean Centre for Disease Control and Prevention (KCDC)** is engaged in implementation, monitoring, research, and surveillance in order to strengthen public health emergency response capacity, disease surveillance, and biomedical response. KCDC focuses on infectious and chronic diseases, genomics, vaccine development, and response to emerging infectious diseases. Additionally, KCDC addresses antimicrobial resistance.

Overall, cross-government collaboration in Korea is well-established with strong communication in key areas. The **National Health Promotion Policy Deliberative Committee** exemplifies effective cross-government efforts for health development. This committee includes participation from Director-General level officials in different ministries, as well as experts in preventive health and relevant research institutions. Also, a positive engagement with civil society actors, patient groups, and consumers is observed¹⁰⁰.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | Economic development and universal health coverage through national health insurance have led to a rapid improvement in health outcomes in the Republic of Korea. The country achieved universal health coverage for its population in 1989, just 12 years after the introduction of social health insurance.

In the early 2000s, it introduced 2 major reforms: the merger of insurance societies into a **single payer system** and the separation of medicine prescribing and dispensing. The merger of over 350 quasi-public insurance societies into a single-payer system aimed to enhance risk pooling efficiency, ensure fairer contribution, and reduce administrative expenses. While the pharmaceutical reform, involving the separation of drug prescribing and dispensing, aimed to **lower the share of pharmaceutical expenditure**, which was previously artificially inflated by physicians and pharmacists¹⁰¹.

South Korea is making efforts to **reduce suicide mortality**. In 1995, the Mental Health Act was enacted, enhancing mental health care accessibility through more psychiatric hospitals and community centres. Also, later physical measures to prevent impulsive suicides were implemented, reducing access to lethal means. The 2018 National Suicide Prevention Action Plan introduces in particular suicide investigation, expanded prevention programs, extended depression screening, and professional training. As part of the plan, the Department for the Prevention of Suicides was established in the Ministry of Health and Welfare in 2018, followed by a Committee for the Prevention of Suicides in 2019, chaired by the Prime Minister¹⁰². At the local level, the mental health service delivery system includes community mental health welfare centres, mental health rehabilitation centres, and mental medical institutions¹⁰³.

In 2008, new social insurance for **long-term care (LTC)** was introduced in response to the ageing population, primarily targeting the elderly. LTC insurance aims to alleviate the elderly's financial burden and reduce unnecessary hospitalisations. However, affordability remains an issue, and the reliance on hospitals is still high. Challenges include poor

¹⁰⁰ OECD Reviews of Public Health: Korea. A Healthier Tomorrow. URL: <https://doi.org/10.1787/be2b7063-en>

¹⁰¹ Republic of Korea health system review. 2015. URL: <https://apo.who.int/publications/i/item/9789290617105>

¹⁰² OECD Reviews of Public Health: Korea. A Healthier Tomorrow. URL: <https://doi.org/10.1787/be2b7063-en>

¹⁰³ Community Mental Health in South Korea. URL: https://link.springer.com/referenceworkentry/10.1007/978-981-13-6975-9_15

coordination between healthcare and LTC, weak gatekeeping by general practitioners, and a lack of affordable quality home care¹⁰⁴.

To counter **high out-of-pocket costs** for healthcare, Korea prioritised expanding insurance coverage to all essential health services. In 2013, national health insurance coverage included severe diseases, such as cancer, heart, cerebrovascular, and other rare diseases¹⁰⁵. In 2017, coverage was expanded to include expensive services like magnetic resonance imaging (MRI) and ultrasound scans. Co-payment rates for various health services, including dental care, were also lowered. A financial aid program for catastrophic health expenditure was introduced in 2018, refunding 50% of co-payments, later increasing to 70-80% in 2021. These initiatives lowered out-of-pocket expenses by 3.3% between 2017 and 2020. Nevertheless, providers tend to promote uninsured services to increase their profits, straining patients financially¹⁰⁶.

In Korea, a significant policy focus lies in **genomics advancement**, encompassing genomic research, testing, screening, and diagnostics. The country boasts extensive infrastructure, notably the National Biobank of Korea, one of the world's largest, which already facilitated numerous large-scale genomic projects. The Biobank operates under comprehensive bioethics and safety regulations and has a network of research centres and regional biobanks¹⁰⁷.

RESPONSE TO CRISIS | The Korean healthcare system effectively managed the **COVID-19 pandemic** and achieved low mortality rates, drawing from lessons from the 2015 MERS outbreak. This experience led to improved surveillance, early diagnosis, stakeholder responsibilities, and clear communication. Laws were enacted to ensure citizens' access to pandemic-related information and permit data collection for extensive contact tracing. The updated laws also require employers or the government to provide compensation for individuals in treatment or quarantine due to outbreaks, along with hospitals facing losses from treating patients with infectious diseases. These legal changes fostered transparency, public awareness and trust. During the Covid-19 pandemic, transparent communication by the Korean Center for Disease Control (KCDC) additionally bolstered public trust, while the NHI system promptly addressed COVID-19, covering testing and treatment costs, ensuring financial relief, and exempting communicable diseases from co-payments¹⁰⁸.

Also, among the factors contributing to Korea's success in containing COVID-19 were:

- Efficient and sensitive pandemic alert system and preparation: Early alerts allowed the state to enhance early case screening, develop diagnostic tools, response plans and secure resource readiness.
- Centralised hierarchical response system to coordinate pandemic resource allocation and risk communication: Upon activating pandemic protocols, the prime minister and two ministers formed the Central Disaster and Safety Countermeasure Headquarters. This body mobilised medical resources, facilitated public-private partnerships, and communicated with the public.
- National COVID-19 testing strategy: The early and rapid expansion of COVID-19 testing based on prior MERS experience, upgraded diagnostic testing and emergency use authorization program.
- Infection tracing and containment: Strict contact tracing, isolation, and quarantine strategies were established.
- Tech applications: Utilisation of technology, like self-quarantine app and epidemiological investigation support system, aided contact tracing.
- Two-track COVID-19 hospital triage: A national-level coordination centre directed COVID-19 patients to hospitals or other provinces if necessary, while non-COVID-19 patients were directed to safety-guaranteed hospitals¹⁰⁹.

¹⁰⁴ Strengthening the social safety net in Korea. URL: <https://doi.org/10.1787/45486525-en>

¹⁰⁵ Ministry of Health and Welfare. URL: https://www.mohw.go.kr/eng/pl/pl0101.jsp?PAR_MENU_ID=1003&MENU_ID=100324

¹⁰⁶ OECD Economic Surveys: Korea 2022 URL: <https://doi.org/10.1787/20bf3d6e-en>

¹⁰⁷ OECD Reviews of Public Health: Korea. A Healthier Tomorrow URL: <https://doi.org/10.1787/be2b7063-en>

¹⁰⁸ Learning health systems: pathways to progress URL: <https://apps.who.int/iris/bitstream/handle/10665/344891/9789240032217-eng.pdf>

¹⁰⁹ Public Health and Soft Power. The Republic of Korea's Initial COVID-19 Response and Its Implications for Health Diplomacy. URL: https://www.rand.org/pubs/research_reports/RRA1415-1.html

Living conditions pillar

KEY STAKEHOLDERS | The pivotal role in setting the social security policy in South Korea is played by the **Ministry of Health and Welfare (MoHW)**, which bears the primary responsibility for developing legislation, outlining directions and priorities, and validating concrete measures regarding the provision of social services to the population. Furthermore, the Ministry administers such matters as disability pensions, child support, and fundamental pensions for the elderly.

Along with this, two central executive bodies have been established to address specific issues within the living conditions pillar of human capital. The **Ministry of Gender Equality and Family** which is dedicated to advancing gender equality and enhancing family well-being through eradicating gender-related biases and cultivating a society where everyone enjoys equal opportunities and rights. The **Ministry of Patriots and Veterans Affairs** is responsible for overseeing matters concerning veterans, encompassing social support and healthcare. Additionally, its role extends to fostering patriotism as a cornerstone of the nation's spiritual foundation and culture.

Additionally, several sector specific bodies have been created to address individual issues on the national and regional level. One example is the institutionalisation of the **Presidential Committee on Ageing Society in 2005** with the goal of tackling demographic challenges Korea was facing. In order to supplement the first track of efforts aimed at reversing the low birth rates in South Korea, the government also created a pan-government **Population Policy Task Force** to promote measures to foster the society's adaptive capacity to the changing environments. The first-round task force was launched in April 2019, followed by a second round in January 2020 and a third one in February 2021. In its third round, the Task Force focused on four main strategies: absorbing labour shortage shocks caused by demographic changes; responding to the shrinking society; taking preemptive action against possible local extinction; and improving the sustainability of the society as a whole¹¹⁰.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | One of the successful government initiatives of the Korean government is the **Basic Livelihood Security Program (BLSP)**. The program was established in 2000 to address the issue of absolute poverty through the provision of in-kind and cash benefits to households. BLSP is co-funded by local governments (20%) and the Ministry of Health and Welfare (80%), and in Seoul it is funded on a 50-50 basis. The BLSP consists of **four categories of benefits: livelihood, health, housing and education**. The income criteria are set at 30% of the median for livelihood support, 40% for healthcare, 46% for housing, and 50% for education assistance. Beneficiaries are encouraged to engage in employment and self-sufficiency initiatives aimed at assisting them in securing jobs or initiating their own businesses¹¹¹. In 2015, the Ministry implemented a program amendment that grants citizens the option to receive personalised benefits. This modification led to a broader segment of the population accessing higher benefit levels. Additionally, the amendment guarantees that households still receive benefits in areas of necessity even if their income surpasses the threshold for other categories.

Over the past decade, South Korea has undergone a significant overhaul of its **public family support system**, witnessing a more than tenfold increase in public expenditure on family-related matters since the early 2000s. For instance, in 2018, South Korea introduced a **universal child allowance for young children**, marking a significant policy change. Moreover, the expansion in 2019 of two means-tested tax credits that can be refunded (the earned-income tax credit and child care tax credit) is expected to further enhance financial assistance for a broader range of families. However, there remains potential for South Korea to enhance its support for families with children, given that families with older children still

¹¹⁰ Adapting Regional Policy in Korea: Preparing Regions for Demographic Change. OECD. 23 June 2022. URL: https://www.oecd-ilibrary.org/urban-rural-and-regional-development/adapting-regional-policy-in-korea_6108b2a1-en

¹¹¹ Strengthening the social safety net in Korea. OECD. 2022. URL: <https://www.oecd-ilibrary.org/docserver/45486525-en.pdf?expires=1692186947&id=id&accname=guest&checksum=A215D6BA051A8268C8EE16493745FCDC>

receive relatively limited financial aid from the government, mainly due to the fact that the child allowance is limited to young children¹¹².

Given the fast ageing of the population in South Korea, providing social services for and ensuring well-being of the elderly has become a serious issue in the country. Traditionally, the elderly tended to live with their children which ensured the availability of family-based care; however, the portion of elderly sharing household with the younger generations of the family has dropped drastically from more than 80% in 1981 to 29% by 2008. In order to address this problem, the **Long Term Care Insurance (LTCI) system for the elderly** was established in 2008, encouraging the growth of home-care providers and the increase in the number of beds in long term care institutions. Conceived as a cost-effective universal social insurance framework, the system was constructed with strict functional qualification standards, particularly pertaining to long term care institution services, encompassing a relatively limited range of services. To this date, the system remains inefficient, with the government spending on long term care amounting only to one fifth of the OECD average and the majority of services being provided by the healthcare institutions, thus increasing the cost of medical care¹¹³.

The establishment of the **National Pension Scheme (NPS)** in 1988, as a component of the broader social insurance program aimed at ensuring a consistent income stream for seniors and retirees, marked a significant milestone in the development of the pension system. Notable reforms included elevating contribution rates, reducing benefit commitments, and raising retirement ages. In 1998, the overhaul of the management of the **National Pension Fund (NPF)** resulted in substantial enhancements to its governance and financial investment strategy. Moreover, since 2007, the introduction of **safety-net pensions** has provided modest benefits to the most economically vulnerable. Korea's occupational benefit system also requires employers to offer either a severance pay plan or a retirement pension plan to their employees. Furthermore, voluntary personal pension schemes have been introduced to complement the mandatory public National Pension Scheme¹¹⁴.

RESPONSE TO CRISIS | The key challenge that Korean society faces is the **rapid ageing of the population**, which is the underlying cause of the workforce shortage as well as the growing pressure on the social security system. In 2019, the government recognized the potential unlikelihood of reversing the low birth rate in Korea, which encouraged the introduction of a second track aiming to enhance the collective societal ability to adapt to the evolving environment. In order to mitigate the issue as well as to build on the society's capacity to react to the new environment, the **Population Policy Task Force** was created. With this in mind, four defined categories have been defined as the main targets of developing policy measures, namely the following¹¹⁵:

- women (creating initiatives aimed at aiding the development or maintenance of a career, discovering additional career prospects, enhancing employment conditions, and alleviating household responsibilities);
- elderly (introducing strategies to broaden economic engagement for seniors interested in employment, alongside expanded availability of healthcare and nursing care services post-retirement);
- local citizens (increasing opportunities to retain and draw skilled workforce in local areas, coupled with the advancement of regional hub cities and the enhancement of interregional community infrastructure);
- general public (developing measures aimed at expanding opportunities for skill enhancement, safeguarding workers and their employment, supporting families and households, fostering skill development and digital education, and assembling research teams to shape demographic policies).

¹¹² https://read.oecd-ilibrary.org/social-issues-migration-health/rejuvenating-korea-policies-for-a-changing-society_c5eed747-en#page44

¹¹³ A framework for growth and social cohesion in Korea. OECD. June 2011. URL: <https://www.oecd.org/korea/48225033.pdf>

¹¹⁴ OECD Reviews of Pension Systems: Korea. URL: <https://www.oecd-ilibrary.org/sites/2f1643f9-en/index.html?itemId=/content/publication/2f1643f9-en>

¹¹⁵ Adapting Regional Policy in Korea: Preparing Regions for Demographic Change. OECD. 23 June 2022. URL: https://www.oecd-ilibrary.org/urban-rural-and-regional-development/adapting-regional-policy-in-korea_6108b2a1-en

Economic output pillar

KEY STAKEHOLDERS | The organisational structure for coordinating employment policy in the Republic of Korea was outlined through the Framework Act on Employment Policy in 2010. Its objective was to establish a foundational plan for national employment policies to be revised every five years. The coordination framework encompasses three key components: the Cabinet Meeting at the national level, the Employment Policy Council at the ministry level, and the Local Employment Policy Council. These structures engage actively with tripartite partners and the private sector to ensure participation and input¹¹⁶.

At the national level, the **Ministry of Employment and Labor (MOEL)** is dedicated to formulating and implementing key policies within the economic output pillar, including the areas of employment regulations, labour rights, social welfare, standards for working conditions, etc. Overall, the Cabinet of Ministers is tasked with reviewing the existing policies and systems to make them more employment-friendly.

The **Employment Policy Council** at the national level bears the responsibility to execute the National Employment Strategy, facilitate collaboration among central and local governments, execute job creation initiatives, gather input from diverse sources regarding the implementation of the National Employment Policy, and establish a link between governmental bodies and business organisations.

Local governments actively engage in the creation and execution of the national employment policy by fostering collaborations with the MOEL and its regional branches, in addition to other ministries affiliated with employment policies and budget allocation for employment initiatives. Also, they establish independent employment policies and define their specific objectives for local employment.

Other stakeholders acting within the economic output pillar include: the **Public-Private Job Creation Consultative Committee**, strengthening coordination between the Government and private sector on job creation; the **On-site Job+ Team**, created by the MOEL to coordinate and adjust employment policy implementation at the enterprise level; and the **Economic and Social Development Commission** (formerly the Tripartite Commission), which develops measures to react to specific labour related issues in South Korea.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | The key problems that lead the Korean government to the implementation of structural reforms on the Korean labour market were low labour participation rate among youth and negative demographic trends¹¹⁷. The gradual **dependence of the Republic of Korea on migrant workers** has transformed itself into a permanent feature and a daunting challenge in terms of policy-making, policy goals and policy outcomes. According to a 2004 UN report, Korea was in need to import 100,000 workers every year and a total of 1.5 million migrant workers between 2030 and 2050 to maintain a similar economic structure and to support senior populations¹¹⁸.

To improve the negative demographic situation threatening the future of the labour market, the Korean government has taken steps to **alleviate the burden of bearing and caring for children and to create more family-friendly workplaces**, based on the recommendations by the **Korean Committee on Low Fertility and Population Ageing Policy** in 2006¹¹⁹. Given these inherent structural challenges, the commencement of the 2008 global economic crisis resulted in yet another wave of disruptions for Korea's labour market. In response, the government instigated a series of robust employment support

¹¹⁶ Employment Policy Implementation Mechanisms In The Republic Of Korea. Employment Research Brief. International Labour Office. URL:

https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_613370.pdf

¹¹⁷ ILO: Development of National Employment Policies through Two Economic Crises, 2012, URL:

https://www.ilo.org/wcmsp5/groups/public/---ed_emp/--emp_policy/---cepol/documents/publication/wcms_201104.pdf

¹¹⁸ Sarah Hasan. Managing Labour Migration to South Korea: Policies and Problems Regarding Migrant Workers. Korea: Politics, Economy and Society, Volume: 5, January 2011. URL: https://brill.com/display/book/edcoll/9789004219359/B9789004219359_011.xml

¹¹⁹ OECD: Rejuvenating Korea: Policies for a Changing Society, 2017, URL:

<https://www.oecd-ilibrary.org/sites/9f4be568-en/index.html?itemId=/content/component/9f4be568-en>

measures. These included enhanced and more structured **assistance for job seekers**, the introduction of a **Vocational Skills Development Account System** that offered tailored training services catering to the specific needs of individuals seeking training, and enhancements to the **“Work-Net” information platform**. Furthermore, user convenience was heightened through the expansion of Job Centers and the Vocational Skills Development Account System¹²⁰.

RESPONSE TO CRISIS | The Korean labour market was badly hit by the global pandemic: in 2020, Korea received 54,000 new immigrants on a long-term or permanent basis (including changes of status), -28.2% compared to 2019. In 2021, **reforms in labour migration policy were made to address sectoral labour shortages under the COVID-19 pandemic**. In November 2021, limits on daily and weekly entries of Employment Permit System (EPS) workers were lifted and the Korea resumed issuing EPS permits in “high-risk” countries¹²¹.

Within the domestic market, Korea is infamous for its deeply entrenched culture of extended working hours, i.e. nearly one out of every five Korean employees engaged in work for 55 or more hours weekly. In a bid to rectify this situation, the Korean government introduced a substantial **working time reform to reduce the legally stipulated ceiling for total weekly work hours from 68 hours to 52 hours**, encompassing both regular and overtime hours. The implementation of the new 52-hour limit was carried out progressively between 2018 and 2021. It was **initially enforced for large corporations and was subsequently extended in phases to smaller enterprises**. Although the adoption of the 52-hour limit did result in a reduction, it did not completely eliminate the instances of individuals working more than the established limit. Moreover, indications point toward a redistribution of working hours due to the reform, notably with a pronounced shift from full-time work to overtime work within the newly established legal threshold¹²².

The working time reform in Korea represents an important step in the direction of an expanded institutional framework for combating negative effects of pressure on workers, which results in overtime work and negative healthcare and demographic trends as key side effects of Korea’s long working-hour culture. While these results are somewhat encouraging, they also suggest that working very long hours remains common and the policy requires further improvement.

¹²⁰ Soonhie Kang. Employment Policy Implementation mechanisms in the Republic of Korea. International Labour Office. Employment Policy Department EMPLOYMENT Working Paper No. 158. 2014. URL: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_250999.pdf

¹²¹ International Migration Outlook 2022 - Korea. OECD. URL: <https://www.oecd-ilibrary.org/sites/1d95dfb1-en/index.html?itemId=/content/component/1d95dfb1-en#indicator-d1e51383>

¹²² Stéphane Carcillo, Alexander Hijzen, Stefan Thewissen. The limitations of overtime limits to reduce long working hours: Evidence from the 2018 to 2021 working time reform in Korea. An International Journal of Employment Relations. 30 March 2023. <https://doi.org/10.1111/bjir.12743>

3.4. Slovakia

KEY TAKEAWAYS

- Slovakia has experienced a noticeable advancement in human capital development since 1991, evident in the **growth rate of HDI by 23% over 25 years**. While reaching its peak of 0.862 in 2019, the 2021 indicator settled at 0.848, while Slovakia maintains a notable position in the **global ranking at 45th place**. The nation's economic growth is also evident, as its **GDP per capita** increased from USD 2.7 thousand in 1991 to **USD 21.3 thousand in 2022**, notably during its EU admission period.
- The dedication to education is apparent through the **growth of expected years of schooling** from 12.3 years in 1991 to **16 years in 2021**, surpassing Ukraine's current score since 2008. **Government expenditure on education** fluctuated between 3.5% and 5.4% of GDP, reaching **4.6% in 2020**. In terms of health, Slovakia demonstrated a **gradual increase in life expectancy at birth**, peaking at **77.7 years in 2019**, although the COVID-19 pandemic temporarily lowered it to 74.7 years in 2021. The **government health expenditure per capita** also displayed growth, rising from USD 178 in 2000 to **USD 1.1 thousand in 2020**.
- Slovakia has a **relatively small number of central executive bodies conducting the policy formulation activities in the field of human capital**. The reason behind this is that **one Ministry usually performs functions in several sectors**, the examples being the Ministry of Education, Science, Research and Sport (three areas - education, science, and sport), the Ministry of Labour, Social Affairs and Family (three areas - employment, social support, and social assistance to families), and others.
- The Slovak **education system operates through three levels of public administration**: central government, regional and municipal authorities, and schools. The Ministry of Education manages policies across all education levels, while self-governing regions and municipalities influence public schools. **Higher education institutions have decentralised governance**, and various bodies contribute to policy development.
- Recent educational reforms have focused on **enhancing autonomy within the education system**. Schools have been granted increased independence, particularly in curriculum development. This drive for autonomy extends to higher education institutions, where changes in accreditation criteria have led to greater self-governance. The **establishment of an institution dedicated to evidence-based policy** reflects a broader commitment to informed decision-making. Additionally, the response to the challenges posed by the pandemic involved the **introduction of innovative teaching methods, operational guidelines, and resources** to support educators and students.
- Slovakia's **health system relies on compulsory insurance**, with a strong role of government where the Ministry of Health plays a key regulatory role. The **Health Care Surveillance Authority** independently monitors health provision, insurance, and purchasing markets. **Self-governing regions** handle facility permits, ethical committees, and healthcare accessibility and manage healthcare facilities. **Healthcare providers, professional chambers, and patient organisations contribute to policy-making**, but their political influence remains restricted.
- Slovakia's **shock-type reform initiated managed competition, user fees, and introduced joint-stock companies**. Reference pricing and generics helped control drug costs, while a risk adjustment system improved funding allocation. Since 2016 the state reduced medical aid expenses efficiency by identifying wasteful spending. Reforms of primary health care are carried out with the help of **integrated care centres created with EU funds**. Recent legislation focuses on general **outpatient care providers and hospital network optimisation**. The country is addressing a critical shortage of nurses and general practitioners by expanding training opportunities, providing financial incentives and significantly raising salaries.
- Slovakia has reformed its social security system in the post-socialist period to a **modern system based on the European standards**. The major changes included establishing a minimum wage, **ensuring higher protection of families and those at the risk of poverty**, reforming the pension system and the general social security framework.
- The **2004 welfare reform** aimed to **reduce an excessive reliance on social benefits**. The measures included decreasing the amount of base benefits but offering an additional allowance if a recipient makes an effort to improve his/her situation through participation in volunteering activities, retraining programs, etc.
- Slovakia is working to **incorporate the EU legislation in the field of labour policy**, with the 2022 amendment

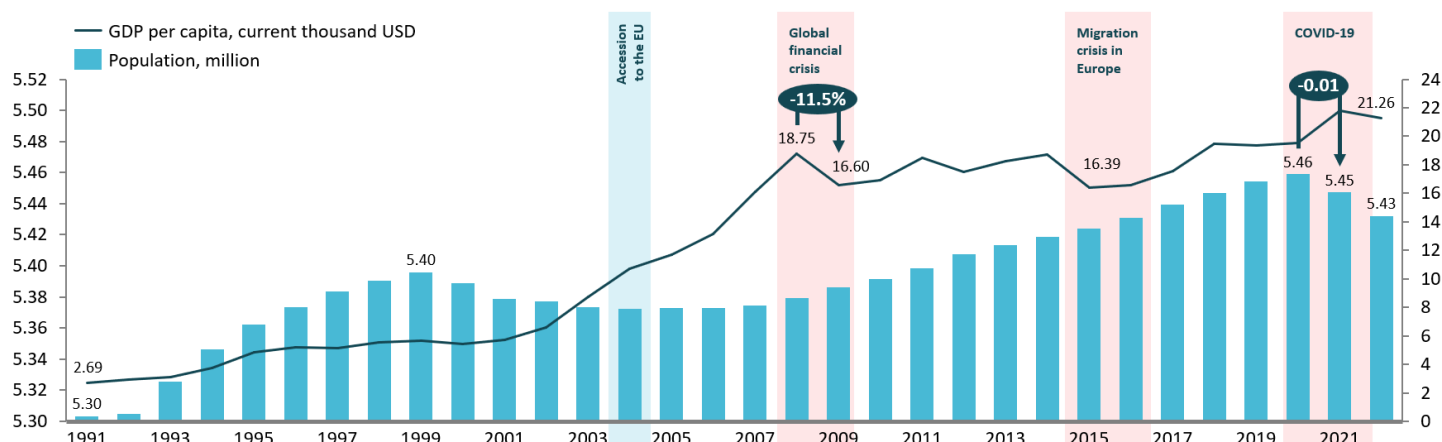
enhancing the transparency of working conditions and promoting work-life balance through regulations on employer's obligations to inform, employee's right to engage in paid activities outside working hours, and parental leave.

