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## **Economics of Facility for seniors in Gabčíkovo**

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### **ABSTRACT**

Current issues of social care include conditions and options of social services in facilities for seniors in the context of financial and economic situation in the Slovak Republic. The main objective of this paper is the analysis of providing social services in the Facility for seniors in Gabčíkovo. First part of the research data were obtained via questionnaire survey as well as from interview with the facility director; second data source was created from internal documents, annual reports and financial statements of the facility. Then we analyzed the development of economic indicators over the last ten years used quantitative methods and descriptive statistics. Based on results of economic analysis and seniors opinions we stated some proposals for improvements of situation in social facilities and in dealing with the lack of places in them.

**KEYWORDS:** social facility, funding, economic efficiency, level of pensions, structure of resources and costs

**JEL CLASSIFICATION:** D20, D40, M10

### **INTRODUCTION**

In our society every human being goes through the process of aging and several natural periods of life. The last period of life is the age of the old which can vary from person to person. Mostly, however, it is accompanied by waning strength and the appearance of various serious diseases. It is often the period of life when people lose their ability to take care of themselves and they are dependent on family or state support. If a person is dependent on constant care, s/he must go to an institutional care. There are different types of facilities that provide this care as a form of social service. In this paper we focus on one facility which provides year-round care for seniors. Anyway, this task is a combination of economic, social and health issues. We analyze the economic functioning of facility for seniors, explain the principle of financing, the share of clients, the state and other sources, and find out the availability of vacancies in a particular facility. Obtained results could be used in the next research for the comparison of such facilities in different regions of Slovakia.

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Along with increasing of the aging population and the number of elderly facilities, the existing unsustainable patterns of building operations have caused a series of space-related problems such as space waste, increasing operational costs and poor living environment [8].

According to Radičová [5], the state uses public social security to deal with the consequences of social events and risks and to guarantee social security. State intervention instruments are specified by the state social policy (employment policy, family policy and social security policy) in the context of social solidarity at national level, with the emphasis on the social justice effects realized through the allocation of resources.

The system of social security is, according to Rievajová [6], a set of legal, financial and organizational tools and measures aimed at compensating the adverse financial and social consequences of various life situations and events threatening recognized social rights or preventing such situations. Gejdošová [2] defines social services as a special set of activities aimed at satisfying the individual needs of the social services, as well as collective needs, which are done in a different way not as the transfer of material goods.

According to § 8 part 1 of the Act No. 448/2008 Coll. on Social Services[9], the Municipality and the Higher Territorial Unit, in the scope of its competence, ensures the availability of the social service for a person who is dependent on it and the right to choose the social service under the conditions stipulated by the law. On the territory of the Slovak Republic, according to the Social Services Act, social service can be provided in three forms:

1. Outpatient social services provided to a person who is attending, accompanying or being transported to the place of social service provision. The place of providing outpatient social services may also be a facility.
2. Field social service that is provided to a person in his/her natural social environment. It can also be provided through field programs designed to prevent the social exclusion of persons, families and communities in a socially disadvantaged situation.
3. The social welfare service provides accommodation, either as a year-round or as a weekly social service.

Under Section 71 of the Social Services Act No. 448/2008 Coll. [9], social services provided by a public social service provider can be financed:

- (a) from the budget of the public service provider;
- (b) payments for social services from the recipient of the social service under a contract for the provision of the social service and from reimbursement for other activities;
- (c) the reimbursement of economically justifiable costs associated with the provision of the social service;
- (d) the financial contribution provided by the Ministry to finance the social service in an establishment;
- (e) funds received under a written grant agreement;
- (f) funds from associations of municipalities, associations of higher territorial units and associations of persons;
- (g) as a result of the management from secondary activities carried out by facilities with the constitutional competence or founding competence of a municipality or a higher territorial unit with its consent;
- (h) income from a social enterprise;
- (i) and from other sources.

Seniors go to different social care facilities when they stay alone at home, when they have no jobs for a longer time or their relatives are afraid of their safety. In general, they get into the welfare facility for the sake of helping someone else but also for social reasons.

Many seniors often associate going to the retirement home with the expected end of their lives, with death. Care in social care facilities is associated with the risk of age segregation or deprivation of the seniors. The state, the company can provide seniors with accommodation, food, medical care, they can try to organize their day, but they cannot provide emotional background and feeling that they are needed and able to help someone. In particular, women are less well adapted to staying in seniors, mainly because they lose their lifelong role [4].

Senior facilities should provide decent housing for older people. Every old person deserves to be well cared of. Every facility should provide high-quality services, both medical and social. Seniors should not only have a roof overhead and hot food, they deserve much more. Senior care should be provided to suit every individual.

