

Introduction

The legislative activities and the political initiatives of the year 2006 analysed in the current edition of Missoc-Info, demonstrate the permanent effort by the States¹ to adapt and develop the rules regarding the mechanisms for financing social risks, according to general macro-economic data and current social requirements.

Several lines of force stand out for the period under review.

First of all, it is especially interesting to note that virtually all of the countries reviewed are reforming their family benefits and benefits linked to birth, despite the specific traditions and social and cultural benefits of each nation. Paternity benefits are becoming widespread. The tendency to improve and rationalise this branch of social protection, which previously appeared here and there, is thus massively confirmed. The very high convergence in this area is even more remarkable when considering that, contrary to policies in terms of employment, old age and poverty, there is no institutionalised dialogue-assessment procedure, in terms of family policy, at European level. It is probably due to the low demographic level, and consequently fertility, that these reforms have been taken, or to partially relieve the poverty of certain families. We will note that in 2006, the reforms concerned almost all of the most recent Member States of the European Union.

The year 2006 was also a year that confirmed significant changes in the concept of social protection. Some institutions shown in certain legislations have gradually spread to the other countries reviewed, probably, but it is difficult to assess precisely, under the influence of encounters related to the implementation of the open method of coordination. Over the last few years, all European countries have revised their policy of fighting unemployment. All of them are progressively replacing measures of financial assistance to unemployed persons, considered as inefficient in particular because in certain cases they contribute to a definitive exclusion from the job market, by mechanisms actively linking the unemployed people to the search for employment. In parallel, all countries attempt to improve the rapidity and quality of finding jobs. This trend is not only continuing but it is reaffirmed, through new measures. Thus, jobseekers, or at least those who claim and who are entitled to benefits, are now bound to have their ability to return to the employment market assessed, and then take part in the most personalised programme possible aiming at increasing their chances of returning to work. Furthermore, a general hardening of penalties has been noted for recalcitrant unemployed people.

A rapid return to employment is increasingly envisaged for long-term ill persons or people benefiting from disability or incapacity benefits, especially in countries that are experiencing a shortage of labour force and/or a high number of disabled people. This approach works because the majority of people who have suffered an injury or become ill are able to take on certain types of work while they recover, as long as the work takes into account the injury or

¹ For the record, the mutual information system on social protection (MISSOC) combines the 27 Member States of the European Union, the Member States of EFTA and Switzerland. The Member States of the European Council who do not belong to the MISSOC network take part in the information exchange system under the aegis of the European Council (MISSEO).

illness and is appropriate from a medical point of view. It is also a return to daily and professional activities that can actually help injured workers to recover and to reduce the likelihood of a long-term disability. It is a question then for the public services of organising the adaptation of the work to the new physical and mental conditions of the person receiving the benefits and (more or less) subsidising employers in order to compensate for the additional cost linked to employing a person who is not at his/her best; the beneficiary shall be encouraged to take part in this measure by an adapted working pattern, by accompaniment services, and sometimes by the possible accumulation of social security benefits and wages.

The accumulation of social benefits with working or activity remuneration is becoming increasingly frequent, particularly with jobseekers who find low-income employment. The policies of extending working life have also seen an increase in the number of old-age pensioners with a job, particularly those who are more qualified. It is less beneficial to those with lower old-age pensions or to the less qualified as there are fewer suitable jobs available.

Reforms of the social coverage regarding healthcare are willy-nilly continuing. It has been noted that there are few strong trends however in terms of new legislative measures. The only recurring theme is that of "giving a sense of responsibility" to the patient. This involves various measures of transparent pricing and informing the consuming patient. Direct access to specialist doctors also seems to be made increasingly difficult, in particular in countries of social insurance that experience a freedom of installation and an automatic or easy contribution from the doctor to healthcare borne by the health insurance. More precisely, a less favourable rate is applied than the common law price, or the financing of direct consultations with specialists (without seeing the general practitioner first) is refused, which thus becomes an open door to health care with socialised financing.