- Given that Slovakia has not managed to overcome its demographic challenges just yet, the government is proactive with regards to migration policy which demonstrates a noteworthy success. The measures that have been implemented in this area include the **promotion of female employment, engaging nationals from non-EU countries through facilitated procedures**, as well as **investing into digital skills and education** to further the development of the incoming labour force.

General overview of human capital development

Since the dissolution of the socialist bloc in Europe in 1991, Slovakia has demonstrated a significant level of human capital development, which is proved by the **Human Development Index (HDI) growth rate (+23% over the 25-year period)**. The highest value of HDI was reached in 2019 (0.862), but in 2021 the indicator equaled 0.848 (-1.6% during the last 2 years). Over the 2015-2021 period, Slovakia has lost 5 positions in the global ranking and occupies the 45th one, which is still significantly higher than Ukraine¹²³. In addition, Slovakia has witnessed significant economic growth as its **GDP per capita** improved from USD 2.7 thousand in 1991 to **USD 21.3 thousand in 2022**, with the most rapid growth prior and right after the country was admitted to the EU. As for the population changes Slovakia, it tended to decline from 1999 to 2004, but the trend reversed after the country's admission to the EU. The **population** reached its peak of **5.46 million in 2020**, followed by a decrease during the COVID-19 pandemic to 5.43 million in 2022 (see Figure 18).

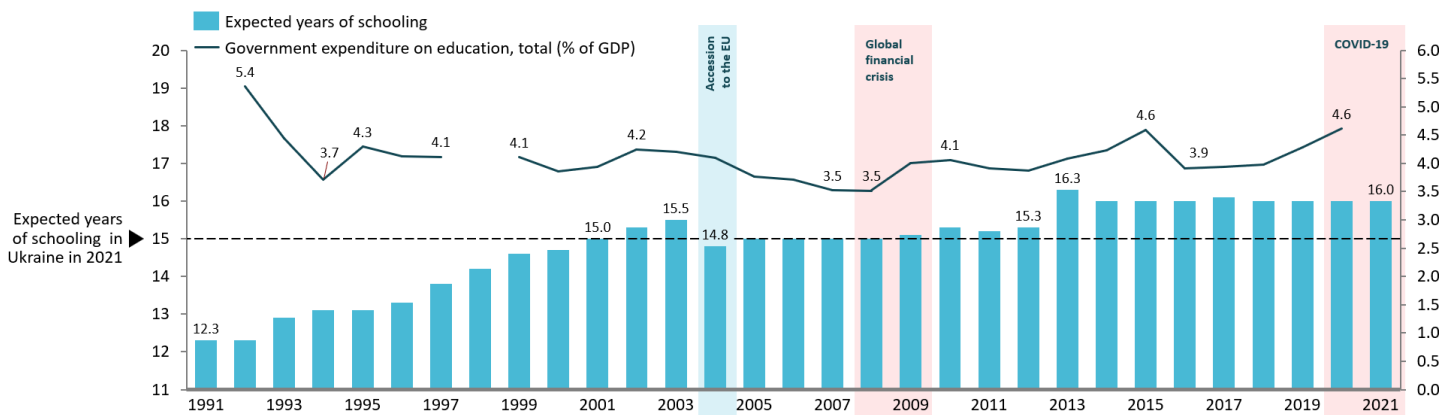
Figure 18. GDP per capita and population in Slovakia, 1991-2022.



In relation to the indicator of **expected years of schooling**, Slovakia saw an increase from 12.3 years in 1991 to **16 years in 2021**, with a top point of 16.3 years in 2013 (see Figure 19). The country exceeded the current score of Ukraine in 2008, even though the gap between two countries is lower than in other cases discussed in this report. The **government expenditure on education** in Slovakia alternated between 3.5% of GDP in 2007-2008 and 5.4% of GDP in 1992. **In 2020**, the expenditure was at the level of **4.6% of GDP**.

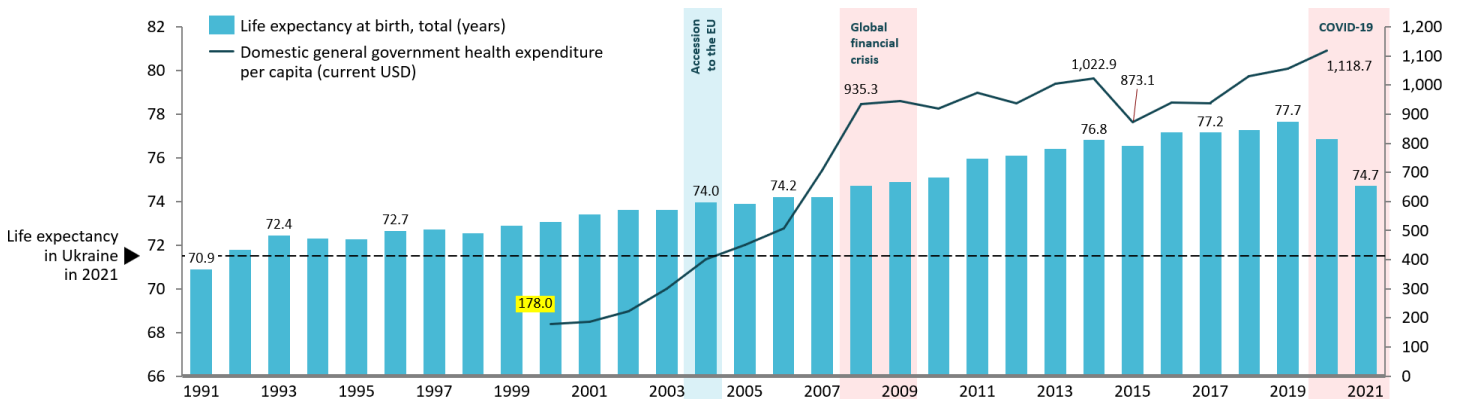
¹²³ Human Development Index (HDI). URL: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

Figure 19. Expected years of schooling and government expenditure on education in Slovakia, 1991-2021.



Life expectancy at birth in Slovakia increased gradually from 70.9 years in 1991 to a maximum point of **77.7 years in 2019** (see Figure 20). However, during the COVID-19 pandemic life expectancy tended to reduce, falling to **74.7 years in 2021**, which is still significantly higher than in Ukraine (Slovakia reached the current life expectancy of Ukraine in 1992). This increase was accompanied by the gradual growth of **domestic general government health expenditure per capita**, which increased from USD 178 in 2000 to **USD 1.1 thousand in 2020**.

Figure 20. Life expectancy at birth and government health expenditure per capita in Slovakia, 1991-2021.

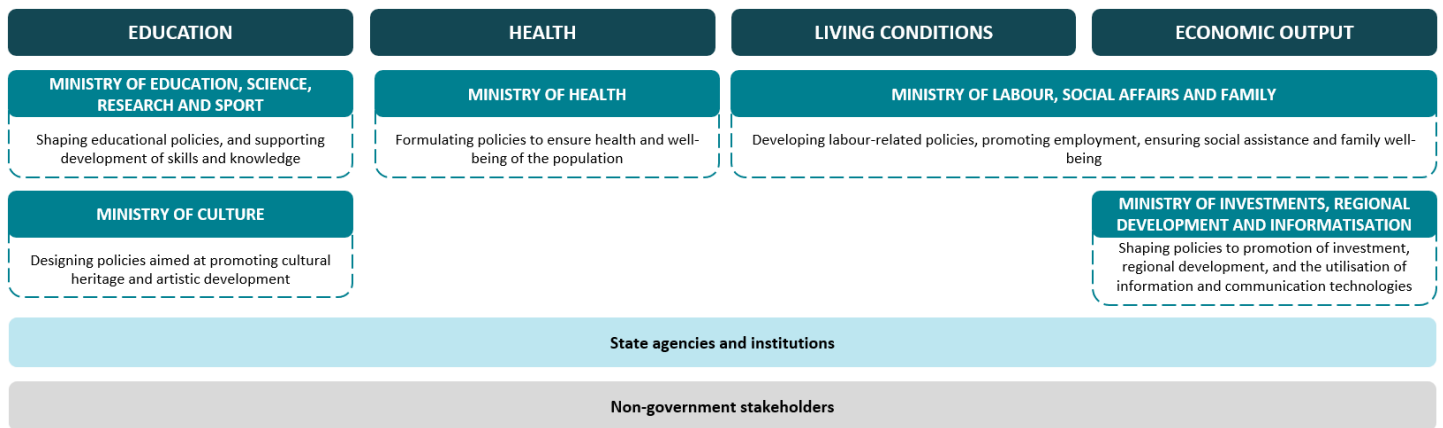


In total, Slovakia has shown notable progress in the field of human development, with steady progress in the health, education and economic domains, creating a favourable environment for human capital growth in the country.

Stakeholders responsible for the development of human capital

In Slovakia, the implementation of human capital policies involves various government stakeholders which hold their work within various areas. Although the total number of Slovak Ministries is relatively small, all pillars of human capital as defined in our approach are covered by the activities of the Government (see Figure 21).

Figure 21. Key stakeholders in the field of human capital in Slovakia¹²⁴.



Two Ministries fulfil their tasks and contribute to the development of the educational domain of human capital. The **Ministry of Education, Science, Research and Sport** is responsible for the development and implementation of education policies in Slovakia by overseeing the education system, promoting research and scientific activities, and supporting the development of skills and knowledge.

The **Ministry of Culture** is involved in the preservation and promotion of cultural heritage and artistic development in Slovakia, fostering creativity and cultural diversity.

Within the health pillar of human capital, the **Ministry of Health** focuses on policies and measures to ensure the well-being and health of the population. It is responsible for healthcare services, public health initiatives, and the implementation of strategies to improve the overall health outcomes and quality of life for Slovaks.

The **Ministry of Labour, Social Affairs and Family** represents both the living conditions pillar due to its functions relating to social support and welfare of the population and the economic output pillar due to the responsibilities relating to employment and labour market regulation. It focuses on labour-related policies, promoting employment, ensuring social assistance and family well-being.

Besides, the activities of the **Ministry of Investments, Regional Development and Informatisation** can be considered within the economic output pillar as it is involved in the promotion of investment, regional development, and the utilisation of information and communication technologies (ICT). It plays a role in supporting economic growth, innovation, and digital transformation. Unlike the Ministry of Digital Transformation of Ukraine, the Slovak Ministry does not have definite functions focusing on the improvement of digital competences of the population; therefore, its work is not accredited to the education pillar of human capital.

Overall, the Slovak Republic has a relatively small number of Ministries which conduct activities related to human capital development matters. This can, however, point at the optimisation of the structure of the Slovak Government and the effectiveness of work of government stakeholders due to avoiding the overlapping of functions between various government entities.

Education pillar

KEY STAKEHOLDERS | The Slovak education system is structured with **three distinct levels of public administration**: the central government, regional and municipal authorities, and schools¹²⁵.

¹²⁴ Members of the Government of the Slovak Republic. URL: <https://www.vlada.gov.sk/members-of-the-government/?csrt=8094987578848188282>

¹²⁵ Education Policy Outlook - Slovak Republic. OECD. November 2015. URL: <https://www.oecd.org/education/Slovak-republic-Country-Profile.pdf>

The Ministry of Education, Science, Research and Sport of the Slovak Republic (MoE) takes charge at the central level, setting policies for pre-primary, primary, secondary, and higher education, as well as managing educational facilities and lifelong learning. Operating within its designated scope, the Ministry establishes budgetary and profit-oriented organisations, overseeing and assessing their operations. It exercises control over schools and educational establishments across the Slovak Republic, utilising universally applicable regulations, offering vocational guidance to all founders, and effectively managing the nationwide network of schools and educational facilities¹²⁶.

Public schools in the Slovak Republic are significantly influenced by **self-governing regions and municipalities, which serve as school founders and organising bodies**. Upper secondary schools and apprenticeship training centres fall under the purview of regional authorities, while pre-primary, primary, and lower secondary education is managed by municipal authorities. It is worth noting that the majority of students in Slovakia are enrolled in public schools. Decision-making processes tend to be more concentrated at the central level, with a relatively lower number of decisions made at the local level. The School Act of 2008 ushered in **increased autonomy of schools**, notably in the domain of curriculum development. Within the Slovak education system, schools hold the role of employers for both teachers and other personnel. Apart from the school leader, the management of schools involves the School Board and additional advisory bodies such as the pedagogical board and subject committees.

In the realm of higher education, institutions operate under the **governance of an elected senate and a rector appointed by the senate**. Study programmes receive accreditation from the Slovak National Accreditation Commission. The Slovak Rectors' Conference (SRC) plays a pivotal role in unifying Slovak universities to develop a cohesive higher education policy. The **governance of VET institutions is decentralised to eight regional councils**. These councils hold the authority to decide on the composition of educational offerings, while the Ministry remains responsible for setting policy priorities and establishing the overarching VET delivery framework.

Several **other central bodies significantly contribute to the development of education policy** in Slovakia. For example, the National Institute of Education oversees the professional and methodological aspects of schools and teachers' education activities, and the National School Inspectorate serves as the state's supervisory entity for pedagogical management quality, education, and material-technical conditions. Additionally, the National Institute for Certified Educational Measurements manages national examinations and international assessments, while the National Institute of Vocational Education formulates vocational education strategies based on economic and labour market trends.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | The main tasks for the country's authorities responsible for the development of the education pillar of human capital in Slovakia include **strengthening evidence-based policy making** through well-defined implementation strategies, **bolstering local and regional capacity**, and **implementing coordination and planning mechanisms** for effective school network management.

At school level, the School Act of 2008 played a role in **increasing school autonomy**, particularly in curriculum development, by introducing a participative two-level model of educational provision. While the state sets mandatory educational content, schools have the freedom to adapt and tailor it in their own curriculum to address local needs. The issue of **public administration reforms**¹²⁷ was raised in 2013, when the responsibility for departments of regional state authorities in education, primarily for special schools, was transferred from the MoE to the Ministry of Interior. Consequently, all schools, except those established by self-governing regions, are **funded from the Ministry of Interior's budget**.

¹²⁶ National Education Systems. Slovakia Overview. Organisation and governance. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/slovakia/organisation-and-governance>

¹²⁷ Efficient, Reliable and Open State Administration (ESO). Ministry of Interior of the Slovak Republic. URL: <https://www.minv.sk/?eso-efektivna-spolahliva-otvorena-verejna-sprava>

At higher education level, significant developments happened in 2012, when **the Act on Higher Education**¹²⁸ expanded the autonomy of higher education institutions. This legislation introduced more comprehensive accreditation criteria for universities and established new benchmarks for evaluating a university's capability to grant academic titles like assistant professor and professor.

In order to facilitate strategic policy decision-making, the Ministry of Education Science, Research and Sport established **the Educational Policy Institute** to address the need for evidence-based policy formulation. Its purpose is to offer informed guidance on strategic policy choices, drawing from analyses, forecasts, and insights derived from both national and international data sources, as well as incorporating best practices from other nations.

RESPONSE TO CRISIS | Response of the Government of Slovakia to the **impact of the COVID-19 pandemic on pre-primary education and school in Slovakia** could be analysed as measures to deal with the crisis deteriorating the development of the education sphere.

In the realm of pre-primary education, kindergartens largely ceased operations due to government decisions and health regulations. Educators and kindergarten leaders adapted by **providing distance education**, particularly for children transitioning to compulsory primary schooling. Kindergarten principals participated in **online seminars to prepare for mandatory pre-primary education implementation and new competencies**. The State Pedagogical Institute developed methodological resources to facilitate the smooth integration of mandatory pre-primary education, aiding kindergartens, facilities, and parents. These resources include a guide outlining objectives and content for compulsory pre-primary education, whether within kindergartens or individual settings, and a resource addressing compensatory support for non-native language speakers¹²⁹.

The COVID-19 pandemic's impact on school education led to the creation of the **"SCHOOL SEMAFOR"**¹³⁰ manual by the MoE. The guide outlines operational conditions for schools and facilities, including anti-epidemic measures. Recommendations and legislative changes were introduced to address the situation and enable distance learning. Methodological and didactic resources were developed for educators and students.

Health pillar

KEY STAKEHOLDERS | Slovakia's health system is based on compulsory insurance, with a strong role of government. Slovakia operates a compulsory social health insurance (SHI) system, with 3 competing health insurance companies (1 public and 2 private) that negotiate contracts with health providers based on quality, prices and volumes. **The Health Care Surveillance Authority** (HCSA) serves as an independent monitoring body for the health provision, insurance and purchasing markets¹³¹. The parliament elects the HCSA supervisory board, and the government appoints/removes the HCSA chair, along with approving the budgets of health insurance companies and adopting legislative measures¹³².

The Ministry of Health plays a key regulatory role in defining the benefits package, regulating maximum waiting times, setting minimum numbers of outpatient and inpatient networks that insurance companies need to contract and regulating pharmaceutical prices and user fees. The Ministry is also the sole shareholder in the public (and largest) health insurance

¹²⁸ Education Policy Outlook - Slovak Republic. OECD. November 2015. URL: <https://www.oecd.org/education/Slovak-republic-Country-Profile.pdf>

¹²⁹ National Education Systems. Slovakia Overview. National reforms in early childhood education and care. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/slovakia/national-reforms-early-childhood-education-and-care>

¹³⁰ National Education Systems. Slovakia Overview. National reforms in school education. 2023. URL: <https://eurydice.eacea.ec.europa.eu/national-education-systems/slovakia/national-reforms-school-education>

¹³¹ Slovak Republic: Country Health Profile 2021 URL: <https://doi.org/10.1787/4ba546fe-en>

¹³² Smatana M, Pažitný P, Kandilaki D, Laktišová M, Sedláková D, Palušková M, van Ginneken E, Spranger A (2016). Slovakia: Health system review

company¹³³. **The Ministry of Finance** influences the health budget development process and certain ministries can establish their healthcare facilities (for example, military hospitals). Health education and curriculum management are jointly overseen by the Ministry of Health and **the Ministry of Education**, with the latter handling financing. The Ministry of Health coordinates health research in schools and the Academy of Sciences. This shared competence often leads to confusion¹³⁴.

Self-governing regions (SGRs) handle tasks like permitting healthcare facilities, overseeing ethical committees, approving outpatient biomedical research, and ensuring healthcare accessibility. The SGR's chief physician and chief nurse are chosen by the SGR chair with approval by the Minister of Health. SGRs may own healthcare facilities and have autonomy over their management. Service provision is decentralised and delivered by a mix of public and private providers, with general practitioners (GPs) acting as gatekeepers of the healthcare system¹³⁵.

In Slovakia, there are also state agencies that deal with specialised tasks and areas, such as:

- **Public Health Authority of Slovakia** (PHA) handles public health tasks: develops vaccination schedules, oversees radiation protection, and issues permits for cosmetic product sales. Through regional offices, it monitors epidemiology, evaluates environmental health impacts, approves premises, and ensures water quality.
- **State Institute for Drug Control** (SIDC) monitors medicinal products and medical devices. It approves clinical trials, grants marketing authorisations, assesses pharmacies, and maintains a pharmacopoeia.
- **Slovakia's National Emergency Centre** oversees emergency medical services, divided into headquarters and regional operation centres. It manages emergency calls, coordinates services, provides crew instructions, training, and organises first aid courses.
- **National Centre for Health Information** (NCHI) deals with e-health, standardising health info systems, collecting health stats, and providing library services. It operates health registers and the national health portal, intended to offer e-prescriptions, e-medication, and electronic health records.
- **National Transfusion Service** (NTS) manages blood product production, ensuring high-quality hemotherapy and safety.
- **National Transplant Organisation** (NTO) coordinates organ, tissue, and cell donations and transplants. It maintains a transplant register, oversees waiting lists, records donor activities, and keeps track of transplantation centre data¹³⁶.

A special role is played by the state-contributory organisation **Healthy Regions**, tasked with implementing and advancing provisional countervailing measures in the health sector. In particular, it focuses on providing services to Roma communities through employment of Roma Health Mediators¹³⁷.

Organised interest groups are also engaged in health policy-making, yet their political influence is limited.

Healthcare provider organisations and professional chambers advocate for their members' interests with the state, SGRs, and health insurance companies. Also, they engage in legislative drafts and educational programs, maintain professional registers, offer ongoing education, and can grant licensing and impose sanctions. Prominent provider organisations include the Association of Hospitals of Slovakia, the Association of University Hospitals, the Association of Private

¹³³ Slovak Republic: Country Health Profile 2021 URL: <https://doi.org/10.1787/4ba546fe-en>

¹³⁴ Smatana M, Pažitný P, Kandilaki D, Laktišová M, Sedláková D, Palušková M, van Ginneken E, Spranger A (2016). Slovakia: Health system review

¹³⁵ Slovak Republic: Country Health Profile 2021 URL: <https://doi.org/10.1787/4ba546fe-en>

¹³⁶ Smatana M, Pažitný P, Kandilaki D, Laktišová M, Sedláková D, Palušková M, van Ginneken E, Spranger A (2016). Slovakia: Health system review

¹³⁷ Slovak Republic: Country Health Profile 2021 URL: <https://doi.org/10.1787/4ba546fe-en>

Physicians of Slovakia, and the Slovak Medical Union of Specialists, the Association of Health and Social Trade Unions, and the Trade Union of Physicians¹³⁸.

The Slovak Medical Society comprises medical and pharmaceutical societies and regional physician and pharmacist associations. They address technical, ethical matters, and share scientific knowledge. Professional groups within it delegate members to various committees, like the Reimbursement Committee for Medicinal Products and the Catalogue Committee for medical procedures at the Ministry of Health¹³⁹.

Patient organisations vary in activity, often due to fragmentation and representation through umbrella organisations. Competency divisions between health and social care hinder their advocacy. Organisations representing people with chronic conditions are usually the most active (like the Union of Diabetics of Slovakia, the Down Syndrome Association, the League against Rheumatism, the Slovak Osteotomy Association). Psychiatrists, psychotherapists, and patient groups collaborate within the League for Mental Health to support mental health advocacy, when the Association for Patients' Rights Protection focuses on patient rights¹⁴⁰.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | From 2002 to 2006, a shock-type reform took place in Slovakia, which restructured health provision through the adoption of several reform acts, bringing **managed competition** reinforced by strict regulation of the financial aspects of the provision of medical care. Key features of these reforms are the introduction of user fees and the transformation of suppliers and insurance companies into joint-stock companies. Amid the 2008 financial crisis, **reference pricing and generic prescribing** aided in managing elevated pharmaceutical expenses. Additionally, the **risk adjustment system** for funding allocation to HICs was enhanced through the incorporation of PCGs in the redistribution formula in 2012. Furthermore, by 2016, the HCSA took on the role of implementing a **Diagnosis-Related Group (DRG) based system** for funding inpatient care¹⁴¹.

The Value for Money project, launched in 2016, aimed to enhance **healthcare system efficiency**. Through detailed analyses of key accounts and processes, it identified inefficient spending and resource allocation. Measures were divided into expenditure reduction and hospital debt reduction. After a year, 75% of health expenditure reduction goals were met. Overconsumption of medicines decreased notably with ePrescriptions, and reference pricing led to significant savings in medical aid procurement¹⁴².

