

2005 : 5 years after Lisbon

Time for a new commitment and a new social agenda

As established in the Treaties, Europe is based on a highly competitive social-market economy aiming at full employment and social progress and a high level of protection.

Since 2000 on, the Lisbon Strategy determines further development of Europe based on a positive interaction between economic, employment and social policies. As more economic and employment growth is a precondition for sustainability and affordability of social protection systems, further social cohesion is a necessary step in promoting the further growth and success of the European Union. In that respect social protection systems have to be modernised in order to be able to contribute to a broader economic growth. Growth and jobs will always be considered as the origin of growing prosperity and increasing living standards. Good social policies strengthen growth and jobs.

In 2004, 10 new Member States joined the European Union. With the enlargement, the social conditions in the European Union became more diverse and policy challenges multiplied. Notwithstanding the divergences in the social protection systems between the old and the new EU Member states, the basic characteristics are the same everywhere, only the extent may differ more or less considerably.

During 2005-2006 the member states of the European Union made many legislative amendments in their social protection systems in continuation to those completed just after 2000, according to the Lisbon goals. Assessing the achievement of the objectives is a very difficult task. In the Missoc framework the taxonomy of information given by the participating states is categorized according to the social security coverage of specific risks by the mandatory schemes and not in relation to the goals that refer to the total operation of the social security system (e.g. financial sustainability). One cannot summarise if the national legislations take into account all the Lisbon goals or if they have chosen and given priority to some of them. And if so by what criteria. It is also difficult to conclude, if the convergence towards one of the Lisbon goals have an influence or is influenced by the convergence to the other goals. For example, the convergence to the goal of financial sustainability through the strengthening of the contributory principle has an influence and is influenced by the convergence to the goal of social inclusion and no-poverty.

Reports like the one delivered by the high level group led by former Dutch Prime Minister Wim Kok have however clarified that stronger political commitment was necessary to achieve these ambitious Lisbon objectives.

Economic and societal changes emphasize the need for reforms. Social protection systems need to take into account societal evolutions. Social demands are growing and more emphasis is put on quality of live and a combination between work and family. Confronted with a demographic modification to an ageing process, measures are taken in several member states to raise employment and to postpone the age for retirement. Being in the labour market is indeed seen as a key factor for social inclusion.

In 2005 the European Commission adopted the new Social Agenda 2005-2010¹, "A social Europe in the global economy, jobs and opportunities for all" focussing on two priority areas of action, employment and equal opportunities for all. More active and productive workers are considered to be a basic option in promoting social cohesion in combating unemployment and exclusion.

1. Labour Market participation as key factor for reform

As employment and social cohesion go hand in hand, one needs more active and productive workers. Employment became one of the key factors for reform and modernisation of the social protection systems. It guarantees on the one hand a certain income for the persons concerned (and as such lowers the risk of poverty and social exclusion) and on the other hand it should secure, in the area of pensions, the future adequacy and financial sustainability. Active ageing implies the removal of incentives for early retirement.

In many Member States, different measures have been taken to increase employability and labour market participation. Many States offer reductions of the social security contributions in order to facilitate self-employed people to start their business or to facilitate employers to hire certain categories of the population. In Poland preferential principles of paying social insurance security contributions for persons starting their own businesses have been introduced. These pay for a period of 24 months (commencing the effective day of the business start up) social security contributions based on the amount declared by them. However this amount may not to be lower than 30% of the minimum remuneration for work. In Spain, the employment program for 2005 provides for a reduction of contributions for certain categories of employees, for example the disabled, women, the self-employed who start an activity under certain conditions, scholarship holders involved in technological investigation, development and innovation, employees hired for looking after dependent persons etc.

Other States reinforce the employment of unemployed by introducing measures for the long-term unemployed either by allowing occasional employment and parallel receipt of unemployment benefits or by the distinction of different benefits according to whether the unemployed searches for work or not. Only in one case (Denmark) a clear reference is made to the development of employment with innovation, research and technology. Finland intensified activating measures for unemployed persons for more than 500 days. If a person refuses the offer to work, the payment of the Labour Market Support stops. The measure aims to combat long-term unemployment. In the Czech Republic a project of occasional registered work is discussed. It offers the possibility to receive the unemployment benefits with limited revenue, up to 50% of the minimum wage. The character of the occasional work will be selected so as not to compete with the permanent employment. In Hungary a new job-seekers benefits system has been set up aiming to facilitate the unemployed person to find a job.