Moreover, contrary to popular opinion, the systems are improving. Such improvements may however be seen in various ways, which are not necessarily exclusive from each other, at this stage: several Member States of MISSOC indicate an improvement of such-and-such minimum service, or even an extension of the personal scope of application of such-and-such social coverage, or the creation of new social benefits where necessary. Finally, it is especially interesting that a significant part of the legislative work aims at structuring a private offer of complementary social protection. These state interventions are as varied as the creation of new benefits and the implementation of new prudential rules – in particular in accordance with EC directives regarding pension funds. Tax assistance, by special taxation or exemption subject to respecting certain standards, accompany the emerging or consolidating measures of this sector: the State thus becomes the regulator of the social protection market and the promoter of savings solutions for financing social risks.

Transformations of decisional procedures, public policies and public action in this sector are being continued bit by bit. They reflect, in this area of social security, State reorganisations that have redesigned their internal borders and restructured relations between central power and regional powers. The system for distributing public assets, of which social benefits constitute an important part, is evolving. It is not our role, in this introduction, to consider the issue of complicating the sovereignty relations that these territorial reorganisations involve. It is enough to acknowledge that this new information challenges the current

concepts in terms of social protection that are based on the nation-state model. However, we do believe that it is worthwhile indicating that the redistribution between the various governmental levels of tax resources, the relation between this and the distribution of competences and related financial costs, and the share-out of horizontal losses among federal entities, due to the fact that the differences in tax potential do not enable to distribute virtually equal levels of public assets to the citizens, shall be future central issues for the social security systems. More prosaically, in the *stricto sensu* sector of administrative organisation, it has been noted that the phenomenon of transferring competence to sub-state entities, which has been observed in the last two decades in countries that are traditionally considered as being very attached to the centralisation of social policies, has continued in 2006, in reforms referred to as “clarification of competence”, or when renovating such-and-such branch of the social benefits. With Peter Abrahamson², an emerging architecture of the welfare state can be seen in the form of an hourglass: the regulatory powers are increasingly concentrated) in local and regional levels and ii) at the level of the European Union.

This new type of sovereignty shared between various governmental levels in the social protection sector, does not allow for fewer exceptions in the form of harmonisation on a national or supra-regional level – aiming at avoiding regional inequality between beneficiaries considered as intolerable – or cooperation between the central State, the regional level and the local authorities, in particular regarding the implementation of services to people.

We shall see that the methods for adopting the reforms of the social protection sector vary very distinctly from one country to another. Two models however seem to stand out: indeed, alongside the responsibility of the governments and the parliamentary majorities, which is traditional in a democratic country, there is a model of public discussion concluded by an agreement between the public authorities and the social partners. In 2006, Denmark, Spain and Portugal have indicated the successful conclusion of such work of defining and generally orienting future reforms. Another noticeable element is that several countries indicate the use of experimental laws, applied to a part of the territory only for a limited amount of time, with a reform timetable after examination of the test.

These significant reform trends fall within a European-level activity.

In relation to the work of the forum on pensions, the European Commission has also provided a work document entitled “*Adequate and Sustainable Pensions: synthesis report 2006*”³ based on strategic national reports prepared by the Member States. An overview of the reforms is made in this report, from the broad orientations gleaned in relation to the open method of coordination in the pensions sector. Here, it is reminded that, in the pensions sector, the MOC relies on eleven precise aims, grouped together under the following three themes: adequacy, viability, and modernisation. The technical appendix supplies the detailed analysis of the progress made in relation to these aims.

² Abrahamson, Peter (2006), “The new extent of space and place regarding social citizenship: the case of the European Union”, Social link and policies no. 56 2006 p.32.

³ Version of August 2006 for a summary, see SEC (2006) 304.