The state is also implementing reforms aimed at improving the effectiveness of **primary medical care** due to challenges like low GPs numbers, regional access disparities, and weak gatekeeping functions of GPs. Financial aid from European funds since 2014 has played a crucial role in establishing or renovating "integrated care centres" nationwide. These centres bring together specialists and GPs, improving care coordination and quality. The goal is to have such centres accessible to over 70% of the population within a 20-minute drive. In 2018, task shifting between nurses and nursing assistants and expanding nurse competencies were introduced. Steps to attract young doctors to the GP profession included revising training schemes, with the creation of a residency programme for GPs and training sessions in outpatient facilities during undergraduate medical studies. Since 2014, GPs have been able to conduct pre-operation examinations for patients with common diseases. Legislation passed in 2015 granted GPs broader rights and responsibilities in treating chronic patients

¹³⁸ Smatana M, Pažitný P, Kandilaki D, Laktišová M, Sedláková D, Palušková M, van Ginneken E, Spranger A (2016). Slovakia: Health system review

¹³⁹ Smatana M, Pažitný P, Kandilaki D, Laktišová M, Sedláková D, Palušková M, van Ginneken E, Spranger A (2016). Slovakia: Health system review

¹⁴⁰ Smatana M, Pažitný P, Kandilaki D, Laktišová M, Sedláková D, Palušková M, van Ginneken E, Spranger A (2016). Slovakia: Health system review

¹⁴¹ Smatana M, Pažitný P, Kandilaki D, Laktišová M, Sedláková D, Palušková M, van Ginneken E, Spranger A (2016). Slovakia: Health system review

¹⁴² Slovak Republic: Country Health Profile 2019 URL: <https://doi.org/10.1787/c1ae6f4b-en>

who used to require specialist care, like patients with diabetes¹⁴³. In addition, average pay for doctors, including general practitioners, increased by more than 50% from 2011 to 2017¹⁴⁴.

In 2017, the government implemented changes in the **pharmaceutical sector** to better manage expenditures. Reimbursement conditions for drugs were specified and the market entry of innovative and generic drugs was more regulated. Centralised procurement was introduced, accompanied by a revised external reference pricing system. These measures yielded significant results, with expenditure decreasing for the first time in 2017¹⁴⁵.

Slovakia introduced its public **eHealth** system in 2018 after almost a decade of development, aided by EU funding. This system enables health professionals to electronically document patient-related data like medical history. Prior to this, a private eHealth system was widely used due to the absence of a public alternative. Although the switch to the public eHealth system became obligatory in 2018, the private system remains popular among practitioners¹⁴⁶.

Updated rules to ensure the availability of **general outpatient care** providers are applied from February 2022. This is the first part of the reform of general outpatient care, the result of which will be the provision of a sufficient number of qualified general practitioners throughout the territory of Slovakia. The role of the newly adopted government regulation is to annually review the public minimum network, update the list of deficiency districts and classify them according to their degree of vulnerability.

Recently adopted legislation on the **hospital network** has the potential to improve the quality of healthcare and cost-efficiency. Moreover, the RRP focuses on home-based and community-based provision of the long-term and care services, reinforcing palliative care and addressing this sector's fragmented governance. The basic parameters of the adjustment of the hospital network were introduced. As part of network optimisation, a hierarchy of hospital care providers (5 levels) is defined depending on the complexity of the care provided, the range of services, and time availability. The mandatory services that providers will have to provide at each level are set by law.

RESPONSE TO CRISIS | Slovakia is facing a significant **shortage of nurses**, with nurse-to-population ratios consistently decreasing since 2000. The number of nursing graduates has also decreased drastically by more than half between 2009 and 2019. This trend is attributed to factors like an ageing workforce, comparatively low wages compared to neighbouring countries, emigration, unfavourable working conditions, extended working hours, and the relatively low status of the profession¹⁴⁷.

To address this shortage, the government has initiated various measures such as expanding training capacity and offering financial incentives. For instance, a scholarship was introduced in 2018 for nursing students, with the requirement that they work in the country for at least five years after completing their training. Salaried nurses saw an average remuneration increase of over 40% from 2011 to 2017¹⁴⁸. In 2018, the government decided to increase the salaries of nurses and all non-medical health professionals further by at least 10%¹⁴⁹.

In response to the pandemic, the Ministry of Health **extended the definition of "health care professional"** in 2020 to include students studying general medicine, nursing, or emergency health care. Additionally, a supplementary payment was implemented in 2021 for health workers directly engaged with COVID-19 patients in hospitals¹⁵⁰.

¹⁴³ Slovak Republic: Country Health Profile 2019 URL: <https://doi.org/10.1787/c1ae6f4b-en>

¹⁴⁴ Slovak Republic: Country Health Profile 2021 URL: <https://doi.org/10.1787/4ba546fe-en>

¹⁴⁵ Slovak Republic: Country Health Profile 2019. URL: <https://doi.org/10.1787/c1ae6f4b-en>

¹⁴⁶ Slovak Republic: Country Health Profile 2019. URL: <https://doi.org/10.1787/c1ae6f4b-en>

¹⁴⁷ Slovak Republic: Country Health Profile 2021. URL: <https://doi.org/10.1787/4ba546fe-en>

¹⁴⁸ Slovak Republic: Country Health Profile 2021. URL: <https://doi.org/10.1787/4ba546fe-en>

¹⁴⁹ Slovak Republic: Country Health Profile 2019. URL: <https://doi.org/10.1787/c1ae6f4b-en>

¹⁵⁰ Slovak Republic: Country Health Profile 2021. URL: <https://doi.org/10.1787/4ba546fe-en>

Starting in 2021, the government plans to boost employment and incentives for healthcare professionals in the field of cancer care, particularly focusing on the training of clinical trial coordinators and clinical research nurses. Additionally, a pilot project funded by the EU Human Resources Operational Program was endorsed in 2021 to allocate resources for mobile palliative teams to cover all Slovak regions¹⁵¹.

Enhancing the “integrated care centres” and introducing greater task sharing between doctors and other healthcare professionals can facilitate career opportunities for non-medical staff¹⁵².

Living conditions pillar

KEY STAKEHOLDERS | The **Ministry of Labour, Social Affairs and Family** is the executive body playing a central role in formulating and ensuring the implementation of social policies in the Slovak Republic. As indicated above, the Ministry combines the functions relating to the living conditions and the economic output pillars of human capital. The key areas of its responsibility include labour and employment (creating a balanced labour market, protecting employees’ rights and ensuring the protection of employees), family and social assistance (combating poverty, decreasing reliance on social benefits, and creating a sustainable social support system), and social insurance and pension scheme (designing legislation in the fields of social insurance and pensions, ensuring fair redistribution of pensions)¹⁵³.

Alongside the Ministry, one of the executive bodies that provide the social security coverage in Slovakia is the **Social Insurance Agency** which performs duties related to health insurance, pension insurance, employer’s liability insurance, social insurance, accident insurance, guarantee insurance and unemployment insurance¹⁵⁴. Also, the **Central Office of Labour, Social Affairs and Family** is a state administration body ensuring the performance of state administration in the areas of social affairs and employment services¹⁵⁵. The **Local Offices of Labour, Social Affairs and Family** support the work of the executive bodies on the lower administrative level.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | After 1989, the Slovak Republic faced an urgent need to transition from a socialist social system to a modern social security system that would comply with international standards and European benefits as well as solve the existing issues in the society. Some of the early changes consisted of the following¹⁵⁶:

- the Employment Act was introduced in 1991 with the goal of **providing assistance to unemployed people**, the number of which was growing in the period of transition to market-based economy and massive privatisation, and to ensure the provision of financial assistance;
- changes regarding the wage policy included **abolishing the centralised regulation of wages, establishing the minimum wage**, and introducing individual and collective bargain;
- the new family policy aimed to provide **higher protection of families, especially those in or at the risk of poverty**, which included the provision of social support to families in selected situations, such as child birth benefit, child birth extra benefit, parental benefit, funeral benefit, foster care benefits, etc.;
- transformation of the broad framework of the social security system, covering the establishment of living minimum and poverty line; furthermore, a **three-pillar social security system** (social insurance, social support and social assistance) was developed which generally meets the European standards;

¹⁵¹ EU Country Cancer Profile: Slovak Republic 2023. URL: <https://doi.org/10.1787/01a8d361-en>

¹⁵² Slovak Republic: Country Health Profile 2019 URL: <https://doi.org/10.1787/c1ae6f4b-en>

¹⁵³ Ministry of Labour, Social Affairs and Family of the Slovak Republic. URL: <https://www.employment.gov.sk/en/>

¹⁵⁴ Sociálna poisťovňa. URL: <https://www.socpoist.sk/socialne-poistenie/o-socialnej-poistovni/o-institucii/zakladna-charakteristika>

¹⁵⁵ Ústredie práce, sociálnych vecí a rodiny. URL: https://www.upsvr.gov.sk/ustredie-psvr.html?page_id=211

¹⁵⁶ Ondrej Botek. 20 years of transformation of social policy in Slovakia - current state and main challenges. *Procedia - Social and Behavioral Sciences*, 143 (2014) 852 – 856. doi: 10.1016/j.sbspro.2014.07.489

- reformation of the pension system, with the current **pension insurance relying on three pillars**: 1st compulsory - (organised and guaranteed by state), 2nd voluntary (capitalisation) (organised and guaranteed by state and pension companies) and 3rd voluntary (private).

Among the latest reforms in Slovakia were the **tax and welfare reforms in 2004**. The welfare reform specifically addressed the issue of excessive reliance on social benefits which were often high compared to wages and the resulting unemployment. The reform introduced an “**activation program**” which significantly reduced the basic benefits but offered an additional allowance if a recipient was making an effort to improve his/her situation through participation in volunteering activities, retraining programs, etc. Also, the benefits were reduced in cases if a recipient earned labour income in order to encourage reliance on personal income rather than on social assistance benefits. The reform allowed to reduce the budget spendings on social assistance while also significantly improving work incentives for lower-income earners¹⁵⁷.

Despite a number of changes that have been implemented over the past three decades, several issues remain unsolved regarding the social system in Slovakia. In 2009, 96% of the poorest quintile was covered by social safety nets, which was higher than both the average for its region (46%) and the average for its income group (70%)¹⁵⁸. In Slovakia, a mostly voluntary scheme has been introduced instead of a universal coverage in social security. Approximately one third of the population (mostly official employees) is covered by the public **pension scheme** and contributes to it. Another third of the population is similarly a member of the pension scheme, but contributes only the lowest payment amount required by law. Their old-age benefits would be therefore below social minimum and such a social group is likely to need social aid. The final third of the population (unemployed, partly employed, not active, students and others) is not part of any pension scheme¹⁵⁹. The current configuration of the system entails certain risks for social groups that are not fully covered by the public pension scheme similar to the current situation in Ukraine.

RESPONSE TO CRISIS | Slovakia has been able to largely distance itself from the EU migration crisis in 2015 due to strict border control policies and immigration procedures. The country is more likely to **accept migrants from neighbouring or other EU countries rather than the third countries**. For example, in 2021, Slovakia registered 167,519 foreigners with a residence permit (3.07% of the total population), while the main countries of origin were Austria, Czechia, Hungary, Poland and Ukraine (totaling 52.1% of the immigrant population)¹⁶⁰. It also results in **different benefits that migrants from different countries receive**: while the regulations guarantee uniform treatment for all EU nationals and their accompanying family members in terms of accessing social security benefits in Slovakia, citizens residing in foreign countries not encompassed by bilateral agreements with Slovakia frequently encounter restricted or even absent access to social protection. This includes unemployment, healthcare, pension, family and other benefits that a person can be subject to under the Slovak law. Besides, bilateral agreements with certain countries might not cover all the spheres; for example, the agreement with Ukraine does not concern the area of social assistance benefits¹⁶¹.

¹⁵⁷ David Moore. Slovakia's 2004 Tax and Welfare Reforms. IMF Working Paper. July 2005. URL:

<https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Slovakias-2004-Tax-and-Welfare-Reforms-18298>

¹⁵⁸ Slovak Republic Human Capital Index. 2020. URL:

https://databankfiles.worldbank.org/public/ddpext_download/hci/HCI_2pager_SVK.pdf?cid=GGH_e_hcpeexternal_en_ext

¹⁵⁹ Global Challenges and Social Welfare in Slovakia. Vedecko-Odborný Interdisciplinárny Recenzovaný Časopis, Zameraný Na Oblasť Spoločenských, Sociálnych A Humanitných Vied. 2013. URL: <https://www.prohuman.sk/socialna-praca/global-challenges-and-social-welfare-in-slovakia>

¹⁶⁰ Slovakia - Migrants & Refugees Section. Integral Human Development. URL: <https://migrants-refugees.va/country-profile/slovakia/>

¹⁶¹ Jaroslav Kováč. Migrants' Access to Social Protection in the Slovak Republic. *Migration and Social Protection in Europe and Beyond*, Volume 1, pp 379–390. URL: https://link.springer.com/chapter/10.1007/978-3-030-51241-5_25

Economic output pillar

KEY STAKEHOLDERS | The **Ministry of Labour, Social Affairs and Family** serves as a central executive body for labour policy formulation and implementation in the Slovak Republic. It is responsible for labour and employment issues, protecting employees' rights, regulating relations between employers and employees, and others.

The Ministry also exercises management and control over the **National Labour Inspectorate** and assumes responsibility for the execution of labour inspections. The National Labour Inspectorate serves as a nationwide administrative body tasked with overseeing labour inspection duties. It administers and supervises labour inspectorates while harmonising and optimising their methodologies. **Labour inspectorates**, on the other hand, are regional administrative entities responsible for overseeing labour inspection activities concerning employers and self-employed individuals who are not employers. The labour inspection's scope of activities encompasses the oversight of the following: adherence to labour law provisions governing employment relationships, including working conditions for specific groups like women, adolescents, home-based workers, individuals with disabilities, and those under the age of fifteen; compliance with legal regulations governing civil service; adherence to legal and other provisions aimed at ensuring occupational safety and health, encompassing regulations governing workplace conditions; enforcement of legal provisions pertaining to the prohibition of unlawful work and illicit employment; and fulfilment of obligations arising from collective agreements¹⁶².

Also, the **Central Office of Labour, Social Affairs and Family** oversees state administration for social affairs and employment services, with support from **Local Offices of Labour, Social Affairs and Family** at the lower administrative level.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | The recent developments in the Slovak employment policies have been aimed at adopting the EU legislation in this area. In 2022, an **amendment to the Labour Code** incorporates the guidelines set forth in the **EU Directive on transparent and predictable working conditions in the European Union** and the **EU Directive on work-life balance for parents and carers**. From the employers' perspective, the recent modifications to the fundamental components of employment contracts offer the advantage of creating contracts with simplified terms. Nonetheless, employers must ensure that they provide employees with written information detailing working conditions and terms of employment, if requested by the employee¹⁶³.

This amendment, stemming from European legislation incorporated into the national legal framework, places a heightened emphasis on **safeguarding employees' rights**. Its aim is to enhance working conditions and strike a balance between work and family life for employees. For example, according to the amendment, **fathers will be entitled to a two-week paid leave within six weeks of the child's birth**, irrespective of whether the child's mother receives maternity or parental allowance. Also, **employers will be prohibited from restricting employees from engaging in additional paid activities outside the working hours** set by the employer. However, it is important to note that this provision does not impact any existing restrictions related to competitive activities¹⁶⁴.

RESPONSE TO CRISIS | Slovakia remains among countries with a relatively high rate of labour emigration within the Central European area and an outflow of university students, especially to the Czech Republic. To combat that, in 2021 the country adopted the "**Migration Policy of the Slovak Republic: Perspective until the Year 2025**". Its main goal is **well-managed labour migration** to ensure the integration of foreigners, security for nationals and migrants, and long-term coexistence¹⁶⁵. Through the strategy implementation, Slovakia aims to solve the existing demographic problems (population ageing,

¹⁶² Labour Inspection. URL: <https://www.mpsvr.sk/en/labour-employment/labour-inspection/>

¹⁶³ Slovakia: Labour Code amendment focuses on transparency & work life balance. Wolf Theiss. 2 November 2022. URL: <https://www.wolftheiss.com/insights/slovakia-extensive-amendment-to-the-labour-code/>

¹⁶⁴ Slovakia: Labour Code amendment focuses on transparency & work life balance. Wolf Theiss. 2 November 2022. URL: <https://www.wolftheiss.com/insights/slovakia-extensive-amendment-to-the-labour-code/>

¹⁶⁵ Slovakia - Migrants & Refugees Section. Integral Human Development. URL: <https://migrants-refugees.va/country-profile/slovakia/>

decrease in the number of workforce due to low birth rates and emigration, especially of young specialists) and to attract work migrants to fill in the present gaps.

Additionally, authorities are **expanding childcare facilities to increase female labour force participation** and are **scaling up efforts to increase the social inclusion of disadvantaged groups**, such as the long-term unemployed¹⁶⁶. In 2018, parliament **simplified the conditions for hiring third-country nationals in selected professions** with a documented shortage of qualified labour in districts where the registered unemployment rate is below 5%. For companies employing fewer than 30% of third-country nationals, an expedited procedure allows vacancies to be filled rapidly by recruiting a temporary foreign worker¹⁶⁷.

In 2019, the government of Slovakia adopted a new **“Strategy for Digital Transformation of Slovakia 2030”**, aiming at reform of the education system to improve the employability of graduates, **introduce lifelong learning programmes and ensure that school pupils gain relevant digital skills**¹⁶⁸. After the pandemic restrictions were imposed, the strategy became pivotal to further development and improvement of the labour market in Slovakia.

¹⁶⁶ Slovak Republic: 2019 Article IV Consultation-Press Release. 2019. URL: <https://www.imf.org/~media/Files/Publications/CR/2019/1SVKEA2019001.ashx>

¹⁶⁷ How do Economies in EU-CEE Cope with Labour Shortages?: <https://wiiw.ac.at/how-do-economies-in-eu-cee-cope-with-labour-shortages-dlp-5641.pdf>

¹⁶⁸ How do Economies in EU-CEE Cope with Labour Shortages?: <https://wiiw.ac.at/how-do-economies-in-eu-cee-cope-with-labour-shortages-dlp-5641.pdf>

3.5. The Czech Republic

KEY TAKEAWAYS

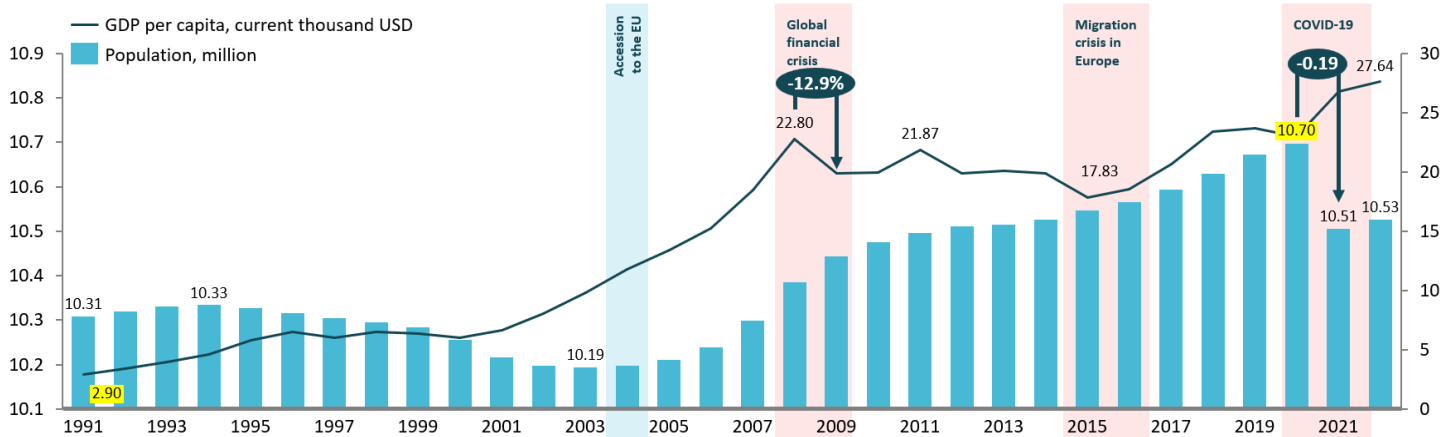
- The **HDI of the Czech Republic grew by 20.9% over the 1990-2019 period**, with its highest value of 0.897 in 2019. Although experiencing a minor decline in the past two years, the country maintains a global position at 32nd. The progress is also noticeable in economic growth, with **GDP per capita expanding almost tenfold** from USD 2.9 thousand in 1991 to **USD 27.6 thousand in 2022**, with accelerated growth around EU accession.
- The **expected years of schooling** in the Czech Republic rose from 11.8 years in 1991 to **16.2 years in 2021**, surpassing Ukraine's 2021 result as early as 2006. Meanwhile, **government expenditure on education** varied around 4% of GDP during 1998-2014, amounting to **5.1% in 2020**. Alongside, health-related achievements are evident in the **rise of life expectancy** from 71.9 years in 1991 to **79.2 years in 2019**, despite a decrease to 77.4 years in 2021 due to the pandemic. **Government health expenditure per capita** increased from USD 304.2 in 2000 to **USD 1.9 thousand in 2020**, underscoring a comprehensive approach to human capital development.
- The Czech Republic has a **comprehensive framework of government authorities**, with separate bodies performing the duties of policy formulation in the fields education, science and innovation, and science, which is rather uncommon among the researched countries. Also, the **Ministry of Digitisation** has been created to support the processes of technological advancement in the country, covering all spheres of human capital.
- The **education system operates with a strong emphasis on decentralisation**, where administrative regions and municipalities play pivotal roles in shaping educational policies and overseeing various education levels. The Ministry of Education, Youth and Sports leads national education policy development and collaborates with other ministries and stakeholders to address areas like ECEC and VET. **Stakeholder engagement** is vital, **involving teacher and student representative groups**, and collaborative platforms for policy discussions.
- The governance of the education system has seen transformative reforms through **Long-term Plans for Education**, aiming to address regional disparities, enhance learning capacity, and improve efficiency. The **Digital Education Strategy** has effectively integrated digital technology into education, advancing digital skills and promoting innovation. During the pandemic, **collaboration with stakeholders and surveys** facilitated understanding of crisis impacts, while the digital strategy aided in transitioning to online learning.
- Czechia has a universal social health insurance system with **seven public health insurance funds** functioning as payers and buyers of care. The Ministry of Health and its agencies play a significant role in setting the health policy agenda, along with health insurance funds and professional associations to a lesser degree. **Public and patient involvement in policy and decision-making** is also progressively increasing.
- Healthcare reforms introduced a **new risk adjustment scheme, transparent price settings, and financing and reimbursement improvements** while enhancing specialised and emergency care through trauma centre expansion, reclassification of hospital wards and creation of community mental health care centres. The COVID-19 pandemic led to **eHealth advancements** like mandatory electronic prescriptions and sick leaves.
- Dealing with shortages in healthcare professionals and regional inequalities due to low wages, limited career prospects, and migration remains a significant challenge. Measures like **salary hikes and revised specialist roles, qualifications and competencies** were implemented. The state started to promote vacancies actively and offered subsidies in underserved areas.
- The social policy of the Czech Republic has been **significantly influenced by European integration**. The existing **social security system consists of three pillars** - social insurance (mainly covering the matter of pension insurance), social support (regulation of benefits payment, including benefits to children), and social assistance (overseeing the adjustment of the living minimum), which generally complies with the EU standards in this area.
- One of the spheres of particular attention in the Czech Republic is the **Roma integration policy**. With regard to this matter, the government implements the 2011 EU Framework for National Roma Inclusion Strategies (NRIS), while taking measures on the national level to **promote anti-discriminatory framework**.
- Along with other European countries, the Czech Republic reacts to the demographic crisis and population ageing by adopting measures to **aid the changing society and support senior citizens** with the goal of ensuring their **positive and active ageing**.

- The Czech Republic was successful in **attracting qualified foreign workers through the scheme of liberalised immigration policies**: foreign migrants work as compliments to the Czech workers which allows for higher productivity and growth.