Table 1 Number of inhabitants and pensioners in social services facilities in SR

Region	Population	Number of pensioners	Number of people in facilities	Number of pensioners in facilities	Share of pensioners per inhabitant in %	Share of pensioners in facilities per people in facilities in %
<b>SR</b>	<b>5 410 836</b>	<b>1 312 205</b>	<b>45 720</b>	<b>24 061</b>	<b>24.3</b>	<b>52.6</b>
Bratislava	612 682	150 881	5 377	3 082	24.6	57.3
Trnava	556 577	138 583	5 249	2 903	24.9	55.3
Trenčín	593 159	156 596	4 978	3 376	26.4	67.8
Nitra	688 400	180 927	6 855	3 655	26.3	53.3
Žilina	690 121	162 744	6 277	2 885	23.6	46
Banská Bystrica	658 490	163 956	5 850	2 987	24.9	51.1
Prešov	817 382	179 015	5 614	2 673	21.9	47.6
Košice	794 025	179 503	5 520	2 500	22.6	45.3

Source: [3]

The facility for seniors as a form of social assistance is only applied when the seniors are not able to live on their own in their natural environment, even with the aid of terrain social services, in particular nursing services and organized communal meals. The “Social Services Act” stipulates in Section 35 that a social service is provided in a senior institution to:

(a) a person who has reached the retirement age and is dependent on the assistance of another person and the degree of dependency is at least IV in accordance with the attachment 3 and

(b) a person who has reached retirement age and needs social security services of this facility for some other serious reasons.

In the facility the seniors:

a) are provided with

1. assistance in reliance on the assistance of other person,

2. social counseling,
  3. social rehabilitation,
  4. accommodation,
  5. board,
  6. cleaning, washing, ironing and maintenance of laundry and clothing,
  7. personal needs;
- b) have the conditions for the safe-keeping of valuables created;
- c) have leisure activities secured.

## MATERIAL AND METHODS

The first part of the paper contains the data taken from the "Report on the Social Situation of the Population of the Slovak Republic in 2018" [7], which depicts the level of pensions. An important source for the analysis of the economic situation of seniors was the material provided by the Facility for seniors in Gabčíkovo. Based on internal documents, annual reports and financial statements, we assessed the economic development and operation of the facility over the last ten years, 2009 – 2018. We analyzed the balance sheet and profit and loss statements, a property and capital structure, and compared the assets and liabilities in years 2009 – 2018. A cost-benefit structure was also prepared to provide an overview of their development in this period. In the facility we conducted interviews and questionnaire survey in 2016. We used descriptive statistics to evaluate answers of participants of the survey.

## RESULTS AND DISCUSSION

### Level of pensions in Slovakia

The pension insurance comprises old-age insurance and invalidity insurance. The old-age pension, early retirement pension, disability pension, widow's pension, widower's pension and orphan's pension are provided by the pension insurance scheme. Until 31 December 2017, 1,697,880 pension benefits were paid (excluding state-funded pensions, e.g. so-called youth invalids, wage pensions, social pensions, and non-retirement pensions and pensions not covered by automated evidence). There were 11 pensions not included in the automated evidence and the number of pensions paid to foreigners was 26 534 [7].

Table 2 Development of old-age pensions in Slovakia

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Level of pension	339.73	352.54	362.08	375.89	390.51	400.18	411.06	417.4	428.3	444.2

Source: [7]

Compared to December 31, 2016, the number of disbursed pensions in December 2017 was higher by more than 11 thousand, a year-on-year increase of 0.7%. There was a decrease in the number of orphan's and widow's benefits (by approximately 0.6 thousand and 1.7 thousand respectively) in comparison with 2016. The substantial increase of old-age pensions was noted in 2017 comparing with 2016 (by circa 17 thousand). The reason of the increase dwelled in valorization of the pensions by fixed sum consisting of 2 % of the average pensions or benefits of particular type.

Costs on pensioner insurance fees in 2017 were represented by nearly 6.8 billion Euros, which is by 4.3% more than in 2016. National benefits of 82.5 million Euros were given in the forms of spousal pension, social pension, youth invalids, disability pension, pension increase due to the only source of income, to resistance and rehabilitation, including the premium for state service and compensatory bonus, minimum pension. The sum of 18.2 million Euro out of 82.5 million Euros was paid to increase old-age pensions and disability pensions of the people who achieved the age of old-age pension in order to equal to a minimum pension.

The expenses of Christmas benefit to some of the retired in 2017 (without any surcharge additionally paid for the year 2016) were 75.8 million Euros while in 2016 it was 77.4 million Euros. Total amount of the retired who received Christmas benefit in 2017 reached the number of 1 175 964 retired people, in 2016 it was 1 166 346 people. The ratio of the average old-age solo pension paid on 31 December 2017 (428.3 Euro) to the average monthly wage for the year 2017 in the economy of the Slovak Republic (954 Euro) was 44.9%, a slight decrease compared to 2016 (by 0.9).