France reinforces employment by the activation and the coordination of private employment offices. There is no longer monopoly of the national agency of employment. The public

¹ COM (2005) 33 final, 9 February 2005.

service of employment is defined and it coordinates the actions of the private offices that participate in it.

In the light of the modifications and modernization of the pension systems, raising the retirement age and offering possibilities to earn a higher pension by working longer, is considered as an essential instrument for keeping pensions sustainable.

Some States therefore try to postpone the retirement, offering as incentive higher benefits if the insured persons continue working. In the United Kingdom measures are taken to help people to work longer and incentives are given to defer claiming State pension. At the same time initiatives are taken to provide employed and self-employed people with the range of information they need to make their own decisions about their retirement, including the explanation of the potential consequences of early retirement on their own retirement income. Finland introduces flexible retirement age between the age of 63 and 68, with a higher accrual rate of 4.5%. Statistics show that persons in the earlier age bracket stay on the labour market longer than before. Slovenia plans to award bonuses for longer employment.

Cyprus examines an increase of the minimum qualifying period for pensions under the Social Insurance Scheme.

Some States go even further and radically reform the rules for early-retirement. The Netherlands will introduce a new system on pre-pension and early retirement in order to stimulate the labour participation rate for older people. In Portugal the rules for early retirement have been suspended and a new legislation is currently studied. Cyprus proposes to abolish the right to early pension between the ages of 63 - 65. Some other States introduce early retirement or pre-pensions for those close to the retirement age that cannot find work and run the risk of poverty. Latvia has prolonged the possibility for early retirement, because persons in pre-retirement age are not easily integrated into the labour market.

Linked to this issue, there is an increased interest in private pension provisions. Through the development of supplementary social security scheme, private provisions play a more important role. Supplementary social security follow in their majority capital funded system and promotes free movement of capitals and services in the EU. Measures for the reliability of these schemes and the protection of the insured rights are taken at European level.

In Norway the Act on Mandatory Occupational Pension contributes to ensure an adequate pension for almost all employees (600,000 employees are insured in the new scheme and persons who were already insured have to fulfil the minimum requirements of the new scheme). Slovakia introduced in 1995 first pillar schemes and in 1997 supplementary pillar schemes that can be offered by private firms. In 2005 the second pillar of old-age insurance system started.

Constant efforts are made to keep a mixed system consisting of public solidarity, pay as you go schemes and privately funded schemes. Slovenia promotes voluntary insurance schemes. United Kingdom introduced a Financial Assistance Scheme that helps people who have lost out on their occupational pension because their scheme was under funded and their employer has been unable to make up the deficit.

2. Equal opportunities for all

Disability and strengthening the inclusion of disabled persons into society has become one of the major tendencies in several countries. Where perhaps in the past most of the disability measures in the Member States aimed at introducing specific disability measures resulting most of the time in the categorisation and segregation of disabled persons, recent developments show a mainstreaming approach trying to include disabled persons into the society guaranteeing equal protection and human rights as everybody else.

Some states gave a new definition of invalidity. Also Lithuania introduces new definitions. The terms "disabled" and "disability" substitute the old "invalid and invalidity". The United Kingdom introduced a distinction between incapable persons that can continue to work (they receive the rehabilitation support allowance) and those who cannot (they receive the disability and sickness allowance).

In many countries specific measures have been taken to combat disability related discrimination. In Austria a disability non-discrimination law came into force to combat any kind of discrimination in all fields and to guarantee the disabled an equal participation in the society. Cyprus has set up specific employment schemes for persons with severe disabilities.

There is a growing enhancement of facilities and services for social integration. Also Denmark has set up a plan that should increase the number of disabled persons on the labour market and the number of industries that employ disabled persons. Optimal conditions are created to allow the entrance of disabled persons on the labour market. In Estonia, the labour market and service disability act should guarantee that persons with disabilities have a right to labour market services and benefits. It foresees the adaptation of premises and equipment or communication support for the job interview, special aids and equipment or in a support worker. These laws are intended basically to make these services more client centred and to reach the person who needs assistance in a better way. Also in France the law on disabled persons on the one hand modifies the allowance in order to favour the disabled persons to keep their job or to return to the labour market and on the other hand creates a supplementary benefit aimed at compensating the consequences of a disability. Cyprus created a service for the care and rehabilitation of the disabled. These include enhancement of facilities and services for social integration and vocational rehabilitation of adults with severe disabilities. Incentive schemes are set up for the employment of people with severe disabilities in the private sector, either through coverage of part of the costs for their adjustment to the work place or through the subsidization of their labour cost and the subsidization of contributions to the social insurance fund for the disabled who will be employed in the private sector. Denmark created the Community Councils of Disablement and the Commissions for Employment in every municipality with the task to treat the complaints referring to employment.