General overview of human capital development

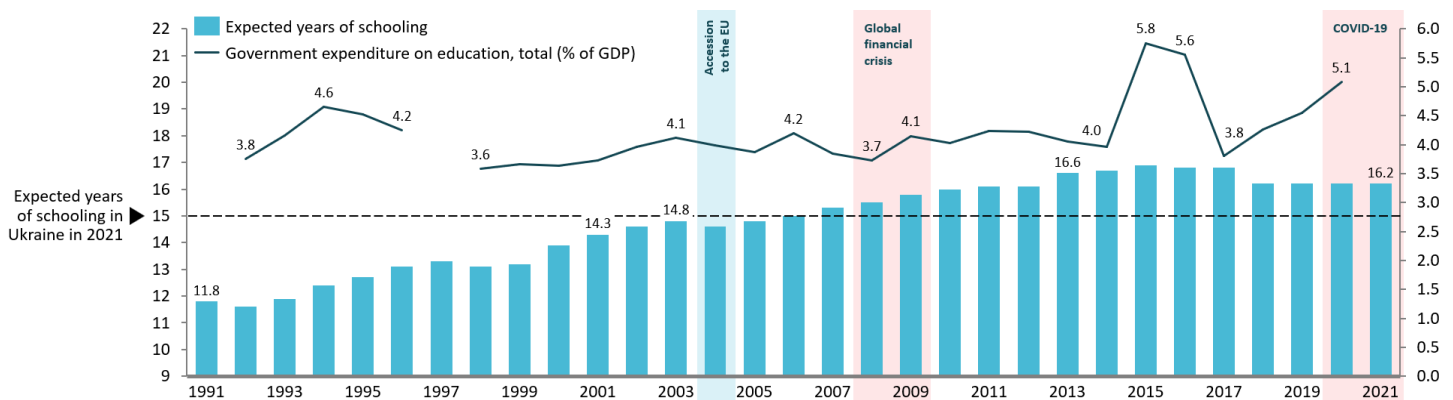
Since the fall of communist in 1991, the Czech Republic has witnessed a noteworthy advancement in human capital development. The **Human Development Index** growth accounted for **+20.9% over the 1990-2019 period**, whereas the highest HDI of 0.897 was reached in 2019. However, HDI 2021 equals 0.889 (-0.9% during the last 2 years). From 2015 to 2021, the Czech Republic has experienced a decline in its global ranking, dropping by six positions to now hold the 32nd position, which remains significantly ahead of Ukraine¹⁶⁹. Along with that, the country has seen considerable economic growth, with the **GDP per capita** having increased almost tenfold, from USD 2.9 thousand in 1991 to **USD 27.6 thousand in 2022**. The fastest growth was recorded in the period from 2000 to 2008, which is before and right after the EU accession (see Figure 22).

Figure 22. GDP per capita and population in the Czech Republic, 1991-2022.



The Czech Republic has demonstrated an increase in the number of **expected years of schooling**, with the indicator growing from 11.8 years in 1991 to **16.2 years in 2021**. An apex by this parameter was reached in 2015 with 16.9 years. Meanwhile, the country outperformed Ukraine's 2021 result back in 2006, even though the gap remains relatively small (see Figure 23). As for the **government expenditure on education**, during 1998-2014 it stayed at about the level of 4% of GDP, skyrocketing to 5.8% in 2015. In 2020, the indicator stood at **5.1% of GDP**, which is higher than the average value over the entire period.

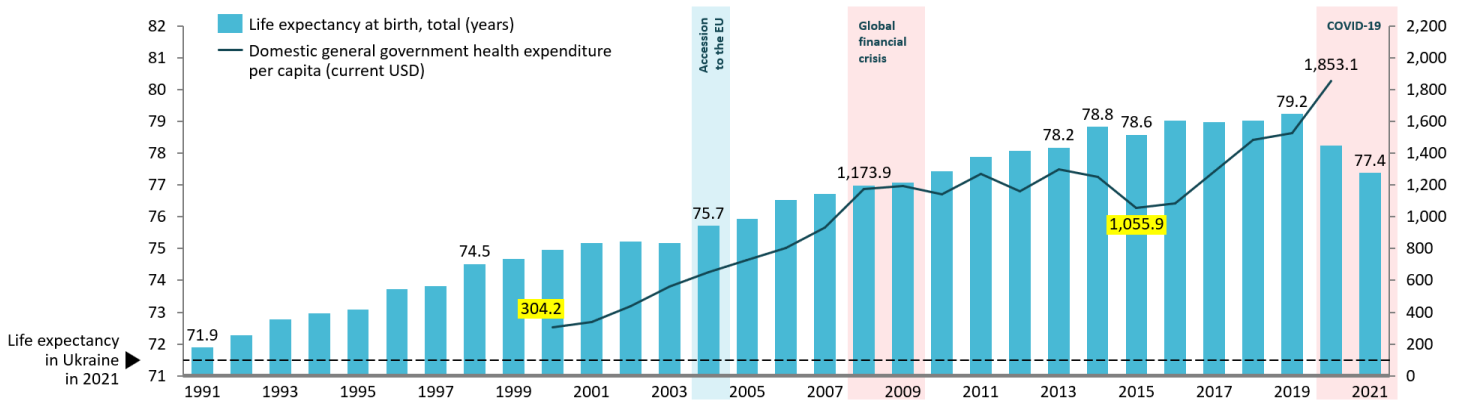
Figure 23. Expected years of schooling and government expenditure on education in the Czech Republic, 1991-2021.



¹⁶⁹ Human Development Index (HDI). URL: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

Considering the health domain of human development in the Czech Republic, **life expectancy at birth** has grown remarkably from 71.9 years in 1991 to **79.2 years in 2019** (see Figure 24). Even though the country witnessed a decline in life expectancy during the COVID-19 pandemic (in **2021** the parameter equaled **77.4 years**), it still significantly exceeds Ukraine’s life expectancy in 2021. Parallel to this, **domestic general government health expenditure per capita** has increased six times, enlarging from USD 304.2 in 2000 to **USD 1.9 thousand in 2020**, with a consistent growth from 2000 to 2013 and from 2016 to 2020.

Figure 24. Life expectancy at birth and government health expenditure per capita in the Czech Republic, 1991-2021.

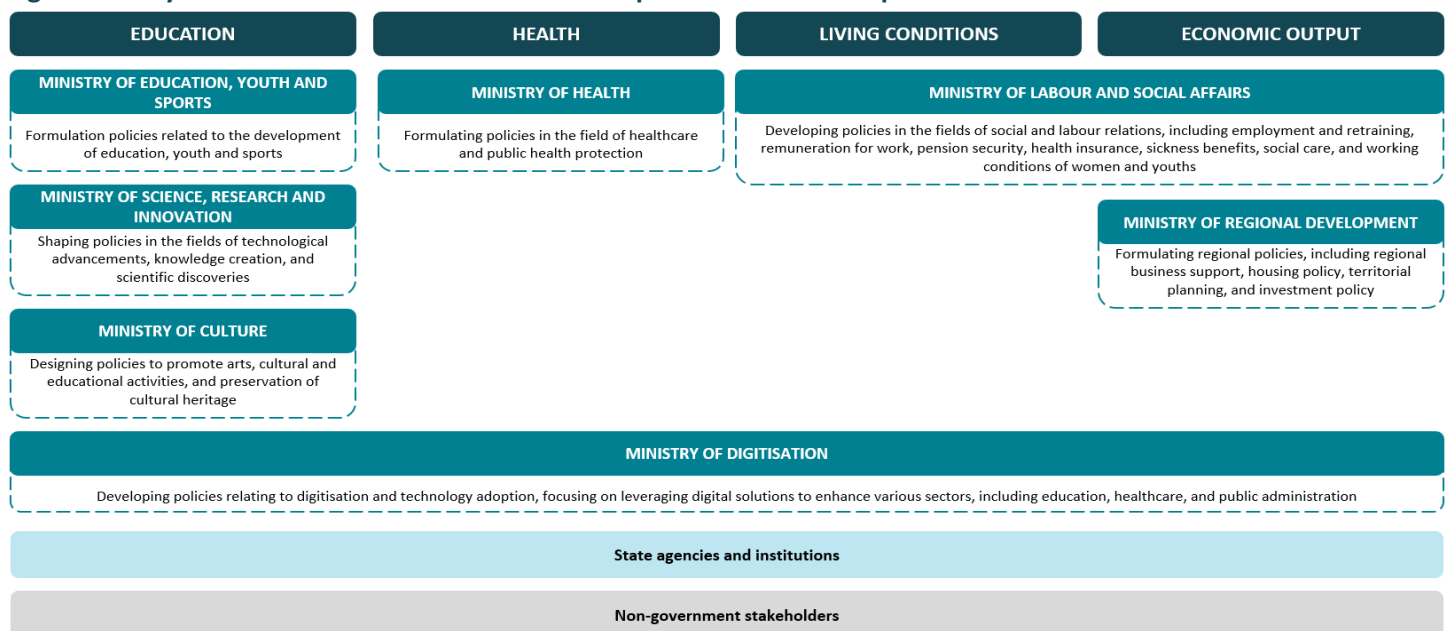


Despite the impact of economic shocks along with the COVID-19 crisis, the Czech Republic has succeeded in securing stable human capital growth over the past three decades. It resulted in notable results in economic, education, health, and other domains, creating favourable conditions for human development in the country.

Stakeholders responsible for the development of human capital

The Czech Republic has several government stakeholders responsible for the implementation of human capital policies. Some of them combine functions related to several pillars of human capital, whereas certain Ministries perform cross-sectoral tasks that cannot be attributed to a distinct pillar of human capital (see Figure 25).

Figure 25. Key stakeholders in the field of human capital in the Czech Republic¹⁷⁰.



¹⁷⁰ Government of the Czech Republic - Ministries. URL: <https://www.vlada.cz/en/clenove-vlady/ministerstva/>

As for the education pillar of human capital, the **Ministry of Education, Youth, and Sports** is a central authority responsible for the education system, overseeing pre-school facilities, elementary and secondary schools, and universities. It also formulates policies related to youth, international cooperation in education and sports.

The **Ministry of Science, Research, and Innovation** is dedicated to advancing science, R&D and fostering innovation. The Ministry supports initiatives that lead to technological advancements, knowledge creation, and the transfer of scientific discoveries into practical applications.

The **Ministry of Culture** is responsible for promoting arts, cultural and educational activities, focuses on the preservation of cultural heritage, protection of cultural monuments, matters related to churches and religious societies, and press regulations. The Ministry is also involved in radio and television broadcasting, copyright regulations, and the production and trade of cultural goods.

The **Ministry for Digitisation** is another important stakeholder involved in human capital policies. It is responsible for activities related to digitisation and technology adoption, focusing on leveraging digital solutions to enhance various sectors, including education, healthcare, and public administration. However, given that the Ministry does not have tasks of enhancing the digital competences of the population and does not directly participate in the educational activities, it cannot be considered as a stakeholder within the education pillar of human capital. Thus, it is rather a crucial body performing cross-sectoral tasks which also has a significant impact on the effectiveness of human capital policies.

The **Ministry of Health** is the central authority responsible for healthcare and public health protection, thus conducting activities within the health pillar of human capital. It oversees health research activities, health facilities, drug regulation, natural health resources, and health insurance. It also oversees the Czech Spa Inspectorate and the Inspectorate of Narcotic Drugs and Psychotropic Substances, addressing specific health-related concerns.

The **Ministry of Labour and Social Affairs** is the primary authority of the state administration responsible for social and labour relations. Therefore, its functions are linked to two pillars of human capital, namely living conditions and economic output pillars. The Ministry's responsibilities include ensuring the safety of labour, employment and retraining, collective bargaining, wages and other remuneration for work, pension security, health insurance, sickness benefits, social care, and working conditions of women and youths.

Additionally, within the economic output pillar, the **Ministry of Regional Development** is involved in shaping human capital policies by focusing on formulating regional policies, including regional business support, housing policy, territorial planning, and investment policy.

Education pillar

KEY STAKEHOLDERS | The education system in the Czech Republic demonstrates a **strong emphasis on decentralisation**. The country's 14 administrative regions are responsible for devising long-term plans for their respective educational systems, in alignment with national guiding documents. Furthermore, these regions oversee upper secondary education within their jurisdictions. In terms of pre-school and basic education, the responsibility falls upon the approximately 6,000 municipalities. However, due to the relatively small size of many municipalities, a significant number manage just one school, and in certain instances, none at all. This decentralised structure, coupled with the diverse array of available school types and educational paths, contributes to the distinct and fragmented nature of the Czech education system¹⁷¹.

The development of national education policy and long-term objectives across all education levels in the Czech Republic is overseen by the **Ministry of Education, Youth and Sports**. This ministry collaborates not only with other educational institutions but also with **various governmental bodies** including the Ministry of Labour and Social Affairs as well as the

¹⁷¹ Education Policy Outlook - Czech Republic. OECD. June 2020. URL: <https://www.oecd.org/education/policy-outlook/country-profile-Czech-Republic-2020.pdf>

Ministry of Industry and Trade. Such collaboration is particularly pertinent to areas such as Early Childhood Education and Care (ECEC), labour market dynamics, and vocational guidance¹⁷². Furthermore, **other entities in the Czech Republic** also contribute to the implementation of the national education policy. For example, the National Pedagogical Institute offers methodological support and professional development, while the Centre for Evaluation of Educational Achievement conducts standardised assessments. The Czech School Inspectorate evaluates educational quality, and the National Accreditation Bureau for Higher Education oversees accreditation. Additionally, the Centre for Higher Education Studies provides research support. These bodies collectively play vital roles in shaping and evaluating the education system in the country.

In the Czech Republic, **engaging stakeholders is a mandatory practice**¹⁷³ for specific policy domains, such as the national educational program and collective labour agreements. Notable stakeholders encompass teacher representative groups (e.g., Czech Moravian Trade Union of Education Workers), school principals (e.g., Association of Basic School Principals), and student bodies (e.g., Czech Secondary School Union). Collaborative platforms like the Association of Regions and the Union of Towns and Municipalities play crucial roles in educational governance, voicing member perspectives in national policy dialogues.

In the Czech Republic, the **authority for schooling decisions** is largely vested in the schools themselves. Since 2003, schools have held independent legal status and substantial autonomy, with approximately two-thirds of significant educational choices being made at the school level. The remaining one-third of decisions predominantly occur at the local level, with only a minimal 2% of decisions being managed by central administration¹⁷⁴. In terms of curriculum, schools craft contextually appropriate School Education Programmes (SVPs) based on the Framework Educational Programme, a crucial national guideline. These SVPs are developed by school teams under the leadership of the principal. Notably, primary, secondary, and higher vocational education schools are legally obligated to establish a school council, consisting of representatives from the school founder, staff, and parents. At the higher education level, institutions (public and private university-type institutions offering courses up to doctoral level, non-university types offering largely bachelor's programmes, and tertiary professional schools) also have a high level of autonomy.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | Recent reforms in the country are directed to remove high regional variance in education performance, increase learning capacity of some regions and municipalities (considering high fragmentation of education governance) and improve efficiency in the school network.

The governance of the education system in the country has seen significant developments through its Long-term Plans for Education. **The Long-term Plan for Education and the Development of the Education System**¹⁷⁵ (2015-2020) focused on strategic goals from the previous plan, aiming to enhance access to pre-school education, allocate more resources to secondary VET students, upgrade school facilities, and elevate teaching standards. **The new Long-term Plan (2019-2023)**¹⁷⁶ emphasises teacher pay improvement, curriculum review and implementation, and enhancing school management and facilities. Notably, the National Pedagogical Institute (NPI) is currently revising the **Framework Education Programme (RVP) for kindergarten, primary, and secondary schools**¹⁷⁷ to align learning outcomes with the National Register of Qualifications, incorporating 21st-century competencies alongside traditional subjects.

¹⁷² Ministr školství, mládeže a tělovýchovy. URL: <https://www.msmt.cz/>

¹⁷³ Education Policy Outlook - Czech Republic. OECD. June 2020. URL: <https://www.oecd.org/education/policy-outlook/country-profile-Czech-Republic-2020.pdf>

¹⁷⁴ Education at a Glance 2018: OECD Indicators. 2018. URL: <https://doi.org/10.1787/eag-2018-en>

¹⁷⁵ The Long-term Plan for Education and the Development of the Education System of the Czech Republic for the period 2015-2020. URL: <https://www.msmt.cz/vzdelavani/skolstvi-v-cr/dlouhodoby-zamer-vzdelavani-a-rozvoje-vzdelavaci-soustavy-3>

¹⁷⁶ DZ ČR 2019-2023. Ministerstvo školství, mládeže a tělovýchovy. URL: <https://www.msmt.cz/vzdelavani/skolstvi-v-cr/dz-cr-2019-2023>

¹⁷⁷ Education Policy Outlook - Czech Republic. OECD. June 2020. URL: <https://www.oecd.org/education/policy-outlook/country-profile-Czech-Republic-2020.pdf>

The Digital Education Strategy to 2020¹⁷⁸ has played a pivotal role in integrating digital technology across the education system. Developed through collaboration with educators, experts, and various stakeholders, this strategy aims to introduce new learning approaches using digital technology, enhance students' digital competence, and develop their information technology knowledge. Implementation measures include equitable digital infrastructure access, innovation promotion, and public awareness campaigns. The strategy's action plan, evaluated in 2019, showcased significant progress in advancing digital skills among students and fostering innovation, although challenges such as resource constraints and shifting stakeholder priorities remained.

RESPONSE TO CRISIS | During the COVID-19 pandemic, the Czech Republic undertook proactive measures to understand the impact of the crisis on its education system¹⁷⁹. Collaborating with key stakeholders, including teachers' representative groups, school principals, and students' associations, the government conducted **surveys to gain valuable insights into the experiences of various education system participants**. These surveys aimed to capture the challenges and perspectives of stakeholders during the pandemic, enabling policymakers to make informed decisions and tailor responses that effectively addressed the unique needs of the education sector. This inclusive approach demonstrated the government's commitment to maintaining a pulse on the education community and ensuring that policies were responsive to the evolving circumstances brought about by the pandemic.

The digital strategy mentioned above also helped the country to cope with challenges. The emphasis on **developing digital skills among students and fostering innovation** and best practices proved exceptionally valuable during the transition to online learning prompted by the COVID-19 pandemic.

Health pillar

KEY STAKEHOLDERS | Since the 1990s, Czechia's social health insurance (SHI) system has ensured almost universal membership and comprehensive benefits, funded by mandatory wage-based contributions and government transfers. Health insurance is obligatory, ensuring widespread healthcare access. Seven public health insurance funds (HIFs) serve as payers and buyers of care, competing by offering additional benefits alongside standard coverage. The Ministry of Health (MZČR) and its agencies are most influential in shaping the health policy agenda, alongside health insurance funds and, to a lesser extent, professional associations. Many healthcare providers are owned by the state (including most teaching hospitals and specialised centres), the regions, or municipalities¹⁸⁰.

The Ministry of Health is a central administrative body in healthcare policy, responsible for policy development, healthcare provider management, facility management, natural curative sources, and reimbursement negotiations. The Ministry directly manages large hospitals, including educational and specialised care centres, and also oversees psychiatric and therapeutic centres and public health protection agencies. It oversees and works closely with its subsidiary bodies: the National Institute of Public Health, the Institute of Health Information and Statistics, the State Institute for Drug Control, and the regional public health authorities. These institutions are under the Chief Public Health Officer's management and are responsible for areas ranging from research, and occupational safety to infectious disease control¹⁸¹.

Regional authorities register private institutions, including individual private practices and stationary state-controlled institutions. These regional governments also act as investors and coordinators, owning hospitals and overseeing emergency care¹⁸².

¹⁷⁸ STRATEGIE DIGITÁLNÍHO VZDĚLÁVÁNÍ DO ROKU 2020. 2014 URL: <https://www.msmt.cz/uploads/DigiStrategie.pdf>

¹⁷⁹ Initial education policy responses to the COVID-19 pandemic: Czech Republic. OECD. 2020. URL: <https://www.oecd.org/education/policy-outlook/covid-snapshot-Czech-Republic.pdf>

¹⁸⁰ Bryndová L, Šlegerová L, Votápková J, Hroboný P, Shuftan N, Spranger A. Czechia: Health system review. *Health Systems in Transition*, 2023; 25(1): i–183

¹⁸¹ Bryndová L, Šlegerová L, Votápková J, Hroboný P, Shuftan N, Spranger A. Czechia: Health system review. *Health Systems in Transition*, 2023; 25(1): i–183

¹⁸² Bryndová L, Šlegerová L, Votápková J, Hroboný P, Shuftan N, Spranger A. Czechia: Health system review. *Health Systems in Transition*, 2023; 25(1): i–183

Health Insurance Funds (HIFs) collect SHI contributions and pay for member services through provider contracts. They ensure a provider network meets legal accessibility requirements (however, HIFs have limited influence on provider locations). VZP, the largest HIF covering 56% of the population, also redistributes contributions and state budget transfers among the seven HIFs based on risk-adjustment criteria¹⁸³.

In Czechia, three **professional healthcare organisations** are legally established: the Czech Medical Chamber, the Czech Dental Chamber, and the Czech Chamber of Pharmacists. Membership in these chambers is mandatory for practising physicians, dentists, and pharmacists. They ensure ethical behaviour, education, and represent members' interests. **Voluntary associations** like the Association of General Practitioners and the Association of Ambulatory Care Specialists negotiate reimbursement rates with HIFs. The Czech Medical Association of J.E. Purkyně promotes evidence-based medical knowledge and closely cooperates with MZČR. The Czech Association of Nurses is the largest organisation for nurses. There are four **hospital associations** that advocate for inpatient facilities. Professional organisations participate in MZČR's Working Group, which negotiates the fee schedule referred to as the List of Health Services(LHS). This Working Group comprises various stakeholders, including professional chambers, other organisations, hospital representatives, HIFs, and more¹⁸⁴.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | Since 2005, the healthcare system of Czechia has witnessed significant changes. Notable among them are the implementation of a new **risk adjustment scheme** between 2005 and 2006, aimed at redistributing social health insurance contributions among insurance funds. Additionally, the year 2008 saw the introduction of **user fees** for doctor visits, hospital stays, prescription medications, and out-of-pocket expenses. This period also marked the inclusion of the State Institute for Drug Control in determining **maximum pharmaceutical prices** to enhance transparency of price settings. Furthermore, a program launched in 2008 provided **extra financial aid** to accredited healthcare providers for training nurses and physicians¹⁸⁵.

Recent reforms in the health system have focused on **financing and reimbursement improvements**. These changes include linking state payments to SHI for economic efficiency, MDAs reimbursement, innovative and orphan drug reimbursement modifications, and DRG payment refinements¹⁸⁶.

Quality of **emergency care** was enhanced by expanding the specialised trauma centres network to include designated networks for traumatology, oncology, and other key treatments across the country. This has led to improved access to specialised care, resulting in reduced mortality rates for ischemic heart disease and stroke, among other positive indicators. Additionally, some hospital wards have been reclassified as highly specialised care centres, facilitating specific pharmaceutical provisions (usually costly medicines). Certain hospitals have been designated as acute inpatient emergency care providers to ensure general provision in specific regions¹⁸⁷.

In the past decade, **public and patient involvement** in policy and decision-making has been progressively enhanced. The Health Service Act marked a pivotal moment by legally defining patient rights for the first time. Subsequent reforms introduced the Patients' Council and Patients' Rights Support Unit under MZČR, formalising patient engagement initiatives. Recent legislation like Health 2030 has further solidified the role of patients in the health system. Notably, in 2022, with the introduction of new legislation on drug reimbursements, MZČR gained the responsibility to register patient organisations¹⁸⁸.

¹⁸³ Bryndová L, Šlegerová L, Votápková J, Hrobon P, Shuftan N, Spranger A. Czechia: Health system review. *Health Systems in Transition*, 2023; 25(1): i–183

¹⁸⁴ Bryndová L, Šlegerová L, Votápková J, Hrobon P, Shuftan N, Spranger A. Czechia: Health system review. *Health Systems in Transition*, 2023; 25(1): i–183

¹⁸⁵ Overview of healthcare system in the Czech Republic. 2012. URL: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3375100/>

¹⁸⁶ Overview of healthcare system in the Czech Republic. 2012. URL: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3375100/>

¹⁸⁷ Bryndová L, Šlegerová L, Votápková J, Hrobon P, Shuftan N, Spranger A. Czechia: Health system review. *Health Systems in Transition*, 2023; 25(1): i–183

¹⁸⁸ Bryndová L, Šlegerová L, Votápková J, Hrobon P, Shuftan N, Spranger A. Czechia: Health system review. *Health Systems in Transition*, 2023; 25(1): i–183

The **mental health** reform of 2011 aimed to improve the lives of individuals with mental illnesses by shifting care from psychiatric hospitals to community/outpatient settings, fostering collaboration and coordination between health and social services. This strategy prioritises multidisciplinary teams, enhanced professional accessibility, and reduced stigma. A program initiated in 2017 introduced community mental health care centres, which had already served 3,489 individuals by 2020. These centres, staffed by a range of experts including psychiatrists, psychologists, nurses, and social workers, focus on severe mental conditions. The goal is to establish 100 such centres by 2030¹⁸⁹.