**Facility for seniors in Gabčíkovo – characteristics and funding process**

Facility for seniors in Gabčíkovo is a non-profit organization that was established in 1956. The facility is located in the northeastern outskirts of the town in a beautiful and pleasant environment, in the mansion of Amade’s family (former owner in the 17th century), and has a capacity of 110 persons.

The financing process of the facility begins in September (in the current year), when a new money application is submitted for the next year. The contract is signed in mid-February and within ten days from signing the city receives the money for the first quarter. The city then sends the money to the facility account. Additional contributions from the state come quarterly, mid-April, July, and the last contribution come on October, 10<sup>th</sup>. If the facility does not spend the budget by December, 31, the money must be returned to the state. The problem arises at the beginning of the year. From January, 1<sup>st</sup>, until the signing of the contract and the receipt of the contribution, the facility has available cash only from the clients' remittances. These are, however, insufficient to cover the running of the facility. This situation needs to be resolved by a loan from the founder.

The facility budget covers not only wages, energy, meals, etc., but also some investment into the maintenance of the building and the surrounding park. A recent investment has been put into the building of another closed department because of the great interest in placing clients who need constant supervision. The investment was funded by facility own budget.

Table 3 Economic eligible costs

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total costs	709 823	739 017	808 024	739 662	748 903	705 066	709 489	709 614	713 59	712 332
Number of clients	91	95	104	95	96	91	91	92	90	93
Average economic eligible costs per month	650.02	648.26	647.45	648.82	650.9	645.66	649.71	651.11	652.45	659.14

Source: [1], own processing

In terms of finance, in the seniors’ facility the average daily economically eligible costs are 11.73 Euro. The amount of the payment ranges from 305.1 Euro to 398.4 Euro. As stated the director of the Facility for seniors in Gabčíkovo, the average payment is between 320 Euro and 350 Euro. The financial burden and the impact on the economic situation of the clients were examined in the questionnaire survey (conducted in 2016); selected results are presented in Table 4. In terms of client satisfaction, there was a scale with five options for respondents: 1 - very satisfied, 5 - very dissatisfied.

Table 4 Results of the questionnaire survey

	Age of seniors	Years in facility	Amount of the pension	Payment amount	Total satisfaction
Average	79	6.2	407.33	347.33	1.7

Source: own processing

Funding consists of two components. The first component is a government contribution of 320 Euro per month, i.e. 3.840 Euro per year for a beneficiary of social services. Table 3 shows economic eligible costs which amount to an average of 640 to 650 Euros per month per social service recipient. These are all reasonable and cost-effective costs of providing social services.

The second component of funding is payments from social service recipients. This payment compensates the difference between economically justified costs and the state contribution. This payment for social services is calculated for each client individually and depends on the size of the rooms, the degree of dependence on the social service, the severity of the illness or whether the client needs a special diet.

Most clients pay for their retirement, but many clients have such low pension that they are notable to pay. From results of questionnaire follow that 30% of clients are inadequate for their income. This result was confirmed by the director of the facility, according to which 30 clients out of 90 have insufficient pensions. In these cases, the family has to pay. The facility has the obligation to provide customers with pocket money for their own use, which accounts for 25% of the subsistence minimum, which is currently 198.09 Euro, representing 49.52 Euro. This pocket money has to be paid by the facility to each client even though his or her pension is insufficient to pay for the social service payment.

**Financial – economic situation in Facility for seniors in Gabčíkovo**

In this part we present the development of non-current and current assets of the facility.

Table 5 Development of the property structure

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Non-current Assets	204 849	182 680	160 513	192 202	210 937	191 486	172 294	153 159	142 034	135 533
Current Assets	55 042	54 089	71 720	127 052	188 914	220 750	246 958	270 665	274 930	281 899
Accruals	796	1 446	1 545	1 183	1 125	1 000	1 287	1 190	1 258	1 075

Source: [1], own processing



As for assets, in 2009 the total assets amounted to 260 687 Euro. 79% of the assets were tangible fixed assets, including land, buildings and separate movables. Ordinary assets accounted for 21% of total assets. The value of tangible fixed assets has decreased by 16%. The value of current assets increased by 191,916.64 Euro and its share in total assets increased to 58.7%. This change in the ratio of current and non-current assets is shown in Table 5. Change was caused by a slight increase in inventories, almost doubling the state of bank accounts, but above all an enormous increase in receivables from non-tax revenues of municipalities and higher territorial units and budget organizations set up by the municipality and higher territorial units.