In Slovenia a fund for encouraging employment of disabled persons started to work with as mission to decide on the rights and obligations of disabled persons and employers in particular with regard to subsidisation of salaries and the cost of adaptation of posts and supported employment services. A number of financial incentives are also set up in Spain to

recruit people with difficulties to enter the labour market such as disabled workers. Also in Lithuania a law was passed on social integration of the disabled with as main goal to ensure equal rights and opportunities for them by setting up new approaches and principles concerning exactly the social integration of the disabled with a new assessment system of disability and working capacity level which will lead to positive changes in different spheres of live. The new Dutch law on Occupational Disability focuses on labour capacity instead of occupational disability. The Law foresees a further activation of working force through incentives for rehabilitation aimed both at the employer and the employee. Not only a discount on the social insurance contribution is given, but the employer is also not obliged to pay sick leave to an employee who falls under the Regulation on the Resumption of Work for partially disabled persons and again falls ill within five years of the commencement of the benefit. Also in the case of fully disabled persons, the responsibility for maximising the employment capacity of the employee lies within the company.

The issue of gender equality as well remains a burning issue. The tendency is getting more women in the labour market and creating a better balance between work and family life. Spain promulgated a very special law on the social security rights of female workers who are victims of gender violence, according to which they are entitled to the suspension of their labour contract, to geographical mobility or to a transfer to a different post. The period during which the labour contract is suspended will be regarded as a contributory period for the purposes of social security benefits. Victims of gender violence may be entitled to a lump sum payment amounting to 6 to 18 monthly payments of the unemployment allowance or, where the victim of gender violence is a self-employed worker, the obligation to pay social security contributions is suspended and this period considered as an active period of contributions with regard to benefits.

3. Quality of life and a better balance between work and family

Binding work and family also form part of the growing tendency to get people to work. Reconciling work and family life can encourage parents to take up or to remain in the job. Societal changes with new division of responsibilities in the household and more women on the labour market also produces new specific demands as more care facilities for children, debate around dependent people etc.

In Greece a series of measures for families with many children and support structures for child upbringing were enacted in order to give more women the opportunity to enter the labour market. In Belgium several measures have been taken in the field of parental leave that should allow more flexible possibilities to take up this parental leave and also during a much longer time. In the Czech Republic a new family policy is proposed by the government but not yet approved by the Parliament enabling parents to divide parental leave so that it can be taken up to a higher age of the child concerned, or measures like adaptation of the opening hours of nursery school's to parents' needs or motivating employers to establish these nurseries in the place of their activity performance. In France, parents with 3 or more children have the option between the actual benefit and a shorter but better paid parental leave. In other countries measures are taken that should also lead to a higher participation of fathers in the care for household. In Sweden e.g. a parental insurance has been proposed

divided in three parts with one part for the father, one part for the mother and a third part to be freely decided between the parents. The idea is to extend the number of days the father is taking care of the child. Also in Slovenia the paternal leave fathers may claim is extended to the whole 90 days as the law provides.

In line with a clear trend of the last years, new family allowances were introduced or improved. Hungary changed its system for family allowances and the new universal scheme now operates four benefits. Ireland introduced an Early Childcare Supplement. In Estonia a new family benefit for families raising 7 and more children has been adopted.

The Czech Republic foresees the introduction of an allowance for baby-sitting or a tax relief according to the number of children, for families with more than 3 children. Parents who raise disabled children have been given the possibility of cumulating the Closely Related or Other Person Care Allowance with the Parental Allowance. In Iceland a benefit to parents that work and are supporting disabled and chronically ill children is proposed. In Latvia, the Disabled Child Raising Allowance is awarded to persons who are not employed and raise a disabled child.

Other measures like the abolishment of means-testing in the field of family allowances should also allow a better combination between on the one hand taking up a job and on the other hand receiving family allowances. Parents do not lose right to family allowances if they return to the labour market. This can be seen in Hungary and the UK.