As part of the ongoing **primary care** reform primary care physicians' roles are expanding and new competencies are added. For example, they now may oversee stabilised diabetes patients and monitor recovered oncology patients without treatment needs, conducting specialised check-ups. This change benefits patient accessibility and eases oncology centres' load¹⁹⁰.

New **E-Health** functionalities, some after years of being resisted, were rolled out during the COVID-19 pandemic, and have helped to reduce the administrative burden overall. In 2018, electronic prescriptions became mandatory for all providers. Patients receive prescription details through various means, like email, SMS, paper, or unique identifier apps (like QR codes). In 2020, extended features were added, such as accessing long-term prescription records and checking for duplicates. Since 2020, GPs exclusively issue electronic sick notes, automatically notifying employers through the Czech Social Security Administration¹⁹¹.

RESPONSE TO CRISIS | Efforts to address **shortages and regional imbalances in general practitioners, paediatricians, and nurses** persist as a significant challenge. The dearth of medical professionals is primarily attributed to factors like inadequate remuneration, limited career progression, migration trends to neighbouring countries, and an ageing workforce. Various measures have been implemented, including raised salaries for healthcare practitioners. Also, the Ministry of Health revised qualification requirements for nurses and introduced efforts to augment medical university capacity by 15% along with intern numbers. Moreover, the preference for urban hospitals among doctors presents an additional hurdle. Smaller medical facilities confront staffing challenges, potentially leading to scarcities, especially in rural regions. Czech law mandates primary care accessibility within a 35-minute travel radius, and the Ministry of Health actively promotes vacancies and extends subsidies to establish practices in underserved areas^{192,193}.

Living conditions pillar

KEY STAKEHOLDERS | The **Ministry of Labour and Social Affairs** is the primary authority performing tasks related to the social sphere in the Czech Republic and simultaneously formulating the labour policy which is related to the economic output pillar of human capital. Its scope of responsibility encompasses social policy areas such as disability support, social services, family policy, and social benefits. It also oversees social security matters including pensions and sickness insurance, as well as employment concerns spanning the labour market, support for employment, and the engagement of foreign workers. The agency is involved in labour legislation, occupational safety and health, gender equality between women and men, the European Social Fund, and various other issues pertaining to social and labour domains¹⁹⁴.

Several institutions maintain profound cooperation ties with the Ministry of Labour and Social Affairs, ensuring the formulation and implementation of balanced social policy in the Czech Republic. One of them is the **Czech Social Security**

¹⁸⁹ Bryndová L, Šlegerová L, Votápková J, Hrobon P, Shuftan N, Spranger A. Czechia: Health system review. *Health Systems in Transition*, 2023; 25(1): i–183

¹⁹⁰ Bryndová L, Šlegerová L, Votápková J, Hrobon P, Shuftan N, Spranger A. Czechia: Health system review. *Health Systems in Transition*, 2023; 25(1): i–183

¹⁹¹ Bryndová L, Šlegerová L, Votápková J, Hrobon P, Shuftan N, Spranger A. Czechia: Health system review. *Health Systems in Transition*, 2023; 25(1): i–183

¹⁹² Czech Republic: Country Health Profile 2021 URL: <https://doi.org/10.1787/8b341a5e-en>

¹⁹³ Czech Republic: Country Health Profile 2019 URL: <https://doi.org/10.1787/058290e9-en>

¹⁹⁴ Ministerstvo práce a sociálních věcí. URL: <https://www.mpsv.cz/web/en>

Administration (CSSA)¹⁹⁵ which is responsible for social security (pension and sickness insurance) and medical assessment services to define the health condition of citizens for the purposes of the benefits paid by CSSA and the Labour Office of the Czech Republic. Within the sphere of its competence there also are the matters of benefits for employees, such as paternity benefit, compensatory benefit in pregnancy and maternity, long-term attendance allowance, and others.

Also, the Ministry of Labour and Social Affairs works closely with the **Office for International Legal Protection of Children**¹⁹⁶ which guarantees that the child's perspective is acknowledged and their rights are upheld in family matters in the Czech Republic and beyond its boundaries.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | After the start of decommissioning in 1989 and even more so after the Czech Republic became independent in 1993, the country underwent profound transformations of its social policy. The new system was being built on the principles of liberalism and pluralism, complemented by the establishment of a protective social network. The conception of social reform was built upon three pillars which have seen the following changes¹⁹⁷:

- **Compulsory social insurance, reacting to foreseeable situations in a citizen's life.** A compulsory social insurance was introduced in 1992, with both employees and employers being contributors to the Social Insurance Fund (the state covers the insurance contribution for children, pensioners, parents on maternity or paternity leave, the unemployed, persons with disabilities, soldiers and prisoners). Also, the **base pension insurance law** adopted in 1995 envisions the old-age pension as a dual-component system. It comprises a fixed amount disbursed universally and another component tied to the years of employment and the income earned. The law is grounded in the principle of significant financial redistribution, prioritising individuals with lower earnings levels. As a result, the Czech Republic has an old-age insurance system differing remarkably from that of the continental Europe as it does not exclude the possibility of the pension falling below the living minimum, while the management of resources is in the hands of the Ministry of Finance instead of an independent public corporation (Social Insurance Fund).
- **State social support, reacting to unforeseeable social events.** In 1995, a new law was passed to regulate the payment of certain benefits, including child allowance, social contribution, parental allowance, benefit for foster-parent care, birth allowance, and others. However, the major change was the introduction of the new approach to granting benefits to children which was linked to family income and could not surpass the amount of three living minimums.
- **Social assistance built on the principle of aid to citizens who find themselves in an emergency situation.** The new laws authorised the government to adjust the living minimum in alignment with shifting living expenses and to uphold the proportional relationship between the living minimum and the average income.

Visible attention in the Czech Republic has also been paid to the **Roma integration policies**. The latest strategic document adopted by the Czech government in this regard is the Roma Integration Strategy for 2015-2020, which also **implemented the 2011 EU Framework for National Roma Inclusion Strategies (NRIS)**. Additionally, the situation of Roma is being addressed in the strategic documents of the Ministry of Interior and the Ministry of Education, Youth and Sports. In the aspect of governance, the Office of the Government of the Czech Republic was assigned three public officials responsible for executing and managing the Czech NRIS. Also, each ministry engaged in the process has a designated official who serves as contact point, monitors and reports to the central office. Importantly, a governmental advisory council on Roma

¹⁹⁵ About the Czech Social Security Administration (CSSA). URL: <https://www.cssz.cz/web/lang/cssz>

¹⁹⁶ About the Office. URL: <https://www.umpod.cz/web/en/about-the-office>

¹⁹⁷ Martin Potůček. The Czech Social Reform After 1989 - Concepts And Reality. Institute of Sociological Studies. URL: <https://www.martinpotucek.cz/wp-content/uploads/2019/10/social-reform.pdf>

community affairs was created in 1997, having the representation of Roma civil society members, as well as the representatives of the Ministry of Justice, the Ministry for Regional Development, the Ministry of Social Affairs, the Ministry of Education, the Ministry of Culture, and the Ministry of Health¹⁹⁸.

RESPONSE TO CRISIS | Among the key challenges that the Czech Republic faces today, along with many European countries, is the ageing of the population. While in 2019, 19.9% of the population were 65 years or older, by 2050 this number is projected to increase to 29%, nearly one third of the population. Therefore, since the 2000s measures have been taken to create a more sustainable environment for the growing number of senior citizens which covers all domains of human life. The **National Action Plan for Positive Ageing for the Period 2013-2017** aimed to **aid the society in adjusting to the changing environment and to support senior citizens in order to ensure active ageing**. The priorities of the Plan included implementation of the policy of the preparation for ageing, ensuring and protection of human rights of older persons, providing lifelong learning opportunities, creating conditions for employment of older workers and seniors, encouraging volunteering and intergenerational cooperation, setting quality environment for the life of seniors, supporting healthy ageing, and guaranteeing health and social care for elderly¹⁹⁹.

The continuous efforts in this area resulted in adoption of the **Strategic Framework For The Preparation For Societal Ageing for 2021-2025**, the purpose of which is to formulate the strategic approach to the preparation of the society for ageing. The document outlines ten fundamentals for preparation for ageing, namely the following: fair pensions; more accessible and quality social and health services; more accessible and barrier-free housing for the elderly; supporting the sandwich generation and informal family caregivers; preparing the state administration for societal ageing; supporting the family and human relationships; safe life of senior citizens, fight against discrimination, violence and so-called crooks, higher consumer protection; lifelong learning, labour market and active ageing; barrier-free public space; and awareness raising and media coverage of ageing. Importantly, the Strategy targets the traditional areas of needs of senior citizens (financial security, health and social care, housing, etc.) but also addresses the modern challenges, such as the Internet security of older people, discrimination based on age, gender, sexuality or other features, etc.²⁰⁰.

Economic output pillar

KEY STAKEHOLDERS | The **Ministry of Labour and Social Affairs** in the Czech Republic serves as the primary authority responsible for social policies and labour-related matters, including formulating labour policies tied to human capital's economic output. It manages various aspects of social policy such as disability support, social services, family policy, and social benefits, alongside overseeing social security concerns like pensions and sickness insurance. The Ministry is also involved in labour legislation, occupational safety, gender equality, and engagement with foreign workers.

The other institutions to which the Ministry provides methodological support and other guidance include **Labour Offices**, **State Labour Inspection Office**, and **Regional Labour Inspectorates**, all of which perform duties relating to the matters of employment and labour market regulation.

Three government-funded organisations function under the supervision of the Ministry of Labour and Social Affairs, namely the **Research Institute for Labour and Social Affairs**²⁰¹ which is entitled to applied research on labour and social affairs issues at a regional, national and international level, corresponding to the current demand of the government or

¹⁹⁸ Pavlovaite Inga. Social and Employment Policies in the Czech Republic. Policy Department for Economic, Scientific and Quality of Life Policies. URL: [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/618993/IPOL_STU\(2018\)618993_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/618993/IPOL_STU(2018)618993_EN.pdf)

¹⁹⁹ National Action Plan for Positive Ageing for the Period 2013–2017. Ministry of Labour and Social Affairs of the Czech Republic. URL: https://www.mpsv.cz/documents/20142/953091/NAP_EN_web.pdf/75098fbf-2912-91e1-7547-c41ad26bfbe1

²⁰⁰ Strategic Framework For The Preparation For Societal Ageing for 2021-2025. Ministry of Labour and Social Affairs of the Czech Republic. URL: https://www.mpsv.cz/documents/20142/372809/Strategic_framework_for_the_preparation_for_social_ageing_2021-2025_Fin.pdf/783c32cb-012f-27e1-329f-90efd9eda045

²⁰¹ About the Institute. URL: <https://old.rilsa.cz/en/about-the-institute/>

non-governmental and private organisations; the **Technical Inspection of the Czech Republic**²⁰², fulfilling the tasks of state professional supervision in the field of safety of the operation of reserved technical equipment; and the **Occupational Safety Research Institute**²⁰³ carrying out research in the field of occupational safety and health.

Additionally, within the economic output pillar, the **Ministry of Regional Development** is involved in shaping human capital policies by focusing on formulating regional policies, including regional business support, housing policy, territorial planning, and investment policy.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | The overall employment policy of the Czech Republic is set in the **Employment strategy 2013-2020** which pivoted the **expansion of access to employment, in particular for disadvantaged groups on the labour market** through **active employment policy tools, gender equality provision** and further development of employment services to **strengthen the capacity of the Labour Office (PES)**. One of the key target groups for the policy implementation were immigrants from other countries which could facilitate the improvement of the negative demographic trajectories²⁰⁴.

Overall, the policy turned out to be successful: the number of immigrants increased twofold between 2013 and 2016 (from 30 thousand to about 64 thousand²⁰⁵), which was significantly more than in neighbouring Poland and Hungary. However, later on the inflow of migrants slowed down and labour market shortages persisted. In order to combat labour shortage risks, **special programmes were introduced to recruit qualified workers**. In 2019, authorities passed legislation to **facilitate the employment of non-EU nationals**, in particular for skilled and qualified workers (key and scientific personnel, qualified and highly qualified employees). Some of the programmes were extended to additional countries (e.g. Belarus, Moldova, Montenegro), while quotas were set for a maximum number of applications for long-term visas for the purpose of business and employment²⁰⁶.

RESPONSE TO CRISIS | The Czech Republic has one of the EU's largest refugee populations overall and per capita, as well as one of the key destination countries for refugees from Ukraine. By the end of June 2023, over 530,000 Ukrainians were granted Temporary Protection status in the country, and almost 350,000 had an active status²⁰⁷. At the EU level, the Czech Republic advocates **strong anti-immigration positions**, having been one of just five countries voting against the Global Compact for Safe, Orderly, and Regular Migration in December 2018. Even though the country feels the **need to attract skilled foreign workers due to the demographic problems and workforce shortage**, labour migration policies are quite protective of native and EU-origin workers. Consequently, the policies that have been recently proposed and ratified are based on a security-oriented framework centred on regulating migration and increasing the selectivity of incoming immigrants. However, the full value of human capital is often not captured, with tertiary-education migrants arriving with higher education levels than required for their work in the Czech labour market. This underemployment occurs for 45% of Ukrainian workers and for 21% of foreign workers overall. At the same time, labour migrants usually fill in the existing gaps on the labour market rather than compete with Czech workers, who are less willing to work in unskilled, low-paid occupations²⁰⁸.

²⁰² Technická inspekce České republiky. URL: <https://www.ticr.eu/inpage/o-nas/>

²⁰³ Profile of OSRI. URL: <https://vubp.cz/en/about-us/profile-of-osri/>

²⁰⁴ EMPL: Social and Employment Policies in the Czech Republic, 2018, URL: [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/618993/IPOL_STU\(2018\)618993_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/618993/IPOL_STU(2018)618993_EN.pdf)

²⁰⁵ EMPL: Social and Employment Policies in the Czech Republic, 2018, URL: [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/618993/IPOL_STU\(2018\)618993_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/618993/IPOL_STU(2018)618993_EN.pdf)

²⁰⁶ How do Economies in EU-CEE Cope with Labour Shortages? URL: <https://wiiw.ac.at/how-do-economies-in-eu-cee-cope-with-labour-shortages-dlp-5641.pdf>

²⁰⁷ Czech Republic. UNHCR. 2023. URL: <https://www.unhcr.org/countries/czech-republic>

²⁰⁸ Dušan Drbohlav and Kristýna Janurová. Migration and Integration in Czechia: Policy Advances and the Hand Brake of Populism. Migration Policy Institute. June 6, 2019. URL: <https://www.migrationpolicy.org/article/migration-and-integration-czechia-policy-advances-and-hand-brake-populism>

3.6. Japan

KEY TAKEAWAYS

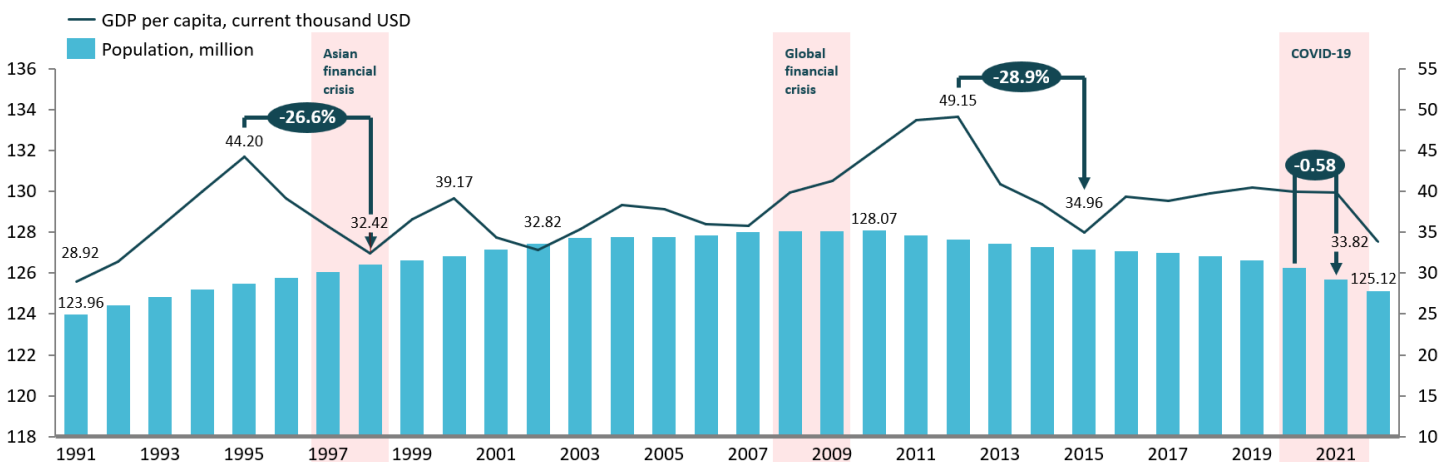
- Japan has been developing its human capital related spheres since the postwar era of 1955-1990. The upward trend continued over the last decades, placing Japan consistently among the **world's human capital leaders**. The nation's **HDI went up** from 0.845 in 1990 to a **peak of 0.925 in 2021**, reflecting a stable growth rate. Ranking 19th globally in the HDI, Japan's economic indicators are equally impressive, with a **GDP per capita of USD 33.8 thousand in 2022**. While economic shocks and internal stagnation have impacted Japan's economy, its **population has also witnessed a gradual decline** from 128 million in 2010 to **125 million in 2022**.
- Japan's education profile closely resembles Ukraine's, only surpassing Ukraine's score in 2014 in **expected years of schooling (15.2 years in 2021)**. Government expenditure on education as a percentage of GDP amounted to 3.4% in 2021. Life expectancy in Japan is significantly higher than in Ukraine, with the indicator increasing steadily since the 1990s. While in 1991 **life expectancy at birth** was at 79 years, **in 2020 it reached a peak of 84.6 years**. Simultaneously, Japan has high values of government health expenditure per capita, which grew from USD 2.2 thousand in 2000 to USD 3.7 thousand in 2020.
- The **institutional framework in the field of human capital in Japan is reasonably optimised**, with the two key Ministries, namely the **Ministry of Education, Culture, Sports, Science and Technology** and the **Ministry of Health, Labour and Welfare**, performing the duties of policy formulation in the respective fields. The supplementary functions are exercised by the government agencies, playing an important role within the policy formulation and implementation stages.
- In Japan, at the national level, comprehensive educational measures are designed and implemented to **bolster equal opportunities and elevate standards**. Concurrently, local governments spanning **47 prefectures and municipalities are tasked with crafting and executing education strategies considering their unique contexts**. The Ministry of Education, Culture, Sports, and Science and Technology is responsible for education from early childhood to upper secondary levels, while vocational training falls under the Ministry of Health, Labour and Welfare's jurisdiction.
- Guided by a vision of enhancing education at all levels, Japan has made comprehensive reforms and strategic advancements, including the **increase of stakeholders' engagement in education policy design**, the establishment of integrated **Compulsory Education Schools** to streamline learning experiences, and the formulation of the **Third Basic Plan for the Promotion of Education** to prioritise ICT integration and lifelong learning.
- **Japan's healthcare system**, based on a public health insurance system, is deeply **decentralised**, divided between the Ministry of Health, Labor and Welfare, prefectural and municipal governments, and public health centres. This **decentralisation offers flexibility and a focus on local needs**. Recent reforms are aimed at strengthening the local provision of health services by expanding the powers of prefectures and municipalities in maintaining the quality of health care.
- Japan's healthcare system tackles **two major challenges: fiscal pressure and an ageing population**. Many of the reforms are aimed at containing costs that are rising due to the health care of an ageing demographic, as well as at reducing the financial burden of the health insurance scheme. The **Long-term Care Insurance system** was implemented for individuals aged 65 and above, requiring constant revisions. This framework also introduced a **transition from a hospital-centred long-term care model to a community-based approach**.
- Similarly to the case of South Korea, the living conditions pillar related stakeholders usually perform functions which are also related to the health pillar of human capital. This results in **erosion of boundaries between the healthcare and social welfare sectors in these East Asian countries**, which is, among other things, caused by the specific problems in Japan and South Korea, notably ageing of the population, growing burden on social security sectors, unemployment and social insecurity problems of the youth and families, etc.
- Given the specific demographics of Japan (rapidly ageing population, low birth rate, and gender inequality), the Government has been developing **measures to support the elderly, along with attempting to reverse the general trend**. Among the measures was the 2004 pension reform that introduced automatic adaptation of benefit levels in response to shifts in demographic compositions, commonly referred to as "macro indexing", and expanding family support to provide assistance to young families and parents.

- An important part of Japanese social policy is the **systematic monitoring of the effectiveness of measures**. The data collection is organised on all levels through direct feedback of service recipients, surveys, and various other methods. The information is then analysed and utilised in the policy formulation process.
- The employment policy of Japan has been targeting specific problematic aspects of the Japanese labour market, including **encouraging the employment of women, extending the working age, and engaging foreign workers** to fill in the gaps on the domestic labour market.

General overview of human capital development

Japan has demonstrated remarkable growth in human development during the postwar period from 1955 until 1990. Further improvement in the past three decades was visible, and Japan is consistently among the world's leaders in human capital. The **HDI** of Japan was 0.845 in 1990 and reached the highest value of 0.925 in 2021, demonstrating stable growth of **+10.56% over the past 30 years**. Human development is one of the highest in the world in Japan with the country occupying the 19th position in the global HDI ranking²⁰⁹. This was complemented by high economic indicators, namely **GDP per capita**, which amounted to **USD 33.8 thousand in 2022**. However, Japan has witnessed significant fluctuations in this area which were mainly linked to the key regional and global shocks, such as the 1997-1998 Asian financial crisis, as well as due to the stagnation of the national economy. Also, the **population** of Japan has been declining gradually over the past decade, reducing from 128 million in 2010 to **125 million in 2022** (see Figure 26).

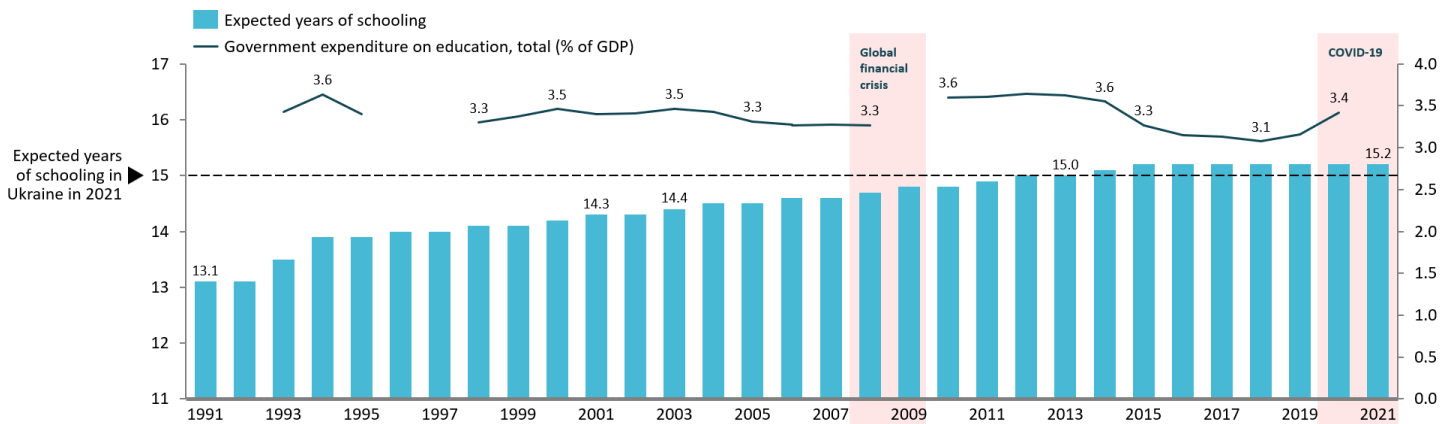
Figure 26. GDP per capita and population in Japan, 1991-2022.