The report concludes, in particular, that *"these reports highlight the correlations linking these three broad aims, their synergies and the arbitrations involved. The success of a reform depends on these three elements, which must be taken into account in parallel. It would be dangerous for society not to conceive an integrated approach linking adequate pension levels to the viability of the regimes. Untenable promises on future pensions would threaten the actual possibility of guaranteeing adequate income for retirement. An insufficient increase of pensions and granting of low income (or reducing previously-promised benefits) would unexpectedly impose significant strain on public finances, as an increase in ad hoc retirement reassessment applications, and possibly, the unforeseen request for other social benefits (even means-tested) could lead to an increase in public expenditure. Such situations could create significant conflicts related to the credibility of the pension regimes. It is important to improve the transparency of the pension regimes, both for individuals (who need to be informed and have a clear vision in order to take long-term decisions) and for the governments (who need monitoring tools for managing the pension regimes through time). The introduction of automatic or semi-automatic schemes easing the periodical follow-up of various sources of uncertainty, in particular demographic trend, is a particularly interesting characteristic of recent reforms of regimes"*.

Still in the sector of pensions, important work of the sub-group of the Social Protection Committee has been published: it concerns the rates of replacing both first and second pillar pensions. This work helps with the comparison and especially enables to envisage the *benchmarking* that is essential for the process of the open method of coordination⁴.

A second strategic document is the combined report on social protection and social inclusion which was adopted by the Council and the Commission on 10th March 2006⁵. Similarly, in March 2006, the European Council adopted a new context for the social protection and social inclusion process. It is a new series of aims: three general aims and aims for each of the three sectors, social inclusion, pensions, healthcare and long-term care. This report highlights in particular that *"three trends stand out with special acuteness: immigration and related difficulties, increasing costs of health and insurance and the need for reasonably financed structures for taking on children, disabled people and elderly dependent persons, taking into account the demographic evolution and the increasing number of working women"*.

Last year's confirmation by the Court of Justice that health care is a service within the meaning of the internal market rules, raised concerns in the different Member States about further interference of the internal market and competition rules on health care, but also in a broader way the whole social sector. The opposition against the inclusion of health care in the directive of services in the internal market is a clear reflection of this concern. As exclusion of health care out of the material field of application of this directive, does not

⁴ Current and Prospective Theoretical Pension Replacement Rates. Report by the Indicators Sub-Group (ISG) of the Social Protection Committee (SPC) - May 19th 2006.

⁵ Combined report on social protection and social inclusion, Brussels, 13th March 2006 (20.03) (OR. en) 7294/06 SOC 126 ECOFIN 95 FSTR 10 EDUC 55 SAN 60.

solve the fundamental applicability of internal market rules on health care, the Commission expressed the idea to develop a separate instrument that would take into account the fundamental characteristics of health care. A consultation process was set up in September 2006 to obtain more concrete information on the different legal issues and the desirability of a possible European instrument. In the same way, the Commission sent questionnaires to the Member States dealing with the concept of social services of general interest, sometimes considered to be a possible concept that could attenuate or even exclude the influence of the EU rules in the social field. Notwithstanding the fact that it is not possible to develop a conclusive definition of social services of general interest, it covers a broad variety of services from social security over health services, social housing, child care or services towards families, long-term care, persons in need and labour market services.

Enriched with this macro-definition, we are going to be able to carry out a more detailed review of the legislative evolutions reported by the States taking part in the MISSOC programme.

1. Reforms of birth-related or family-related benefits

It is even more remarkable that the States reform their systems of family benefits or benefits for births, when the subject has not been institutionally coordinated as such on a European level.

Several States indicate an improvement in family welfare. Several types of reform can be noted. In the first type of reform, the improvement is general but is done to permanent benefits, as in Hungary, where the universal family benefits have been doubled, in Poland or in Slovakia, in Slovenia, Finland, Spain, the Czech Republic or Estonia. Elsewhere, new benefits are implemented as in Poland, Lithuania, or Ireland; the United Kingdom has issued a white paper on child maintenance from absent parents. Switzerland has adopted a federal law on family welfare that will take effect in 2009, and that constitutes a harmonised basis of benefits that the cantons may improve upon, while maintaining special federal schemes for certain categories of the population. In France, family benefit may be shared in the case of shared custody of a child by divorced parents.