The right to long term insurance care remains one of the most debated ones. In many Member States discussions on modifications of law took place, thus guaranteeing a further extension of the rights of people who take care of other persons, in particular members of their family. In Austria a new law was adopted that gives persons who take care of members of their family, the possibility to insure themselves under the pension system. A fictitious employers contribution is paid by the State. Also in Germany the legislation on long term insurance care was further adapted to strengthen and guarantee the financial sustainability in a time of increasing life expectancy. More benefits are foreseen, more prevention and more quality measures are launched. In Ireland measures are introduced to support carers for in particular increasing the income disregarded for the means test for carer's allowance so that a higher number of persons can qualify for carer's allowance. In Spain a law has been accepted that establishes the basic conditions creating a national long-term care system with the collaboration and participation of all the public administrations.

4. Combating poverty and social exclusion

The fight against poverty and social exclusion remains a major challenge both at national and European level. Safety nets are introduced as a last resort when other forms of social insurance are not available. Poverty also leads to exclusion out of society.

Different measures were taken in the Member States for both the low-pensioners and uninsured people in need. In Hungary a pension program aiming at improving life circumstances of those receiving very low amount of widows/widower pensions, being very old or being the most disadvantaged was adopted. In order to promote sufficient income

replacement for old age, the Parliament of Latvia decided to increase the pension amounts of those pensioners with long insurance records.

For poor people who are not insured, specific measures to tackle poverty and social exclusion entered into force. In Portugal, a benefit in cash that guarantees minimum revenue of 300 Euros per month is awarded to people aged 65 years or more. In the Czech Republic, three Acts refer to poverty and social exclusion: a new Act on State Social Support, the Assistance in Need Act that motivates people to work even in a less paid work and the Act on Subsistence Minimum and Existence Minimum and Housing policy. The new housing benefit will cover not only the family or individual income, but also the level of real and reasonable costs connected to housing. Ireland has taken measures for the improvement to the back to school, clothing and footwear scheme, for the establishment of a single standard non-contributory pension scheme with a greatly improved means test for older people, for the increase of the threshold income for the means test for the award of carer's allowance, for the enhancement of the employment opportunities and for additional funding for the Family Support Agency. In Finland the Child Home Care Allowance was increased and an index adjustment was made related to the national pension.

5. Ensure genuine implementation through better governance

Many Member States mention a reduction of the cost of social security systems going with the improvement of the delivery of rights by further modernisation and the introduction of e-measures. Many States are looking for a better administrative structure, through centralization or decentralization.

In Greece in an attempt to modernise and computerise the social insurance system a series of operational improvements have been implemented, especially regarding the registration of newly employed and also concerning the integrated information system in the IKA-ETAM branches. The pension funds of the banking sector are merged according to law in IKA ETAM, the main organisation for employees insurance. France proceeded into merging of the administrative, accounting and finance sectors of the pension and health organizations for trade workers and craftsmen and organised the future setting up of a unique social office for recovering social security contributions. In Norway a new employment and welfare administrations plan was presented that will represent a radical change in the administration of the welfare service. An employment and welfare office will be established in every municipality and replace today's system of several offices in every municipality. This municipal-central government office will be the user's contact point to the whole range of services provided by the present labour market administration, the National Insurance Service and part of the Municipal Social Welfare Service. The same tendency occurs in Sweden where a new integrated government agency (the Swedish national insurance Agency) was set up with responsibility for the social insurance system replacing the former regional social insurance offices. Reasons for this administrative change deal with the reduction of differences between decisions on social security matters and also with the possibility to monitor the system in a more coherent way. In Denmark a new decentralized administrative structure for social services is established. The new 5 regions will ensure a strong administration in their level replacing the 14 actual departments. Furthermore 99

municipalities concentrating the competences of the 270 actual municipalities manage all the social and health actions.

In different Member States the management of the health services became more efficient. In Ireland the health boards are replaced by the Health Service Executive, which has four regional offices and coordinates the delivery of services through local health offices. Iceland simplified the administration in the health care services and hospitals. The hospitals of the capital were merged into one University hospital and a fusion of the health care centres took place in the Reykjavik area. Slovenia also plans to introduce changes in the health system in order to make management efficient. Luxembourg created a Scientific Council for health, which is competent to give recommendations for good practice.

The further introduction of electronic measures should improve efficiency and facilitate the fight against social fraud. In Belgium the procedure for labour accidents of short duration has been simplified through a cut down declaration made on an electronic forum. Luxembourg is considering the introduction of an electronic card that should give doctors access to medical information of the patients.

In some countries specific measures to fight against fraud and black labour are taken. In Austria e.g. services cheques for activities in households were created giving a right to an insurance against accidents and by such mean providing a legal alternative to black labour. In addition there is an obligation to inform the social security institutions at latest when the person starts the work. In Malta the concept of benefit fraud became one of the top priorities of the Government in particular to tackle the countries deficit and to make more sustainable and adequate pensions. In that respect the investigation powers of the social benefit fraud directorate were considerably strengthened.