Japan stays the closest to Ukraine in regard to the **expected years of schooling**, and it surpassed Ukraine's current score only in 2014. Overall, this parameter was gradually enhanced in Japan from 13.1 years in 1991 to **15.2 years in 2021**. The **government expenditure on education as % of GDP** also stays below the level of other countries discussed in this report. The parameter witnessed minor fluctuations, generally staying at the level of about 3.5% of GDP. **In 2021**, it amounted to **3.4% of GDP** which was a small uprise compared to the previous years (see Figure 27).

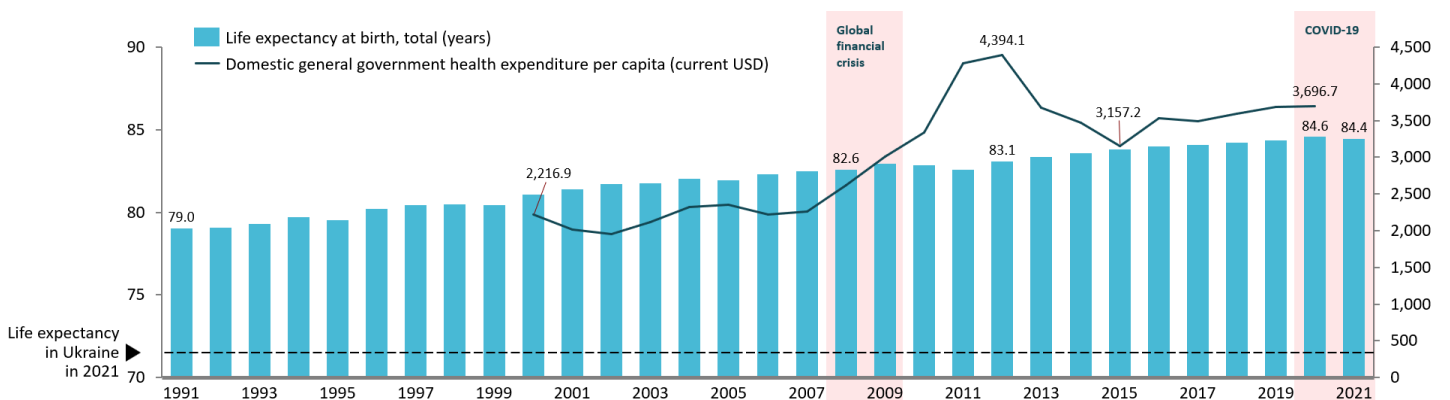
²⁰⁹ Human Development Index (HDI). URL: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

Figure 27. Expected years of schooling and government expenditure on education in Japan, 1991-2021.



Life expectancy in Japan is significantly higher than in Ukraine, with the indicator increasing steadily since the 1990s. While in 1991 **life expectancy at birth** was at 79 years, in 2020 it reached a peak of **84.6 years**. Simultaneously, Japan has high values of **domestic general government health expenditure per capita** (see Figure 28). In 2000, this parameter amounted to USD 2.2 thousand, while in 2020 the expenditure per capita was **USD 3.7 thousand**. However, the highest level was reached in 2012 when government health expenditure per capita accounted for USD 4.4 thousand.

Figure 28. Life expectancy at birth and government health expenditure per capita in Japan, 1991-2021.

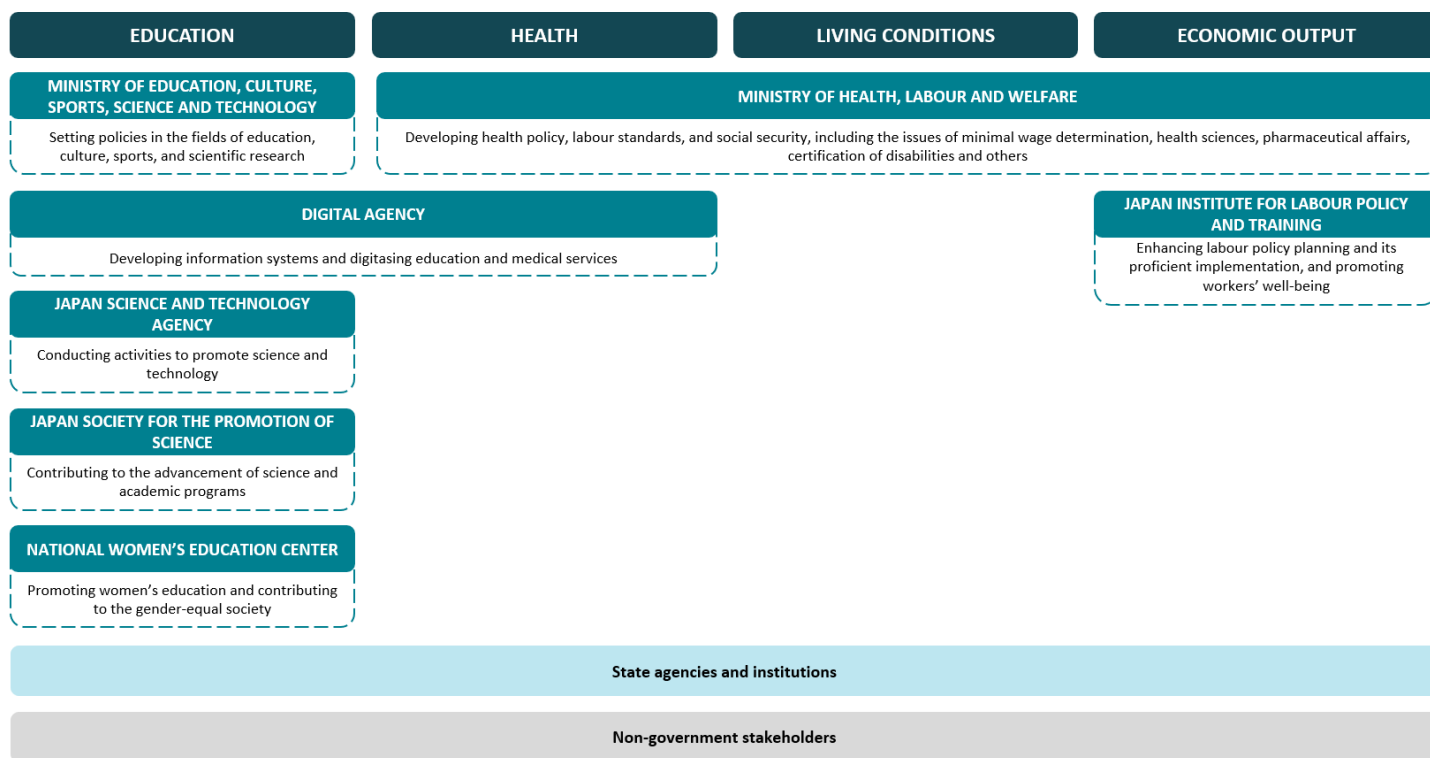


In general, despite stagnation in recent years, Japan demonstrates a high level of human development in economic, education, health, and other domains which leaves the country among the global leaders in human capital advancement.

Stakeholders responsible for the development of human capital

The Japanese government has two primary Ministries within the executive branch which are focused on human capital development (see Figure 29). Despite the surprisingly low number of central executive bodies representing human capital pillars, the activities conducted by the following institutions encompass all pillars of human capital, fulfilling the main goal of ensuring balanced development of human potential.

Figure 29. Key stakeholders in the field of human capital in Japan²¹⁰.



The education pillar of human capital is represented by the **Ministry of Education, Culture, Sports, Science and Technology**²¹¹ which is responsible for setting education policy, developing strategy and design of education curriculum and system structure. The Ministry is split into separate departments which are responsible for culture, sports, developing scientific research and administering national programs.

The **Ministry of Health, Labour and Welfare**²¹² at the same time exercises the functions relating to three pillars of human capital, namely health, living conditions and economic output. The body is split into secretariats and bureaus which are responsible for developing health policy, labour standards, and social security. The Ministry also administers research institutions and various councils dedicated to administering specific functions such as minimal wage determination, health sciences, pharmaceutical affairs, certification of disabilities among others.

Apart from the aforementioned Ministries, several government agencies conduct activities contributing to human capital development within the defined pillars. This includes the following: the **Digital Agency**²¹³, which is working to transform the government services into digital packages and develop the national information system, as well as to digitise the education and medical sectors; the **Japan Institute for Labour Policy and Training**²¹⁴ aiming to enhance labour policy planning and its proficient implementation, advance workers well-being and foster national economic growth; the **National Women's Education Center**²¹⁵ which focuses on promoting women's education and contributing to the gender-equal society; the **Japan Society for the Promotion of Science**²¹⁶ contributing to the advancement of science and academic

²¹⁰ Government Directory. URL: <https://www.japan.go.jp/directory/index.html>

²¹¹ Ministry Government Website. URL: <https://www.mext.go.jp/en/>

²¹² Ministry Government Website. URL: <https://www.mhlw.go.jp/index.html>

²¹³ Ministry Government Website. URL: <https://www.digital.go.jp/>

²¹⁴ JILPT. URL: <https://www.jil.go.jp/english/index.html>

²¹⁵ National Women's Education Center. URL: <https://www.nwec.go.jp/en/>

²¹⁶ Japan Society for the Promotion of Science. Purpose & Functions, History, JSPS Logo. URL: <https://www.jspa.go.jp/english/e-purpose/>

programs in all fields of the natural and social sciences and the humanities; the **Japan Science and Technology Agency**²¹⁷ which plays a central role in promoting science and technology in Japan; and others.

Education pillar

KEY STAKEHOLDERS | The education landscape in Japan operates within a dual-level framework as defined by the Basic Act on Education. At the national level, comprehensive educational measures are formulated and executed to enhance standards and equal opportunities. Simultaneously, local governments, spanning 47 prefectures and respective municipalities, are mandated to design and implement context-specific educational strategies within their regions.

The oversight of Japan's education system is divided among various ministries. **The Ministry of Education, Culture, Sports, and Science and Technology (MEXT)**²¹⁸ takes charge of educational aspects ranging from ECEC to upper secondary levels. This includes establishing national curriculum standards, teacher certification programs, and school setup regulations. On the other hand, vocational education and training fall under the purview of **the Ministry of Health, Labour and Welfare**.

In Japan, **educational decisions primarily rest in the hands of prefectures and municipalities**, particularly concerning school management and teacher allocation. The country's municipalities exhibit a wide-ranging population distribution, encompassing diverse villages, towns, and islands. Particularly in rural areas and small island communities, financial constraints may hinder these municipalities' ability to employ educators and attract them to local schools.

In cases where resource limitations pose challenges, national legislation shifts the responsibility for teacher-related matters in compulsory education from smaller municipalities to prefectures. This transfer is facilitated through the prefectural boards, granting them authority to recruit teachers, distribute them among schools based on input from municipalities and principals, and provide necessary training. Meanwhile, the boards of education within each municipality oversee the daily administration of teacher public services.

With 1,719 municipalities in the country, the **responsibility for compulsory education schools** lies with these local entities. Each municipality features a board of education responsible for the establishment and management of public compulsory schools, while the mayor oversees the education budget²¹⁹.

In the context of **upper secondary education**, the 47 prefectures take the responsibility. Prefecture governors also handle the education budget and private education from ECEC to upper secondary levels. The Ministry of Education, Culture, Sports, and Science and Technology (MEXT) further oversees higher education, with national universities operated by national university corporations, while private institutions serve the majority of students. **Additional education stakeholders** encompass teacher unions, juku institutions²²⁰, and civil society groups, contributing to the multifaceted educational landscape²²¹.

The governance of higher education in Japan involves collaboration between the government and higher education institutions. MEXT takes on the role of setting 6-year mid-term objectives for national university corporations. These institutions then formulate their mid-term plans in alignment with these objectives. MEXT further exercises regulatory oversight by defining the standards for establishing universities. This framework ensures a **balance between government regulations and institutional autonomy** in shaping the higher education landscape in Japan.

The education landscape in Japan involves **participation of other bodies and stakeholders**. For instance, **the Central Education Council**, comprising education experts and representatives from various fields, collaborates with stakeholders

²¹⁷ About JST - Overview. URL: <https://www.jst.go.jp/EN/about/overview.html>

²¹⁸ About MEXT. URL: <https://www.mext.go.jp/en/about/index.htm>

²¹⁹ Education Policy Outlook - Japan. OECD. November 2015. URL: <https://www.oecd.org/education/Japan-country-profile.pdf>

²²⁰ Juku are privately-run, for-profit "cram schools" that provide additional education to students.

²²¹ Education Policy Outlook - Japan. OECD. November 2015. URL: <https://www.oecd.org/education/Japan-country-profile.pdf>

such as parents, economists, athletes, artists, and media professionals. Their role involves producing reports on education matters as requested by the Minister of Education.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | In recent years, Japan's education sector has undergone a series of substantial reforms and developments aimed at enhancing its overall governance and structure. These changes have been focused on improving the way education policies are formulated and implemented at the local level. One noteworthy reform was the amendment of **the Act on the Organization and Operation of Local Educational Administration**²²² in 2014. This amendment aimed to increase the representation of local stakeholders in shaping education policies. The revised law introduced key changes, such as the appointment of superintendents by the local government head, and the organisation of education meetings involving board of education members to discuss and enhance local education policies.

Another significant reform introduced the concept of **Compulsory Education Schools**²²³ in 2016. These schools were established to integrate both elementary and lower secondary education, thereby fostering a more coherent and streamlined educational experience for students. The Ministry of Education, Culture, Sports, Science and Technology played a vital role in disseminating information and creating curricula that would facilitate the successful implementation of this integrated approach. As of 2017, 48 compulsory education schools were established, signalling the commitment to providing a smoother transition between different phases of education and promoting collaborative ties between schools and local communities.

Japan's **Third Basic Plan for the Promotion of Education (2018-2022)**²²⁴ represents another significant milestone in the country's education reforms. This plan is rooted in the principles of its predecessors while also addressing the evolving challenges and anticipating social changes beyond 2030. It sets clear goals for the entire education system, focusing on preparing learners for the demands of the future by emphasising skills relevant to the knowledge economy. A central aspect of this plan is the integration of information and communication technology (ICT) into education to equip students with the necessary digital skills. Moreover, the plan aims to foster a lifelong learning culture and create a strong foundation for carrying out education policies effectively.

RESPONSE TO CRISIS | In light of the ongoing COVID-19 crisis, Japan has responded with a proactive and comprehensive approach to ensure the continuity of education²²⁵. **The Comprehensive Package for Ensuring Children's Learning** has granted schools greater flexibility in managing learning gaps and adapting the pace of education delivery. Additionally, **the GIGA School digital learning program** has been strengthened to support digital learning practices among teachers and provide students with the necessary devices. Higher education students affected by the pandemic have also received support to help them continue their studies despite financial challenges. These measures underscore Japan's commitment to maintaining quality education even in the face of unprecedented challenges, reflecting the country's dedication to equitable and adaptable learning opportunities for all.

²²² Education Policy Outlook - Japan. OECD. November 2015. URL: <https://www.oecd.org/education/Japan-country-profile.pdf>

²²³ Education Policy Outlook 2019 : Working Together to Help Students Achieve their Potential. Japan. OECD. 2019. URL: <https://www.oecd-ilibrary.org/sites/5564ff4a-en/index.html?itemId=/content/component/5564ff4a-en#tablegrp-d1e42372>

²²⁴ Education Policy Outlook 2021 : Shaping Responsive and Resilient Education in a Changing World. Japan. OECD. 2021. URL: <https://www.oecd-ilibrary.org/sites/75e40a16-en/1/3/5/19/index.html?itemId=/content/publication/75e40a16-en&csp=afa978e563bc62d2fa53de0de30815a3&itemIGO=oecd&itemContentType=book>

²²⁵ Education Policy Outlook 2021 : Shaping Responsive and Resilient Education in a Changing World. Japan. OECD. 2021. URL: <https://www.oecd-ilibrary.org/sites/75e40a16-en/1/3/5/19/index.html?itemId=/content/publication/75e40a16-en&csp=afa978e563bc62d2fa53de0de30815a3&itemIGO=oecd&itemContentType=book>

Health pillar

KEY STAKEHOLDERS | Japan's health system, based on the statutory health insurance system, is deeply decentralised, with four main administrative components: the Ministry of Health Labour and Welfare (MHLW), prefectural governments, municipal governments, and public health centres.

The **Ministry of Health, Labour and Welfare** (MHLW) plays a central role in the healthcare system of Japan. The Ministry is responsible for policy development, planning, and evaluation within the healthcare landscape. It consists of the Minister's Secretariat and 11 bureaus, along with external organisations such as the Central Labor Relations Commission, various councils, National Hansen's Disease Sanatoriums, testing laboratories, and quarantine offices. The key health-related bureaus under its purview include Health Policy, Health Service, Pharmaceutical Safety and Environmental Health, Labour Standards, Social Welfare and War Victims' Relief, Health and Welfare for the Elderly, and Health Insurance and Pension. The MHLW also has local branches that are made up of the Regional Bureaus of Health and Welfare and Prefectural Labour Bureaus²²⁶.

Both central and **local (prefectural/municipal) governments** are responsible for ensuring an effective and high-quality healthcare system. The central government sets a consistent fee schedule for insurance reimbursement, provides subsidies, and supervises local governments, insurers, and healthcare providers. It also creates and enforces regulations for insurers and providers at the prefectural level²²⁷.

Healthcare in Japan strictly adheres to the Medical Care Plans (MCP) that are formulated by prefectural governors in collaboration with committees consisting of local medical and dental associations, hospital associations, and stakeholders. These MCPs aim to ensure comprehensive healthcare, from acute to long-term phases, including home care, through collaboration and specialised medical institutions. Each prefecture must create its own MCP based on the regional context and further supervise its implementation. They also conduct annual reviews and inspections of hospitals to ensure compliance with regulations²²⁸. In addition, every prefecture has a **Medical Safety Support Center** for handling complaints and promoting safety²²⁹.

Local health centres, including prefectural and municipal health centres, play an important role in providing health services. They engage in activities like primary care, public health projects, epidemic prevention, and population data analysis. Prefectural public health centres handle broader operations like food hygiene and infectious diseases, while municipal health centres focus on community-oriented services such as infant health checks, cancer screening, and health promotion. Both prefectural and municipal governments set budgets for these centres²³⁰.

Consumer groups, primarily patient organisations, wield significant influence in client and patient advocacy in Japan. With over 3000 patient organisations estimated to exist, they partake as committee members in policy discussions led by the MHLW. However, due to fragmentation and small sizes, only a handful of patient organisations possess substantial leverage over policy-making²³¹.

Professional organisations also play an important role in advocacy. **The Japan Medical Association** (JMA) serves as the national voice for Japanese physicians, focusing on leadership provision, medical ethics, and education standards to safeguard citizens' health. It has a voluntary form and encompasses tasks like advocating health policies, ensuring patient

²²⁶ OECD Reviews of Public Health: Japan URL: <https://doi.org/10.1787/9789264311602-en>

²²⁷ OECD Reviews of Public Health: Japan URL: <https://doi.org/10.1787/9789264311602-en>

²²⁸ OECD Reviews of Public Health: Japan URL: <https://doi.org/10.1787/9789264311602-en>

²²⁹ International Health Care System Profiles. The Commonwealth Fund 2020. URL: <https://www.commonwealthfund.org/international-health-policy-center/system-profiles>

²³⁰ Japan health system review 2018 URL: <https://apps.who.int/iris/handle/10665/259941>

²³¹ Japan health system review 2018 URL: <https://apps.who.int/iris/handle/10665/259941>

safety, promoting access to quality local healthcare, and guiding physicians to navigate health care delivery changes. Representing 60% of licensed physicians, half of whom are general practitioners, constitute the JMA. **The Japanese Nursing Association (JNA)** serves nursing professionals encompassing licensed public health nurses, midwives, and assistant nurses. Its aims involve upholding human dignity, addressing universal health needs, enhancing nursing quality through education, and fostering an environment for nurses' lifelong peaceful careers, all while expanding nursing domains to meet people's needs²³².

The Japan Council for Quality Health Care was established as an independent, non-profit organisation which works to improve quality throughout the health system and develops clinical guidelines. Advanced treatment hospitals have been required to report adverse events to the Council, although it does not have any regulatory power to penalise poorly performing providers²³³.

The Ministry of Health, Labour and Welfare engages in collaborations with various ministries, non-governmental organisations, civil society, and independent administrative agencies such as the National Institute of Infectious Diseases, the National Centre for International Medical Research, and local health centres. However, regarding public health and health policy, cross-government coordination does not appear systematic or a priority²³⁴.

The decentralised health care management system offers many advantages due to its flexibility and focus on the needs of the population of a certain region, but there is concern that such an approach leads to fragmentation and overly diffuse policies²³⁵.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | While substantial focus was directed towards reshaping the funding of health insurance and enhancing long-term care, there was also a parallel drive to bolster local healthcare service provision. This involved empowering prefectures and municipalities to play a more pivotal role in upholding healthcare quality²³⁶.

In 2013, new reforms encouraged **local healthcare institutions to establish effective networks** for resource allocation and functional capacity. Additionally, municipal governments were mandated to **consolidate NHI insurers** at the prefectural level, aiming for stable risk distribution and uniform premium rates within the prefecture²³⁷.

The Regional Healthcare Vision, adopted in 2014, marked the initial government-led effort to regulate **local healthcare service delivery**. This action aimed to empower local prefectural governors, promote collaboration among private/public hospitals for effective local governance and create functional distinctions among hospitals with improved referral networks through hospital performance reports. These reports are aimed to guide discussions for optimal resource allocation²³⁸.

To improve access to timely and suitable healthcare, the establishment of **educational systems for family physicians (GPs)** was formalised in 2017. This move followed discussions among family physicians, general internal medicine physicians, and hospitalists. However, the scarcity of dedicated educators for family medicine remains a challenge for comprehensive family medicine education in the country²³⁹.

²³² Japan health system review 2018 URL: <https://apps.who.int/iris/handle/10665/259941>

²³³ International Health Care System Profiles. The Commonwealth Fund 2020. URL: <https://www.commonwealthfund.org/international-health-policy-center/system-profiles>

²³⁴ OECD Reviews of Public Health: Japan URL: <https://doi.org/10.1787/9789264311602-en>

²³⁵ Japan health system review 2018 URL: <https://apps.who.int/iris/handle/10665/259941>

²³⁶ Japan health system review 2018 URL: <https://apps.who.int/iris/handle/10665/259941>

²³⁷ Japan health system review 2018 URL: <https://apps.who.int/iris/handle/10665/259941>

²³⁸ Japan health system review 2018 URL: <https://apps.who.int/iris/handle/10665/259941>

²³⁹ Ohta R, Sano C (October 28, 2022) Family Physicians as System-Specific Specialists in Japan's Aging Society. *Cureus* 14(10)

RESPONSE TO CRISIS | The Japanese healthcare system confronts two key challenges: **fiscal pressures on the healthcare system** and an **ageing population**. Ageing demographics and rising pharmaceutical and medical device costs have contributed to growing health expenditures, while protracted economic stagnation led to decreased premium and tax revenue intended for use in the public health insurance scheme²⁴⁰.

In 2000, the **Long-term Care Insurance system (LTC)** was introduced, offering a social insurance framework for individuals aged 65 and above in need of long-term care or social services. Periodically reviewed and revised, it strives to balance sustainability, cost-effectiveness, and the quality of care provided²⁴¹.

Starting in 2006, the government started to shift its strategy for healthcare financial sustainability with the Healthcare Structural Reform Package Act. The Act aimed to enhance efficiency in healthcare delivery and strengthen accountability of public health insurers to ensure the system's fiscal stability. In particular, the updated Medical and Health Services for the Elderly Act included requirements for public insurers to promote cost-control through **disease management** and the creation of an **independent insurance scheme for those aged 75 and above**. It also mandated prefectural governments to **improve transparency and governance** in management, share hospital function information with citizens, and set performance evaluation goals for regional healthcare plans²⁴².

Later, in 2010, a joint reform of the **social security and taxation** system was introduced - the Comprehensive Reform of Social Security and Tax. This reform serves as a central policy for healthcare and long-term care and led to the enactment and amendment of various laws over the next years²⁴³.

Positioned within the Long-Term Care Insurance System and associated legislation, the **Community-based Integrated Care System (ICCS)** was built targeting in 2025. This forward-looking system is designed to address the social needs arising from population ageing through a comprehensive approach encompassing medical care, long-term care, preventive care, living support, and housing services within local communities. The shift in service provision is fundamental - moving from a "hospital-centred model" focused on complete recovery to a "community-based model" that prioritises ongoing support within the community while accommodating illnesses. This strategy encourages cooperation between medical institutions and related organisations, aiming for a seamless transition from hospitalisation to home-based care. To fund this integration, each prefectural government is proposed to collect resources through a new fund, utilising expected additional revenue from an increase in the consumption tax rate²⁴⁴.