Assistance for family services is developing in the same way. As for example in Slovakia, or for self-employed workers in Belgium, where it is a question of making money available for financing requests for alternative child-minding other than collective nurseries. These subsidies by the family benefits of local service employment also fall within the context of non-relocation policies for employment. These measures also report on the transformation of the marital model, from a situation where the man is the main breadwinner to that of two earners.

The benefits may also be targeted. Single parents are the subject of special attention, in particular in being encouraged to return to work, as in the United Kingdom.

Benefits for parental leave are now pretty much widespread in Europe: they are open to both parents and their conditions of access are sometimes made easier, like in Luxembourg. Germany, which is one of the countries with the lowest birth rate of births and with the lowest rate of employed women, has recently thoroughly reformed its parental leave system,

which is now largely influenced by the Scandinavian model, especially as it is partially open to the person who does not take the main leave. The reform also aims at increasing the percentage of women on the job market. Finland has created a leave of one month for the father and improved parental leave benefits to encourage fathers to use this scheme. Lithuanian law now includes a paternity leave.

France has created a special scheme of leave for seriously-ill or disabled relatives; Denmark is indicating the introduction of very similar leave for exceptional family situations. Specific paternity benefits in the form of financing of short-term leave, are also increasing in particular in Slovenia, Finland and Lithuania.

In many Member States a variety of policies targeting disabled people aim at increasing the integration of these persons, as well as overcoming discrimination have been noticed. Narrowing the substantial gap in employment rates that exists between disabled and non-disabled persons is one of the utmost priorities. In Slovenia further measures are issued to allow disabled persons to find work more quickly and easily or licences for implementation of occupational rehabilitation have been introduced. In Cyprus specialised employment schemes for persons with disabilities have been implemented, either through coverage of part of costs, for their adjustment to the workplace or through the subsidisation of their labour costs. In Austria, a general non-discrimination clause on the basis of handicap has been elaborated in law, as well as the installation of a special lawyer for issues of non-discrimination of people with disabilities.

2. Measures to encourage a rapid return to work are becoming widespread

Measures to encourage beneficiaries of social benefits to return to work, that appeared at first in policies accompanying minimum wage policies, and then spread to measures for accompanying unemployment benefits, continue to develop.

Several convergences of technical solutions may be observed:

- Income from an activity may be accumulated with social benefits. Ireland has thus made it easier to accumulate single parent benefits with employment income and has improved benefits for disabled persons. Belgium has joined the circle of States that make an employment-pension accumulation easier. The Czech Republic refers to a new possibility of maintaining all of the partial invalidity pensions with income from employment.
- An increasingly personalised accompaniment aiming at both assessing the working capacities and monitoring the plan to return to work. Portugal has amended its unemployment benefits regime in this way. The United Kingdom has announced a plan to reinforce the personalised follow-up and to help with the return to work of disabled/sick persons (the incapacity benefit will be replaced by a new employment support allowance), and a pilot plan regarding single parents.
- Employment itself must be more inclusive. Slovenia has introduced an obligatory quota of disabled workers, and a fund aiming at financing the adaptation of work stations. Finland has introduced a part-time health insurance benefit for people who

are ill for more than 60 days, which enables to accumulate ill-health benefits and employment. France has created benefits for minimum wage earners and increased financial help for companies employing jobseekers. Norway has extended and emphasised its efforts to integrate long-term ill people.