6. Financial sustainability

Keeping their social protection systems sustainable is one of the biggest challenges for every Member State. Some States take measures for the promotion of a more sustainable system. They adopt a higher correlation between contributions paid throughout working life and the pension awarded. E.g. Norway applies a clearer correlation between work participation throughout a person's working life and the pension benefit. All working years give rise to pension entitlements. In the branch of sickness Finland has introduced the sickness insurance funding reform in order to ensure the financial sustainability of the scheme by enhancing the insurance principle. At the same time in many States the principle of solidarity is consolidated by the increase of low pensions, the exemptions from co-payments for certain needy categories of the population, etc. Sometimes the encouragement of solidarity goes along with the higher correlation between contributions paid and the award of benefits. This is not contradictory, because social security is a blending of these two principles. In the above-mentioned example of Norway, where the correlation between the contributions and benefits became higher, at the same time the social profile is preserved. Low wage earners or people with no income shall be guaranteed a minimum pension benefit at the same level as provided by the previous scheme. Also, in Hungary the State budget finances a health

contribution of 11% to persons receiving old age pension, or survivor's pension, childcare aid, etc.

Financing and especially the financial sustainability is the main topic for the branches of pensions (old age, survivor and invalidity) and of sickness. The legislative reforms serve short-term and long-term goals. In the short-term they endeavour to face the budget deficits through the reduction of the expenditures for the social security benefits and the raise of the income of the social security organizations. Examples for the reduction of the social security cost constitute, among others, the postponement of the retirement (United Kingdom, Netherlands, Finland,), or the introduction of restrictions for the market prices of the drugs (e.g. in Iceland reduction of the prices of pharmaceuticals to the average prices of other Nordic countries, especially Denmark and Finland). The only State that reports a balanced budget for the branch of sickness is Luxembourg, because in 2004 they had already increased the contributions and the co-payments of the insured people etc.

Further, an increase of the State financing or/and of the contributions and the co-payments is observed in many States. In Cyprus a gradual increase of the social insurance contributions and of notional incomes of the self-employed has been proposed. Latvia increased the co-payments. In Finland, the State and the municipalities on a fifty-fifty base will finance benefits for the activation of the labour market. The State will pay an additional support to the municipalities. Portugal proposes a code for the contributions in order to clarify and simplify the financing rules. According to law, income that comes from the raising of VAT (from 19% to 21%) is equally divided between social security and the Funds for the Civil Servants Pension. In France an increase of contributions will be applied, an adaptation of the exemptions of the employer's social obligations for the support of employment, an abolishment of the reductions of the employer's contributions in case of part-time work and an extension of the charges of the "Contribution Sociale Généralisée" to the public organizations that operate in the private sector. Spain provides the separation of financing sources according to the nature of benefits. United Kingdom separates the financing sources according to the nature of benefits. State finances the social security family benefits for dependent children, the social services provided by the social security system and the supplementary amounts, which are paid in addition to contributory pensions so that they reach a minimum level. In Finland, the sickness insurance fund will be divided in two parts. The earnings security insurance that will be funded by premiums paid by the employers, the employees and also the self employed and farmers. The premiums are a given percentage of the earned income and will cover the expenditure. The State will cover the minimum benefits (73% employers and 27% employees). The medical care insurance will be funded by premiums paid by the insured and the State on a fifty-fifty base.

Latvia proposes to make a reserve of social insurance budget assets to solve the problem of budget deficit in the following years. In Greece the State guarantees the funding of IKA (the general organization for the employees insurance).

Especially in the health care sector, the increasing costs lead to different measures that should introduce further responsabilisation. In order to decrease absence of work due to sick leave, different countries have introduced rules that should increase economic incentives. In

Sweden for example the employer shares the cost of sick leave to a special social sickness insurance contribution for those employees who, after the period during which the employer pays out sickness allowance, receive sickness compensation. The intention is exactly to make the employer responsible and thus encouraging him to take precautions to decrease long sick leaves. Also in Norway the agreement on a more inclusive work place should decrease sickness absence. In the Czech Republic an amendment to the sickness insurance act is proposed that would shift the responsibility for paying sickness benefits for the first two weeks of the employees incapacity to work, to the employer. In Denmark the period of absence in case of sickness was reduced.

As we have already seen, also the Dutch new occupation disability law foresees a further activation of working force through incentives for rehabilitation.

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