In 2014, Japan initiated a comprehensive reform plan to enhance the **fiscal sustainability of health and long-term care systems**. The reforms encompassed shifting the role of National Health Insurance insurers to prefectural authorities and expanding the insurance risk pool, as well as amplifying local governments' regulatory role in health services. These reforms also entailed targeted reductions in health service benefits and increased copayments for LTC services. Notably, public coverage for home-based support and care services under the central LTC insurance system was withdrawn, granting local governments autonomy in deciding which services to publicly cover²⁴⁵.

Living conditions pillar

KEY STAKEHOLDERS | The social security system in Japan has a multilevel structure, and on the top level it is managed by the **Ministry of Health, Labour and Welfare (MHLW)**. The Ministry bears primary responsibility for shaping policies and

²⁴⁰ Japan health system review 2018 URL: <https://apps.who.int/iris/handle/10665/259941>

²⁴¹ Community-Based Integrated Care in Japan URL: https://doi.org/10.1596/978-1-4648-1958-2_ch7

²⁴² Japan health system review 2018 URL: <https://apps.who.int/iris/handle/10665/259941>

²⁴³ Japan health system review 2018 URL: <https://apps.who.int/iris/handle/10665/259941>

²⁴⁴ Community-Based Integrated Care in Japan URL: https://doi.org/10.1596/978-1-4648-1958-2_ch7

²⁴⁵ Japan: Promoting Inclusive Growth for an Ageing Society URL: <https://doi.org/10.1787/9789264299207-en>

setting directions of social sector development, as well as oversees the implementation of state programs and measures within the area of its competence. Additionally, MHLW has several affiliated institutions conducting activities in the field of social welfare. They are the National Institute of Population and Social Security Research, the National Homes for Juvenile Training and Education, and the National Rehabilitation Center for Persons with Disabilities. Other bodies within its structure include councils, committees, regional and external bureaus, etc.²⁴⁶.

In Japan, the delivery of social services is also enabled by the work of established **state organisations** which often are entitled to implementing concrete measures designed by the Government in the determined sectors, along with providing specialised services to the population. For instance, in relation to the pension system, two institutions play a primary role: the Japan Pension Service (JPS)²⁴⁷ which is tasked with the operational aspects of public pension systems, including functions of coverage, contribution collection, record management, pension consultation, and the determination and distribution of benefits; and the Government Pension Investment Fund (GPIF)²⁴⁸ which manages and invests the Reserve Funds of the Government Pension Plans entrusted by MHLW.

Responsibilities in sectors of social security are shared between MHLW and **local governments**. For example, with regard to the family support services, the Ministry holds the responsibility of formulating national family service policies, while the implementation of these policies within the national framework falls to **municipalities**, who are accountable for the operational aspects of family services at the grassroots level. The contribution of **prefectural governments** to family services is limited, but they assume a role in offering assistance to individuals with disabilities, often establishing specialised centres at the prefectural level. Both prefectural and municipal governments possess the authority to impose taxes to jointly finance the services they provide.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | Historically in Japan, **social security expenditure started from above 2% of GDP in the late 1950s**. The greater part of the expenditure was diverted towards poverty abeyance such as public living assistance, unemployment relief works, and small payments on social welfare and insurance. With the start of the **national pension system and the national health insurance system (both in 1961)**, which covered virtually every citizen of the country, the government expenditure on social insurance (i.e., the subsidy on benefits) immediately doubled²⁴⁹.

Currently, Japan's social security system offers old-age pension, disability pension, and survivor pension. Japan has a universal, defined-benefit public pension system which is, in principle, a **pay-as-you-go dual-level system**. The initial tier, known as the National Pension system, commences paying off the "basic pension" to all registered residents upon reaching the age of 65, regardless of their occupation or employment situation. In principle, the premiums are uniform for all individuals, as is the complete benefit sum (calculated over 40 years of employment). The subsequent tier, embodied by the Employees' Pension Insurance (EPI), provides supplementary benefits proportional to one's average earnings during employment²⁵⁰.

In 2004, the system underwent significant reform. This revision introduced an **automatic adaptation of benefit levels in response to shifts in demographic compositions**, commonly referred to as "macro indexing". Consequently, over time, the combined expenditure on pension benefits and contributions from households and employers started to not elevate as a proportion of the GDP, despite the accelerated ageing of the population²⁵¹. The incorporation of the reform

²⁴⁶ Organization of the Ministry of Health, Labour and Welfare. URL: <https://www.mhlw.go.jp/english/org/detail/index.html>

²⁴⁷ Japan Pension Service and its Operation. URL: <https://www.nenkin.go.jp/international/aboutjps/operation.html>

²⁴⁸ About GPIF - Profile. URL: <https://www.gpif.go.jp/en/about/profile.html>

²⁴⁹ Human Capital – Japan's Most Important Resource. 1999. URL: <https://www.lehigh.edu/~rfrw1/courses/1999/spring/ir163/Papers/pdf/ear2.pdf>

²⁵⁰ Oshio Takashi. Japan and the Lost Generation's Looming Pension Crisis. Nippon.com. 7 March 2023. URL: <https://www.nippon.com/en/in-depth/a08702/>

²⁵¹ Kenichiro Kashiwase, Masahiro Nozaki, and Kiichi Tokuoka. Pension Reforms in Japan. IMF Working Paper. 2012. URL: <https://www.imf.org/external/pubs/ft/wp/2012/wp12285.pdf>

represented a significant milestone in the government's endeavours to ensure the pension system's sustainability. However, the reforms caused unchecked escalation in pension premiums. Yet, considering the ageing and shrinking population as well as slow economic growth, the "macro indexing" confines the growth of benefits, ultimately leading to reduced real benefit levels. Furthermore, due to the relatively sound financial foundation of the EPI in comparison to the National Pension, the mechanism was devised to exert a more pronounced influence on basic pension benefits (the primary tier) as opposed to earnings-related benefits. Consequently, this disproportionately affects individuals with limited or non-existent earnings-related components²⁵².

As for the **family support services**, starting in April 2015, the implementation of the "**New System of Support for Children and Child Care**" was initiated. This was achieved by augmenting family policy with an annual allocation of 0.7 trillion Japanese yen (approximately USD 6.5 billion) through an increase in the consumption tax. Generally speaking, Japan boasts an array of family support measures designed to assist families with children. The **Community Child Care Support Centres Project** is a nationwide initiative promoting parenting assistance within communities, the goal of which is to foster mutual support among community members, facilitating activities like family meetings, parenting seminars, information exchange, and counselling sessions. Some municipal governments also offer postnatal care programs, providing mental and physical aid along with child-rearing support for mothers and newborns, as well as provide respite care programs to parents temporarily unable to care for their children due to health concerns or other reasons²⁵³.

Importantly, MHLW performs **regular monitoring of the effectiveness of policies** that are implemented, assessing the result on the national and local levels. Policies are shaped by incorporating the viewpoints and requirements of families, which is facilitated through means such as service providers, parental organisations, nationwide surveys, and various other methods. Those directly engaged in delivering family support services, as service providers, attentively listen to the concerns of those seeking assistance in order to comprehend their needs. This feedback is then utilised to influence policy development through avenues like participation in government councils and committees, where their input is acknowledged and taken into consideration²⁵⁴.

RESPONSE TO CRISIS | The key challenge for Japan is a rapidly **ageing population** which is already the oldest in the world as 28.7 % of the population are 65 or older, with women forming the majority. In order to respond to this issue, the government adopted "**Guideline of Measures for Ageing Society**" in February 2018. It lays down basic and comprehensive guidelines for public measures to address the ageing society over the medium and long terms, setting measures in six main fields that together encompass all pillars of human capital. For example, the Living Environment sector aims to **secure rich and stable housing life, comprehensively promote town development for ageing society**, ensure traffic safety and protect from crime and natural disasters, and promote the adult guardianship system²⁵⁵.

Another side of this issue is an **extremely low birth rate** and remaining **significant gap in gender equality**. The government has been aiming to reverse this trend with targeted family policies, first introducing the 1994 "Angel Plan" to assist couples in raising children by **expanding family policies and programmes in childcare service, parental leave schemes** (parents are entitled to up to 24 months of parental leave) **and monetary assistance** (child allowances). In October 2019, the government implemented **cost-free preschool education and daycare facilities** for children aged 3 to 5, even though the capacity of daycare services remains an obstacle. In May 2020, a fresh package was introduced, encompassing measures such as **alleviating the financial strain of fertility treatments**, augmenting child allowances, broadening the scope of free higher education programs, and introducing elevated allowances for paternity leave. Although the measures that have

²⁵² Oshio Takashi. Japan and the Lost Generation's Looming Pension Crisis. Nippon.com. 7 March 2023. URL: <https://www.nippon.com/en/in-depth/a08702/>

²⁵³ Family Support Services - Summary Country Information. Japan. OECD. April 2021. URL: <https://www.oecd.org/social/family/fss2021-Japan.pdf>

²⁵⁴ Family Support Services - Summary Country Information. Japan. OECD. April 2021. URL: <https://www.oecd.org/social/family/fss2021-Japan.pdf>

²⁵⁵ Sawaji Osamu. Measures to Address Japan's Aging Society. Public Relations Office of the Government of Japan. February 2021. URL: https://www.gov-online.go.jp/eng/publicity/book/hlj/html/202102/202102_09_en.html

been implemented manage to mitigate the consequences of the crisis, they have so far failed to bring visible change to the situation²⁵⁶.

Economic output pillar

KEY STAKEHOLDERS | As mentioned earlier, the **Ministry of Health, Labour and Welfare (MHLW)** holds responsibilities across the three pillars of human capital, among which is the economic output. It performs the tasks in the field of labour standards, labour market management, unemployment, relations with employers, and others.

Among other important stakeholders that participate in policy formulation in the area of labour and employment is the **Japanese Trade Union Confederation (RENGO)**²⁵⁷. It is a trade union national centre in Japan which has been working to protect jobs and achieve a better life for all workers since 1989. Also, the **Japan Business Federation (KEIDANREN)**²⁵⁸ was established as a result of merging of the Japan Federation of Employers' Association (Nikkeiren) and the Japan Federation of Economic Organizations (Keidanren) in 2002. Its core purpose lies in ensuring the dynamism of businesses, individuals, and local communities, while working towards bolstering corporate initiatives that foster the sustainable advancement of the Japanese economy and enhance the overall quality of life for the population.

STRUCTURAL REFORMS AND RECENT DEVELOPMENTS | A significant shift in Japan's economic and labour policy took place during the time of Shinzo Abe serving as the Prime Minister from 2012 to 2020. The politics of his party, the Liberal Democratic Party (LDP), has been referred to as Abenomics, and they have had a remarkable impact on the Japanese economy. The initial focus of implementing Abenomics has been primarily on monetary and short-term fiscal stimulus, aimed at **boosting consumption and labour market engagement**, with the "first arrow" of monetary policy involving the introduction of Quantitative and Qualitative Monetary Easing (QQE) by the Bank of Japan to achieve a 2% inflation target²⁵⁹. This did not, however, have a significant impact on the Japanese **labour market** which **was already close to the point of full employment**²⁶⁰.

Progress on implementing growth-enhancing structural reforms (the third arrow) has been more impactful, including those relating to social security (namely **investment reforms at the Government Pension Investment Fund**). The labour market reform led to the aggregate employment rate increasing from 56.5% in 2012 to 60.7% in 2019, largely because of a **substantial increase in the 25-64-year-old female employment rate**, which was especially profound in the health and welfare industry. This was the result of the Government's "womenomics" policy, aimed at encouraging the empowerment of women, more active participation of women in the labour market and mitigating the gender gap²⁶¹.

In response to the growing problem of the ageing Japanese society, the government has created **social policies focused on retirement plans and extending the working age**. In respect to the workforce the government seeks to improve employment and working environments to achieve sustainable economic development and allow working people to show their abilities to the fullest up to the old age. Companies are to promote employment until the age of sixty-five. The elderly should have the choice to work regularly until sixty-five²⁶².

RESPONSE TO CRISIS | Japan, characterised by its homogeneity and seclusion, historically does not present a welcoming environment for immigrants and refugees. As of June 2019, the foreign resident population in Japan stood at a mere 2.82

²⁵⁶ Japan's ageing society. European Parliament. URL: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/659419/EPRS_BRI\(2020\)659419_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/659419/EPRS_BRI(2020)659419_EN.pdf)

²⁵⁷ About RENGO. URL: <http://www.jtuc-rengo.org/about/>

²⁵⁸ About KEIDANREN. URL: <https://www.keidanren.or.jp/en/profile/pro001.html>

²⁵⁹ Twenty Years of Unconventional Monetary Policies: Lessons and Way Forward for the Bank of Japan, 2020, URL: elibrary.imf.org/view/journals/001/2020/226/article-A001-en.xml

²⁶⁰ An Assessment of Abenomics from the Labor Market Perspective, 2021, URL: <https://onlinelibrary.wiley.com/doi/10.1111/aepr.12343>

²⁶¹ An Assessment of Abenomics from the Labor Market Perspective, 2021, URL: <https://onlinelibrary.wiley.com/doi/10.1111/aepr.12343>

²⁶² Human Capital – Japan's Most Important Resource. 1999. URL: <https://www.lehigh.edu/~rfw1/courses/1999/spring/ir163/Papers/pdf/ear2.pdf>

million, constituting 2% of the entire populace. Japan's immigration legislation had, **until 2018, limited the granting of working residence status to highly skilled professionals**. Other foreign workers were grouped under categories such as technical trainees from developing nations within the framework of aid initiatives, or students engaged in part-time employment. However, **the present demographic crisis is forcing Japan to revise its migration policies**. In December 2018, a new legislative framework was introduced, instituting a fresh visa status for two distinct worker categories. The first category allows foreign workers with vocational skills in specific domains to stay in the country for up to five years, although they are not permitted to bring their families. The second, more limited category, grants foreigners with more advanced skills the ability to relocate their families and reside in Japan indefinitely. This marks a historic milestone as **Japan officially embraces blue-collar foreign workers for the first time in the post-war era**. The government projected a quota of 345,000 within a five-year timeframe, and this initiative was set into motion in April 2019²⁶³.

However, as of the end of December 2019, only a mere 3% of the government's quota for the fiscal year 2019 had been realised, with a total of 1,621 workers accepted under the scheme²⁶⁴. In practice, **numerous Japanese companies hesitate to employ foreign workers** due to concerns surrounding additional expenses for education and potential cultural challenges. The COVID-19 pandemic has also had an impact on the global migration flow, posing a major obstacle for attracting labour migrants to Japan. But the fact is that with declining population the country has an urgent need to engage foreign workers in order to cover the current gaps in the national labour market.

²⁶³ Japan's ageing society. European Parliament. URL: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/659419/EPRS_BRI\(2020\)659419_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/659419/EPRS_BRI(2020)659419_EN.pdf)

²⁶⁴ Japan's ageing society. European Parliament. URL: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/659419/EPRS_BRI\(2020\)659419_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/659419/EPRS_BRI(2020)659419_EN.pdf)

RECOMMENDATIONS

Identified Issues and Proposed Recommendations for the Governmental Stakeholders



4. RECOMMENDATIONS

4.1. Identified issues

Some of the main problems highlighted by the surveyed Ministries' representatives²⁶⁵ include the ambiguity of criteria for human capital assessment and the lack of reliable and comprehensive data, especially since the beginning of full-scale Russian aggression. Due to this issue, the evaluation of human capital policies is complicated, while the procedure itself is not carried out in many central executive bodies.

The key problem of the institutional framework is the absence of a central executive body that would bear the primary responsibility for human capital policy development and implementation, as well as coordinate the activities of all relevant institutions in the field of human capital.

Key issues relating to the institutional framework in the field of human capital in Ukraine which have been identified include:

- **Absence of human capital evaluation criteria** due to the lack of institutional capacity and proven methodology that would take into account current situation.
- **Lack of information and data and limited accessibility of data** due to the challenges of war.
- **Lack of expert participation in the formation of state policies and insufficient medium and long-term planning** of state policies in the field of human capital
- **Insufficient information about the international and European experience in the field of human capital** and the determination of priority tasks under the challenging conditions
- Necessity to conduct additional courses, trainings, seminars and/or round tables to **educate the personnel about the new challenges that have arisen since the beginning of the full-scale Russian invasion**

The Russian aggression and the full-scale invasion have affected all pillars of human capital, arising new issues and challenges. This includes not only the destruction of educational, healthcare facilities and housing, but also the diminishing capacity of the system due to the internal and external migration of population. In addition, several pertinent issues have been identified in the context of the analysed countries, which could also hold relevance for Ukraine:

Ageing Population. Ukraine's population is currently experiencing one of the fastest rates of ageing in Europe, primarily due to a decline in birth rates, premature mortality among the working-age population, and increased external migration. Ageing challenges are projected to contribute to a substantial share of GDP expenditure over the long term.

Workforce Reduction. The workforce in Ukraine has been notably impacted by the full-scale Russian invasion, resulting in skilled workers leaving for other countries, citizens being mobilised for military service, and the loss of people residing in temporarily occupied territories. Substantial declines in both the quality and quantity of the labour force could impede the country's recovery and development, leading to increased economic burdens on the working population, reduced revenues for budgets and social funds, and heightened financial strain.

European integration. Ukraine is actively engaged in the process of EU integration, necessitating the alignment of its national legislation with European standards. This pertains particularly to areas like the rule of law, social policy, public health, and education.

Enhanced and Deeper Cooperation. The human capital development policies in Ukraine relies on a comprehensive network of stakeholders encompassing both governmental and non-governmental entities. Consequently, fostering

²⁶⁵ The interviews with the representatives of Ukrainian Ministries were performed during the first stage of the assignment.

cooperation and coordination among these institutions becomes vital for efficient planning, policy implementation, resource allocation, and timely and proper address to various needs.

4.2. Proposed recommendations for the governmental stakeholders

Findings of the research, demonstrate several key areas of recommendations, which could be taken to enhance the human capital policy-making process as well as strengthen the policy institutions involved:

Human capital definition. To develop and incorporate a clear definition of human capital into legislation practice. This will provide a solid foundation for policy formulation and implementation, ensuring consistency and coherence in strategic documents and everyday practices. For example, Polish Human Capital Development Strategy 2020 defines human capital as a resource that determines economic, social and personal success that encompasses education, competence, and the ability to engage fully in social, political, and economic activities and can also be the main source of economic and social development of the country.

Metrics definition. Unified metrics to evaluate human capital within the national policy-making process, with the ability to be applied at the local level should be adopted. This metric should be integrated into the recovery plan to ensure the consistency and effectiveness of governmental policies in human capital development.

Broaden the institutional framework. The scope of the Government's approach should be expanded to include all the relevant bodies and their respective areas of expertise in the formulation and implementation of human capital policies. By incorporating these bodies, a more comprehensive and inclusive strategy can be achieved. Moreover, based on best practices there are several perspective areas of cooperation which could be enhanced within the human capital institutional framework, including:

- **Deepen cooperation between living conditions (social security) and health stakeholders.** This situation pertains to East Asian nations, specifically Japan and South Korea, and falls within the jurisdiction of their respective Ministries of Health and Welfare. This is of particular significance due to the accelerated ageing of their populations. Consequently, individuals requiring escalated healthcare interventions also exhibit heightened dependency on social support systems.
- **More profound cooperation between stakeholders in living conditions (social security) and economic output (labour and employment) stakeholders.** This can be seen in the European countries which were analysed (for example, the Ministry of Labour and Social Affairs in Germany). This is underscored by the higher vulnerability of the unemployed, which leads to amplified needs in assistance to facilitate reintegration into the labour market.
- **Enhancing cooperation between economic output (labour and employment) and education stakeholders** in the field of providing training to the unemployed. For example in Japan The Ministry of Education, Culture, Sports, and Science and Technology is responsible for education from early childhood to upper secondary levels, while vocational training falls under the Ministry of Health, Labour and Welfare's jurisdiction.
- **Decentralisation should go along with increasing cooperation between local and national governments.** This strategic approach is substantiated by examples, where the efficacy of specific measures has been curtailed owing to the absence of such collaborative actions. For instance, the assessment of labour policies in Poland underscores the significance of this cooperation deficit.

EU integration of Ukraine via synchronisation with the European standards, and adaptation of Ukrainian legislations to EU norms. Complying with EU legislation, especially within the cluster of "Competitiveness and inclusive growth", adhering to the best EU practices in social policy (e.g. - active and positive ageing), employment, and benefiting from access to EU funds, enhancing social oriented reforms.

Addressing the specific issues. Government should prioritise the establishment of robust data collection mechanisms and implement clear evaluation guidelines. This will involve enhancing data quality, accessibility, and sharing among central executive bodies, while also implementing monitoring mechanisms to ensure compliance and accountability. Moreover, there are several recommendations based on the international best practices, which could be considered within the framework of each pillar of the human capital, including:

Education pillar

- **To provide more psychological and pedagogical assistance to students and teachers especially in response to crises by diagnosing emerging problems, developing support models, providing training and counselling services** and as a result promoting an environment that supports students' holistic development (based on the experience of Poland). The Ministry of Health of Ukraine estimated that up to 15 million people will require some form of psychological support because of war²⁶⁶.
- **To increase school autonomy including education-related and general administration functions and transfer of significant decision-making power to local administrations** (based on the experience of Poland, Germany, South Korea, Slovakia, and the Czech Republic). The process of enhancing school autonomy in Ukraine was started as a part of decentralisation reform, however faced some difficulties due to the lack of organisational capacity of local institutions.²⁶⁷
- **To consider fostering engagement of sub-national actors in the sector and promoting deeper collaboration between vocational education providers and employers**, while also expanding the representation of external stakeholders in the governance of tertiary institutions (based on the experience of Germany).
- **To consider widening the numbers of sustainable local structures for educational monitoring and management (based on the experience of Germany)**. As of August 2023, there are only 9 Regional centres for evaluating the quality of education in Ukraine²⁶⁸, local monitoring is stipulated by the Order of the Ministry of Education and Science of Ukraine No. 54 dated 16.01.2020 "On approval of the Procedure for monitoring the quality of education"²⁶⁹.
- **To consider implementing a comprehensive higher education restructuring initiative**, focused on optimising institutional sizes, enhancing collaboration among diverse educational entities, and promoting innovation through autonomy and fostering partnerships between education institutions in big cities and regional institutions in the event of significant decline in the school-age population (based on the experience of South Korea). Fostering cooperation between different educational institutions is especially important due to the impact of the full-scale invasion, as according to the Ministry of Education of Ukraine, 3,582 educational institutions were damaged by bombings and shelling; 341 of them were completely destroyed²⁷⁰.
- **To strengthen the practice of engaging stakeholders in the process of education development using different forms of collaborative platforms** (based on the experience of mandatory cooperation of education authorities with stakeholders such as teacher representative groups, school principals, and student bodies in the Czech Republic).

²⁶⁶ The impact of war on mental health is enormous, Viktor Lyashko. URL: <https://www.kmu.gov.ua/news/vpliv-vijni-na-psiichne-zdorovya-kolosalni-viktor-lyashko>

²⁶⁷ Education reform in conditions of decentralization. URL: <https://decentralization.gov.ua/education>

²⁶⁸ Ukrainian Center for evaluating the quality of education. URL: <https://testportal.gov.ua/regions/>

²⁶⁹ Order of the Ministry of Education and Science of Ukraine No. 54 dated 16.01.2020 "On approval of the Procedure for monitoring the quality of education". URL: <https://zakon.rada.gov.ua/laws/show/z0154-20#Text>

²⁷⁰ List of damaged educational institutions. URL: <https://saveschools.in.ua/>

Health pillar

- **To design comprehensive older adults health care policies and programs from a long-term perspective to ensure quality health service provision to respond to the rapid progress of ageing in society** (based on the experience of Germany, Korea and Japan). In Ukraine, the share of citizens under the age of 17 in the structure of the country's permanent population remains at the level of 18.1% (2019)-17.9% (2021)²⁷¹, which is leading to the ageing of the population and consequently to the need of long-term policies addressing the issue.
- **To increase the efficiency of the use of funds for healthcare by ensuring an independent health technology assessment, generating evidence on clinical and cost-effectiveness of healthcare services, products, and technologies** by increasing institutional capacity of the responsible stakeholders (based on the experience of the National Evidence-based Healthcare Collaborating Agency in South Korea and the Agency for Health Technology Assessment and Tariff System in Poland). In Ukraine, functions related to ensuring the efficiency of the use of funds are entrusted to the National Health Service of Ukraine, which implements measures that ensure targeted and effective use of funds under the medical guarantee program²⁷².
- **To improve transparency and communication in healthcare**, thereby increasing public trust (based on the experience of South Korea's resilience during the COVID-19 pandemic). Full-scale invasion caused an additional stress on the healthcare system of Ukraine, in terms of increase in the number of people who require medical assistance²⁷³, thus fostering the need of proper communication with the people who receive services.
- **To create favourable conditions for the development of the generics market, which will help ensure the availability of medicines for the population** (based on the experience of Poland and Slovakia).
- **To create favourable conditions to have a sufficient number of high-quality health professionals in the country by increasing the salaries and prestige of doctors and nurses, reducing the side load on doctors** (for example, through additional qualification and competencies of nurses or granting greater powers to GPs), adaptation of educational programs to modern needs and technologies (based on the experience of Poland, Germany, Slovakia, and the Czech Republic).
- **To implement policies aimed at supporting mental health, reducing the stigma associated with mental health disorders**, and ensuring effective treatment for individuals with mental health conditions, and coordination with social services (based on the experience of South Korea and the Czech Republic).