These measures are accompanied by the reorganisation of the conditions for accessing the benefits – in the sense of reinforced demand – and by decreases in the length of time for receiving the benefits, sometimes widespread, sometimes only for certain categories of jobseekers with privileged status until now. Sometimes even the benefits are reduced. Portugal also refers to a heightened strictness in assessing the acceptable employment criteria, thus following a trend already observed elsewhere; Belgium has increased the number of situations in which unemployment is considered as voluntary and therefore not open to benefits.

In the Netherlands the maximum period for unemployment is reduced. The shorter period emphasises the temporary nature of unemployment benefits that should serve as a bridge between two jobs.

Raising the activity and employment rates of the presently inactive or unemployment in working age population, as well as attracting and retaining more people in employment, play a further important role in securing adequate, accessible and financially sustainable pension systems. Completely in line with the open method of coordination in the field of pensions, many Member States have introduced measures focussing on strengthening incentives for working longer. In Greece it is envisaged that as an additional incentive for the extension of working life, a reduction of insurance contributions for those remaining at work after the standard retirement age, would be introduced. In France, the rules for an increase in the pension amount for people working longer than the necessary legal requirements have been improved. Also in Portugal, strengthening the remuneration mechanisms for pensions in case of activities beyond legal retirement age is planned. In Cyprus, measures as the gradual increase of the social insurance contributions or the abolition of the rights to early pensions is envisaged. Also in Denmark, plans are developed to make early retirements less attractive and even to increase pensionable age. In Malta, a gradual increase of pension age is installed, as well as an increase in the contribution base, on which a pension entitlement is calculated. In Norway, the Government also proposed that persons, who defer retirement, shall receive higher annual old-age pensions.

A further measure with respect to the adequacy of pensions is the development of privately managed pensions. In Malta, a second and third pillar pension will be introduced. In Norway, a mandatory occupational pension scheme entered into force. Also in Italy, the development of a voluntary supplementary pensioning system should assure a higher level of pensions.

3. Continuation of reforms of the health systems

Beyond the general evolution lines set out by the Commission in relation to the open method of coordination in terms of health, aiming at promoting social integration and guaranteeing a high and long-term level of healthcare, and the financial viability of systems for healthcare

and long-term care for elderly people⁶, the States continue to transform their system for financing care.

There are several reasons behind these transformations, and they are often intertwined. Some broad lines stand out though. Thus, the contribution of patients to the cost of their care is becoming widespread, even if it is only small. But the issue of not prejudicing the very poor, by implementing patients' contributions, is also present. Thus, Slovakia has withdrawn the fixed daily amount for hospital stays and reduced the patients' contribution per prescription, making access to care easier. The concern is the same in Latvia, where the contribution of the poorest pensioners to specialist costs has been reduced. Hungary has opted for a symbolic, and therefore not penalising, contribution from the patient.

There is also an improvement in benefits for certain illnesses, such as cancer in Iceland, or an extension of the coverage, as for self-employed workers or certain ill-insured benefits in Belgium. This concern is also present in the German reform, which aims at improving access to the regime. Estonia has introduced a financing of the costs of psychological assistance for crime victims.

Other measures aim at limiting expenditure: thus in Luxembourg, the policy of replacing prescribed medication by generic drugs is continued.

The organisation of the concrete offer of care to an insured person is also being defined: the concept of a primary doctor and a coordinated health track is materialising in countries where, until now, access to doctors was free. The financial motivation and an increase in costs when the patient does not respect the predefined order of medical visits and/or a better reimbursement in the opposite situation, are voluntary pilot schemes used. Belgium thus indicates a lower patients' contribution when the health track is respected. Denmark has reorganised its hospital offer to reduce hospital waiting lists. Iceland has reorganised access to cardiologists in the same way.

Hungary has begun a radical modification of its health system; it has taken on strict reforms of the structures and the remuneration of healthcare providers and the regulation authorities. Finland has changed the financial organisation of its system, in the same way, by separating the benefits in kind and the cash benefits.