Table 6 Development of the capital structure

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Equity	-1 266	-5 397	-3 291	60 984	93 736	129 524	-16 558	-20 992	-36 758	-25 705
Liabilities	109 942	111 165	127 415	116 360	176 251	166 445	329 752	348 577	366 539	366 435
Accruals	152 011	132 447	109 654	143 093	130 989	117 268	107 346	97 430	88 441	77 777

Source: [1], own processing

Table 6 shows development of the capital structure of the facility, which is very important to assess the coverage of the assets. Capital is the source of funding the organization uses to secure its operations. Large increase in commitments is visible, especially among public administrations. The cost structure consists of consumables, service costs, personnel costs, other operating expenses, depreciation, provisions, finance costs and income tax expense. Consumed purchases include energy consumption, medical supplies, food, and so on. These costs have been declining in the last four years.

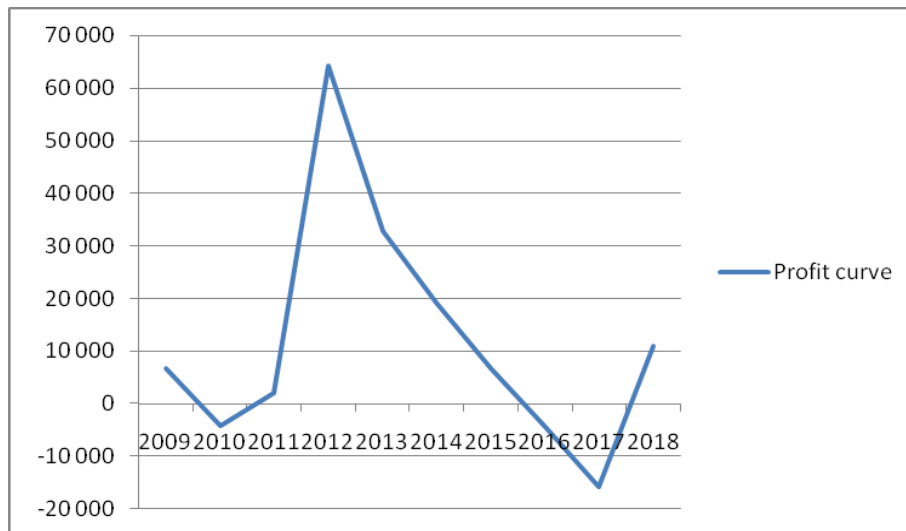
The development of costs and revenues in the facility in Gabčíkovo is summarized in the Table 7. The revenue structure consists of sales of services, other revenues from operating activities, settlement of reserves, financial revenues and revenues from transfers and budget revenues in municipalities, higher territorial units and in budgetary organizations and contributory organizations established by the municipality or higher territorial unit. The difference between costs and yields is the result of the management. Its development is illustrated in Figure 1 and we can see fluctuating character of a profit curve.

Table 7 Development of costs, revenues and profit

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total costs	857 199	884 088	1 008 657	1 033 458	1 020 644	999 791	1 046 863	1 100 022	1 110 123	1 299 435
Total revenues	863 778	879 958	1 010 764	1 097 733	1 053 397	1 019 081	1 053 640	1 095 588	1 094 357	1 310 488
Profit	6 779	-4 130	2 107	64 275	32 752	19 289	6 777	-4 434	-15 765	11 053

Source: [1], own processing

Figure 1 Development of profit at the facility



Source: [1], own processing

Based on the results of the analysis, we propose changes in the following areas:

- Problem in the financing of facilities for seniors from the state budget, caused by the late conclusion of the contract, during the period from January to mid-February, when there is lack of funds. It would be advisable to conclude contracts sooner, preferably in January.
- Insufficient financial assessment of personal staff in facilities for seniors, due to being included in the social sphere and not in the health care sector.
- Insufficient promotion of facilities for seniors due to the lack of available information. It is advisable to create a website with all the necessary information about the facility.
- The biggest problem is not the lack of facilities and places in social services facilities, but their uneven deployment within individual regions. It would be appropriate to deploy these facilities more appropriately and more evenly.

## CONCLUSIONS

It should be remembered that the seniors will always reach the age at which they may need help and care. It is important to address this issue, discuss it and look for ways to improve the situation of the facilities and create conditions for improving the services provided. This can be a good investment for the future. For these reasons, the issue has become a major topic of this paper.

The main objective was to analyze the economic functioning of facilities for seniors. First of all, we analyzed the economic situation of seniors in the context of their level of pensions in Slovakia. Then the research followed in The Facility for Seniors in Gabčíkovo; we conducted an interview with the director of the facility, staff and facility clients. The facility director explained us the process of financing the facility; the share of recipient payment and state funding is on average about 1:1. According to the obtained responses of the clients of the facility, it can be concluded that they are satisfied with the provided social services. From financial point of view, the pension amount is sufficient for most of clients for the required payments.



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