Living conditions pillar

- **To develop metrics to assess policy effectiveness on different levels (local, national) through various methods (direct communication with service recipients, national surveys, etc.)**. Based on the experience of Japanese family support policy.
- **To provide different means of family support to encourage the birth rate** (based on the experience of Japan and South Korea). In Ukraine, the birth allowance for the first and each subsequent child born after June 30, 2014, is provided in the amount of UAH 41,280. The allowance is disbursed as a one-time payment of UAH 10,320, with the remaining amount distributed evenly over the following 36 months. The eligibility criteria and the amount of this allowance vary depending on the woman's status²⁷⁴. However, Ukraine's support could further develop policies such as financial incentives, parental leave, childcare services, and other measures that alleviate the economic and social challenges associated with raising children.

²⁷¹ Socio-demographic situation in Ukraine: ways to overcome the consequences of the war. URL: <https://niss.gov.ua/news/komentari-ekspertiv/sotsialno-demografichna-sytuatsiya-v-ukrayini-shlyakhy-podolannya>

²⁷² Regulations on the National Health Service of Ukraine, approved by the Resolution of the Cabinet of Ministers of Ukraine of December 27, 2017 No. 1101 URL: <https://zakon.rada.gov.ua/laws/show/1101-2017-%D0%BF#Text>

²⁷³ Communication between the Ministry of Health and the Ministry of Social Policy is becoming more effective thanks to the implementation of digital solutions. URL: <https://www.kmu.gov.ua/news/komunikatsiia-mizh-moz-i-minsotspolityky-staie-efektyvnishoiu-zavdiaky-vprovadzhenniu-tsyfrovykh-rishen>

²⁷⁴ Ministry of social policy of Ukraine. URL: <https://www.msp.gov.ua/content/materinstvo.html>

- **To adopt strategies for positive and active ageing which would target traditional areas** (health and social care, housing, financial security) as **well as address the needs for lifelong learning, anti-discrimination framework, internet security etc.** (based on the experience of the Czech Republic).
- **To enhance the organisation of public projects to create a barrier-free environment** (based on the experience of Poland). Ukraine has adopted a National strategy of barrier-free environment, which stipulates the necessity of creation of the barrier-free public spaces²⁷⁵. Focus on a barrier-free environment is especially relevant due to the needs of reconstruction of war-damaged and destroyed infrastructure.
- **To provide more opportunities for childcare, especially at a younger age, so that women become more active in the workforce** (based on the experience of Japan and Germany). While in Ukraine children can attend kindergartens from the age of 1.5 years²⁷⁶, in South Korea childcare facilities accept children from as early as 3 months old²⁷⁷ which provides parents, especially mothers, with more flexibility regarding the return to social activities and work.
- **To develop an active and positive ageing policy** which should include measures to enhance social participation of older people, establish connection between them and with younger generations, teach them digital or other relevant skills, launch campaigns to improve the image of senior citizens in the society, etc. In Ukraine, there was a State Policy Strategy on Healthy and Active Longevity of the Population for the period up to 2022²⁷⁸. However, the country needs a new one, which among other priorities as improving conditions for self-realisation or participation in the development of society and creating an environment conducive to an active life should include new measures to address war-related issues.

Economic output pillar

- **To react to specific gaps in the labour market by developing targeted policies to encourage youth employment, women enrollment, and attracting foreign workers** in accordance with the national demographic and labour policy (based on the experience of Japan, and Germany).
- **To create more family-friendly workplaces, for example through introducing spaces for children in the offices.** This would especially encourage mothers to return to work earlier after their maternity leave (based on the experience of South Korea).
- **To grant support to the transition from unemployment to entrepreneurship**, particularly for one-person companies. In Germany, a new startup subsidy was introduced back in 2006²⁷⁹. In Ukraine, according to the Resolution of the Cabinet of Ministers of Ukraine “On Approval of Criteria for Assessing the Eligibility of State Aid to Business Entities for Regional Development and Support of Small and Medium-Sized Enterprises”²⁸⁰, state aid to support startups is provided in the form of loans on preferential terms, guarantees, and grants.

Ukraine is highly likely to benefit from the implementation of the best practices of other countries that have demonstrated significant advancement in the field of governance of sectors related to the education, health, living conditions and economic output pillars of the human capital development.

²⁷⁵ Decree of the Cabinet of Ministers of Ukraine dated April 14, 2021 No. 366-r "On the approval of the National Strategy for the creation of a barrier-free space in Ukraine for the period until 2030". URL: <https://zakon.rada.gov.ua/laws/show/366-2021-%D1%80#Text>

²⁷⁶ Law of Ukraine “On preschool education”. URL: <https://zakon.rada.gov.ua/laws/show/2628-14#Text>

²⁷⁷ Enrolling in Korean Daycare. The South of Seoul Blog. March 17, 2023. URL: <https://blog.southofseoul.net/enrolling-in-korean-daycare/#:~:text=In%20Korea%2C%20daycare%20centers%20mainly,weeks%20to%205%20years%20old.>

²⁷⁸ Order of the Cabinet of Ministers of Ukraine On Approval of the Action Plan for the Implementation of the State Policy Strategy on Healthy and Active Longevity of the Population for the Period up to 2022. URL: <https://zakon.rada.gov.ua/laws/show/688-2018-%D1%80#Text>

²⁷⁹ How have the Hartz reforms shaped the German labour market? TRÉSOR-ECONOMICS, No. 110, March 2013, p. 1-8. URL: <https://www.tresor.economie.gouv.fr/Articles/11552d91-508e-41c3-bc26-47196d2ae247/files/905f6f1f-0f34-43d2-9c10-6a58f2891502>

²⁸⁰ Resolution of the Cabinet of Ministers of Ukraine On Approval of Criteria for Assessing the Eligibility of State Aid to Business Entities for Regional Development and Support of Small and Medium-Sized Enterprises. 2023. URL: <https://zakon.rada.gov.ua/laws/show/348-2023-%D0%BF#n8>

ANNEXES

List of selected strategic documents on human capital development

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ANNEX 1. List of selected strategic documents on human capital development

Country	#	Title	Year	Short description
Poland	1	National Strategy for Employment Growth and Human Resources Development	2000	Adopted as one of the sector strategies creating the basis for the National Development Plan. Its main goal is a wider involvement of citizens in the labour process , which is expected to be achieved by increased employability owing to development of quality human resources, promotion of entrepreneurship, improved ability of enterprises and their employees to adapt to the changing market conditions and enforcing a policy of equal opportunities on the labour market ²⁸¹ .
Poland	2	National Development Plan 2004-2006	2003	A comprehensive document defining the state's socio-economic strategy in the first years of Poland's membership in the European Union. The strategic aim of the Plan is to develop a competitive economy based on knowledge and entrepreneurship, capable of long-term and sustainable development, ensuring increased employment and improved social, economic and spatial cohesion with the EU at the national and regional levels.
Poland	3	Sectoral Operational Programme - Development of Human Resources (SOP DHR)	2004	Adopted by the Ministry of Labour and Social Policy. The SOP identifies HRD priorities and measures to be implemented in the first period of Structural Funds utilisation under the NDP and specifically focused on human capital development in such spheres as employment, education, social integration, the development of adaptation's potential of employees and entrepreneurs, the development of human resources in the rural areas and all levels of public administration.
Poland	4	National Development Strategy for 2007-2015	2006	The Strategy focuses on improving the quality of life for citizens through six key priorities: growth of competitiveness and innovativeness of the economy, improvement of the condition of technical and social infrastructure, growth of employment and raising its quality, building an integrated social community and its safety, development of rural areas and regional development and raising territorial cohesion. The strategy was realised through targeted policies and decisions of state bodies with precise indicators and

²⁸¹ Guidance and human resources development in Poland. URL:

https://www.cedefop.europa.eu/files/GUIDANCE_AND_HUMAN_RESOURCES_DEVELOPMENT_IN_POLAND.pdf

				monitoring mechanisms for each pillar, as well as general target indicators described in the table below.
Poland	5	Human Capital Development Strategy 2020 (SRKL 2020)	2013	<p>The main objective of the SRKL²⁸² is the development of human capital by identifying the potential of people so that they can fully participate in social, political and economic life at all stages of life (from early childhood, through school education, higher education, the period of professional activity and parenthood, to old age).</p> <p>The SRKL has five specific objectives: (1) Increasing employment; (2) Prolonging professional activity and ensuring better quality of functioning of elderly people; (3) Improving the condition of individuals and groups at risk of social exclusion; (4) Improving the health of citizens and healthcare system efficiency; (5) Increasing the level of competence and qualification of citizens.</p>
Poland	6	National Action Plan for Employment (2015 - 2017)	2015	The purpose of the Plan is to increase employment, mitigate the consequences of unemployment and professional activation. Two priorities of the plan: increasing the efficiency of labour market management in order to support employment growth and increasing adaptability in the labour market.
Poland	7	Human Capital Development Strategy 2030 (SRKL 2030)	2019	<p>The main goal of the Strategy²⁸³ is to increase human capital and social unity in Poland. The document gives a definition of human capital as a resource that determines economic, social and personal success that encompasses education, competence, and the ability to engage fully in social, political, and economic activities and can also be the main source of economic and social development of the country. The SRKL indicates the importance of advanced IT integration for electronic social services, digitalisation, and improved digital literacy to provide better access to social, family, and healthcare benefits.</p> <p>The Strategy has four specific objectives: (1) Increasing the level of competencies and qualifications of citizens, including digital ones; (2) Improving the health of citizens and the healthcare system efficiency; (3) Growth and improvement of the use of the potential of human capital</p>

²⁸² Strategia Rozwoju Kapitału Ludzkiego 2020 URL: <https://sip.lex.pl/akty-prawne/mp-monitor-polski/przyjecie-strategii-rozwoju-kapitalu-ludzkiego-2020-18015582>

²⁸³ Strategia Rozwoju Kapitału Ludzkiego 2030 URL: <https://www.gov.pl/web/ia/strategia-rozwoju-kapitalu-ludzkiego-2030-srkl2030>

				in the labour market; (4) Reducing poverty and social exclusion and improving access to services in response to demographic challenges.
Poland	8	National Strategy of Regional Development 2030	2019	The NSRD outlines the country's developmental challenges within a regional context up to 2030. It establishes key directions, principles, and regional policy objectives for the same period, along with corresponding actions to be executed by the government, local administrations, and relevant stakeholders. The strategy's second goal, Strengthening regional competitive advantages, incorporates the development of human and social capital as one of the targeted interventions.
Germany	9	First National Action Plan 2017 - 2019	2016	The NAP ²⁸⁴ focuses on Business and Human Rights, aiming to enhance human rights and influence globalisation in a socially responsible manner. It outlines the expectations from both state institutions and companies in terms of safeguarding human rights in supply and value chains. Through this Plan, the responsibility of German companies to uphold human rights was introduced.
Germany	10	National Action Plan on Education for Sustainable Development	2017	The Plan ²⁸⁵ targets education plans and curricula as well as pre- and in-service training and education of educators and trainers in formal, non-formal and informal education. Furthermore, the plan focusses on strengthening ESD networks and good practices as well as whole-institution approaches to ESD.
Germany	11	National Action Plan 2.0 on the UN Convention on the Rights of Persons with Disabilities	2019	The Plan ²⁸⁶ aims to promote goals of participation, self-determination, and unconditional equality, through concrete measures that empower all citizens to lead self-directed lives in accordance with their own aspirations and desires.
Germany	12	National Skills Strategy	2019	The Strategy ²⁸⁷ , adopted in collaboration with political partners, business associations and trade unions, responds to the ever-changing world of work by

²⁸⁴ First National Action Plan 2017-2019 URL: https://www.opengovpartnership.org/wp-content/uploads/2017/08/Germany_NAP_2017-2019_ENG-transl.pdf

²⁸⁵ National Action Plan on Education for Sustainable Development URL: https://www.bne-portal.de/bne/shareddocs/downloads/files/bmbf_nap_bne_en_screen_2.pdf?blob=publicationFile

²⁸⁶ The National Action Plan 2.0 of Germany's Federal Government for the UNCRPD. 2020. URL: https://www.gemeinsam-einfach-machen.de/GEM/EN/summary_of_the_nap20/summary_of_the_nap20_node.html

²⁸⁷ National Skills Strategy URL: <https://www.bmas.de/SharedDocs/Downloads/EN/Topics/Initial-and-Continuing-Training/national-skills-strategy.pdf;jsessionid=7F6454E09698B0808CCF07A5909BBEB5.delivery1-replication?blob=publicationFile&v=1>

				promoting a new learning culture that sees continuing vocational education and training (CVET) as a lifelong necessity.
Germany	13	Germany Sustainable Development Strategy	2021	<p>The Strategy²⁸⁸ for securing the supply of skilled workers. It forms the basis for all planned policies and new regulations concerning skilled labour in Germany. It establishes five concrete fields of action:</p> <p>(1) Up-to-date training. The Skills Act includes vocational training guarantees for young individuals without certifications to support their professional journey.</p> <p>(2) Targeted continuing education and training. The government focuses on investing in ongoing vocational training to ensure individual agency and adaptability in times of structural change.</p> <p>(3) Increasing job potential and gainful employment. Steps are taken to reduce wage inequality between women and men, enhance work-life balance, and recognize care work. The "part-time work bridge" has been enshrined in law.</p> <p>(4) Improving the quality of work and changing the culture of work. The Federal Ministry of Labour and Social Affairs supports the New Quality of Work Initiative since 2002, disseminating best practices for good quality work and safe conditions, particularly beneficial for SMEs.</p> <p>(5) Modern immigration policy and reducing emigration. The Skilled Immigration Act of 2020 enables entry for qualified skilled workers from non-EU countries, promoting equal opportunities for academic and vocational qualifications.</p>
The Republic of Korea	14	Korean National Strategy for Sustainable Development	2006	Declares that Healthy development should be achieved through progress in the three pillars of sustainable development: economic growth, environmental conservation and social integration. It is also emphasised that good governance, based on consensus building and the participation of various stakeholders, is vital for achieving sustainable development.

²⁸⁸ German Sustainable Development Strategy. 2021. URL:

<https://www.bundesregierung.de/resource/blob/974430/1940716/1c63c8739d10011eb116fda1aecb61ca/german-sustainable-development-strategy-en-data.pdf?download=1>

The Republic of Korea	15	Korean New Deal	2020	<p>The Deal²⁸⁹ is a replacement for the Strategy for Sustainable Development. It has accelerated remote work and education through investment and regulatory improvement. It was introduced as a national development strategy to support the country's recovery from the pandemic crisis and lead global action against structural changes. Its 3 main objectives are as follows:</p> <p>(1) to minimise the economic shock by creating jobs - it creates not only government-supported jobs for low-skilled workers but also jobs that support the structural transition towards a digital and green economy;</p> <p>(2) to support the Korean economy's quick return to its normal growth path by building the necessary infrastructure for a digital and green economy to restore investments and support job creation;</p> <p>(3) to set the groundwork for Korea not only to adapt to the structural changes but also to lead the global community in the post COVID-19 era.</p>
Slovakia	16	Slovakia's Recovery and Resilience Plan (RRP)	2021	<p>The Plan²⁹⁰ focuses on policies for the next generation, public governance and productivity-enhancing investment in the green and digital transition and smart growth. It also contributes to social and territorial cohesion, improving fiscal sustainability, notably of the pension system. Key deliverables expected in 2022-2023:</p> <p>(1) Reform of the education system to enhance its quality and inclusiveness;</p> <p>(2) Strengthening the governance structure at the universities to increase their performance and RDI reform;</p> <p>(3) A new hospital network delivering better healthcare;</p> <p>(4) Support schemes improving energy efficiency of family houses;</p> <p>(5) A pension system reform improving long-term fiscal sustainability;</p> <p>(6) A streamlined judicial map to foster the quality and efficiency of the justice system.</p>

²⁸⁹ Korean New Deal: National Strategy for a Great Transformation. 2020. URL: <https://faolex.fao.org/docs/pdf/kor203848.pdf>

²⁹⁰ Slovakia's recovery and resilience plan. 2022. URL: https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/slovakias-recovery-and-resilience-plan_en

Slovakia	17	Action Plans for the Least Developed Regions in Slovakia	2015	The tool ²⁹¹ was introduced to complement the state's regional development policies. The action plans involve various steps, such as analysing the region's economic, social, and environmental status, evaluating its development potential, and gathering background information for the plan. Based on this analysis, measures and activities were proposed to implement the action plan, including timeframes and sources of financing. These measures encompass the development of regional and local economies, agriculture, forestry, human capital through education, and investments in technical and social infrastructure.
The Czech Republic	18	Human resources development operational program 2004-2006	2004	The global goal of the Program ²⁹² was to achieve a high and stable level of employment based on a qualified and flexible workforce, the integration of socially isolated population groups, and the competitiveness of enterprises in compliance with the sustainable development principles. The program has 4 priorities: (1) Active employment policy; (2) Social integration and equal opportunities; (3) Development of lifelong learning; (4) Adaptability and entrepreneurship; (5) Technical assistance.
The Czech Republic	19	Human resources development operational program 2007-2013	2007	The Program defines eight main material priorities, which cover the adaptability of workers and employers, education, employment, integration of groups at risk of social exclusion, equal opportunities, modernisation of public administration and public services, and international cooperation in the field development of human resources and employment.
The Czech Republic	20	Strategic Framework for Sustainable Development	2010	The SFSD ²⁹³ was adopted as the main strategy for the development of the state. The Framework defines the basic principles of sustainable development that have to be followed in sectoral strategies and policy documents and creates a long-term framework for policy-making in the context of international commitments. One of the prioritised areas is "Society, people, and health," encompassing objectives to enhance healthy living conditions, population well-being, and health. It also

²⁹¹ New Approaches to the Development of the Least Developed Regions in Slovakia. 2019. URL: <https://iopscience.iop.org/article/10.1088/1757-899X/471/9/092056/pdf>

²⁹² OP Rozvoj lidských zdrojů (OP RLZ) URL: https://www.esfcr.cz/detail-clanku/-/asset_publisher/BBFAoaudKGfE/content/op-rozvoj-lidskych-zdroju-op-rlz-

²⁹³ Strategic Framework for Sustainable Development URL: https://www.vlada.cz/assets/ppov/udrzitelny-rozvoj/The-Strategic-Framework-for-SD_2011.pdf

				involves aligning policies and services with demographic trends and promoting intergenerational and family unity.
The Czech Republic	21	Strategic Framework Czech Republic 2030 ²⁹⁴	2017	This Framework is guided by two main approaches: quality of life and sustainability. It recognises that true progress requires considering both economic and non-economic aspects of well-being. Within the main priorities of the Strategic Framework, it is important to mention the People and society focus: By 2030, the strategic document suggests increasing investments into prevention and health literacy, strengthening system support for educators as bearers of change in the education system, maintaining the employment rate via development of the green and silver economy and increased involvement of underrepresented groups on the job market.
The Czech Republic	22	Czechia's Recovery and Resilience Plan	2021	The Plan ²⁹⁵ aims to enhance sustainability, resilience, and readiness for green and digital transformations. It also seeks to bolster social cohesion through improved healthcare accessibility, addressing educational inequalities, and investing in pre-school infrastructure. The plan's objectives encompass economic growth, job creation, and advancing e-government initiatives.
Japan	23	Angel Plan	1994	The Plan ²⁹⁶ aims to promote higher birth rates and facilitate working women's ability to balance motherhood with their careers. The program focuses on fostering a harmonious relationship between work and childcare, along with enhancing public backing for childcare services, ensuring adequate daycare options for employed mothers.
Japan	24	New Angel Plan	1999	The Plan ²⁹⁷ emphasised the necessity of enhancing gender equality and labour conditions. Within the Plan, the government opted to cover 40% of wages during childcare leave and extended child allowance coverage from children less than three years old to all preschoolers.

²⁹⁴ Strategic Framework. Czech Republic 2030. 2017. URL:

https://www.vlada.cz/assets/ppov/udrzitelny-rozvoj/projekt-OPZ/Strategic_Framework_CZ2030.pdf

²⁹⁵ Czechia's recovery and resilience plan URL: https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/czechias-recovery-and-resilience-plan_en

²⁹⁶ Fertility Decline and Policy Development in Japan, Toru Suzuki, 2006 URL: https://www.ipss.go.jp/webj-ad/WebJournal.files/population/2006_3/suzuki.pdf

²⁹⁷ Fertility Decline and Policy Development in Japan, Toru Suzuki, 2006 URL: https://www.ipss.go.jp/webj-ad/WebJournal.files/population/2006_3/suzuki.pdf

Japan	25	New-New Angel Plan	2004	The Plan ²⁹⁸ emphasised the role of local government and companies in providing childcare support and improving gender equity. In addition, the document pointed out the importance of economic independence of the youth as a response to the increasing number of “freeters” (temporary workers) and “NEETs” (young people Not in Employment, Education or Training).
Japan	26	New Economic Policy Package	2017	The reform package ²⁹⁹ was approved to break through Japan’s stagnant economy and achieve more sustainable growth. The new policy focuses on supply system innovation (to facilitate the improvement of technology and process efficiency) and human resources development (to increase human productivity). The latter, human capital development, focused on policies related to the childrearing generation and children. Through policies such as free early childhood education, free higher education and improvement of compensation for long-term care workers, the government sought to establish a social security system that accommodates the need of all generations, including the elderly and the youth, and to eliminate the concerns of the working-age generation about child-rearing and nursing care.
Japan	27	Gold Plan	1989	To cope with the ageing of society, this ten-year strategy to promote health and welfare for the aged was developed. It set up the infrastructure necessary to provide health and welfare services for the elderly by 2000.
Japan	28	New Gold Plan	1994	The New Gold Plan ³⁰⁰ sets higher goals than the ones set in the Gold Plan. Based on the new plan, infrastructure for long-term care services was developed.
Japan	29	Gold Plan 21	2000	The measures envisioned by the Plan ³⁰¹ are: (1) improving the foundation of long-term care services, (2) promoting support measures for the senile elderly, (3) promoting measures to revitalise the elderly, (4) developing a support system in communities, (5) developing long-term care services which protect and are trusted by users, (6)

²⁹⁸ Fertility Decline and Policy Development in Japan, Toru Suzuki, 2006 URL: https://www.ipss.go.jp/webj-ad/WebJournal.files/population/2006_3/suzuki.pdf

²⁹⁹ Human Capital and Economic Growth in Japan. 2021. URL: <https://www.proquest.com/openview/f2e4>

³⁰⁰ Long-term Care Insurance in Japan URL: https://www.iica.go.jp/Resource/english/our_work/thematic_issues/social/c8h0vm0000f4pxgh-att/insurance.pdf

³⁰¹ Welfare. Helping the elderly, the young, and the disabled URL: <https://www.az.emb-japan.go.jp/files/000180870.pdf>

				establishing a social foundation supporting the health and welfare of the elderly.
Japan	30	Basic Plan for Human Resources Development Promotion	2011	The document ³⁰² , which was preceded by another eight similar plans, focuses on professional development and employment. It includes issues of promoting human resources development in sectors where growth is expected, developing the abilities of young people (such as NEETs) and the potential of people with disabilities.

³⁰² Basic Plan for Human Resources Development Promotion (No. 9) (2011) URL: https://ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=95610&p_count=97596

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