Germany, in relation to its recent reform, is also seeking to reorganise the way in which its institutions are run – in particular in continuing its policy of competitiveness between institutions – and the remuneration of health professionals. In doing this, it is completing and continuing past reforms. This process demonstrates the method by “successive touches” of transformation of the healthcare offer and the socialised financing of medical and paramedical treatment in social insurance countries.

⁶ Modernise social protection for the development of quality healthcare and long-term care that is accessible and long-lasting: a support for national strategies by the “open method of coordination” Communication of the Commission COM (2004) 304 adopted on 20th April 2004.

4. Targeted improvement of benefits and rationalisation of benefits

Several countries refer to improvements, either of the scope of application of the rules – by extending the receipt of such-and-such benefit to such-and-such category – or by creating new benefits or improving the amount of them. In this last category, we can mention, along with the examples already given in the areas above, the efforts made towards people with invalidities, like in Liechtenstein, or disabled people, or even towards some of them, like disabled children in Finland.

Rationalisation efforts for organisation accompany this process; along with the examples already given of Hungary and Germany, Malta has indicated a huge reform of its system for financing incapacity, including in particular a rationalisation of the procedures.

The improvement aims particularly at the assistance regimes and especially assistance regimes for certain people, or the minimum social security benefits. Increases in benefits are often significant in proportion: such is the case of the Belgium guaranteed income for elderly people, or the Hungarian family benefits, or the German social aid. The year 2006 is representative of a heightened financing by the national legislators of the situations of poverty of certain categories of the population. As an example, Latvia and Belgium have substantially increased the amount of their minimum pensions; Malta has introduced a minimum guaranteed pension as a basic element of the vast reorganisation of the old-age pensions law.

Among the new benefits, the implementation of schemes related to long-term care should be highlighted: assistance to carers has been reinforced in Ireland; tax assistance to compensate costs linked to dependency has been improved in France. Spain has chosen to deal with the issue in a national framework law, but has shared the task of financing between the State, the independent regions and the local authorities.

An increase in rights and improvement of the social security situation of informal carers is noticed. In Finland e.g. an increase is noticed in the days off in a month an informal carer is entitled to. In Austria a new voluntary insurance for old-age pensions for carers is installed. In Slovenia on the other hand, a long-term care insurance act is being prepared, aiming at regulating the field of long-term care with the introduction of a long-term care insurance.

It can also be noted that the legislators are interested in the complementary social protection by attempting to limit the number of intermediaries involved and to guarantee a certain equality between the beneficiaries. It can also be noticed that compulsory complementary old-age pensions are increasing; the most recent example is the constitution of a second subsidiary and compulsory pillar in Norway. The reasons behind these legislative interventions are especially varied: completion of a second stage of reorganising the pension income like in Italy; adaptation of prudential standards like in Liechtenstein and France, and free services, like in France; acknowledgement of probable insufficiency of future benefits from existing pension funds for the very poor, like in the United Kingdom; or concern of guaranteeing benefits when faced with the increase in the cost of living like in Switzerland.

Guaranteeing the good functioning of a social security system implies the collection of the necessary contributions. In several Member States further measures have been introduced to combat illegal employment. In Austria notification for social security can be introduced at the

latest at the start of the employment, as well as a system of services cheques has been introduced as a legal and attractive alternative for the black labour market. In France a national committee combating social protection fraud was installed.

Further improvements and reforms are on the way in social security systems to guarantee as well a good functioning of the system itself, as to improve the rights and benefits of the persons concerned. In Greece a consultation process has been installed to tackle shortcomings of the social security system with several priorities: reducing contribution evasion and rationalisation of expenditure by a better organisation and more investments in new technologies, a more advantageous utilisation of the social security funds assets and reducing the fragmentation of the administration and management structures of the social security funds. As well in Denmark, as in Finland a further restructuring of the municipalities is taking place that should secure the organisation and provision of social services close to the public with due regard to standards of quality, effectiveness and availability.

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