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Social security & social integration

Evolution of social protection in the Member States of the European Union

A YEAR FOR REVIEW
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European Commission

EVOLUTION OF SOCIAL PROTECTION IN THE MEMBER STATES OF THE EUROPEAN UNION

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Social security and social integration

European Commission
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Unit E.2

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A YEAR FOR REVIEW [1]

'The reference period [2] was uneventful in terms of social security.' This statement, drawn from several of the national reports used to compile this synthesis, refers to the legislative activity of certain Member States. Clearly, changes of government in a number of countries in 1998 and the run-up to the elections in others were not totally unrelated issues. Indeed, quite a number of Member States decided to take stock of the sometimes frenetic, and often large-scale, reforms which had been introduced in recent years. As a result, there have been few significant innovations. However, the social security sector always experiences its fair share of adjustments, reforms and adaptations.

Community institutions were by no means inactive in the field of social security in 1998.

The Council adopted two important texts in 1998: Council Regulation (EC) No 1606/98 of 29 June 1998, aimed at extending the scope of Regulations (EEC) Nos 1408/71 and 574/72 to cover special schemes for civil servants [3]. Civil servants, who had hitherto been excluded from the Community coordination mechanisms for social security schemes because they were in a special scheme, will now be covered by the major principles governing the Community coordination of social security schemes. The text of the new regulation also signals the need – which is something totally new in this branch of Community social law – to 'take into account the specific characteristics of certain special pension schemes for civil servants in certain Member States, and in particular the absence in certain countries of systems for coordinating special schemes and the general scheme, the existence in other Member States of special systems for coordinating special schemes and the general scheme, the limited scope of such schemes, their budget and premium structures and, for example the existence of a direct link between entitlement to benefits and long periods of service'. Moreover, Regulation 1408/71/EEC has begun to be redrafted, with the Commission's proposal relating to the coordination of social security systems [4].

The aim of Council Directive 98/49/EC of 29 June 1998 on safeguarding the supplementary pension rights of employed and self-employed persons moving within the Community [5] is to endeavour at least partially to remedy the lack of consideration given to supplementary pensions for migrant workers in Regulation 1408/71/EEC. As a result, such mechanisms will be the subject of specific measures, of which this directive is the first element, in order to take into account their specific nature and characteristics, as well as the diversity of such schemes both within and between Member States. The directive lays down the general principles applying to supplementary pensions for migrant workers, such as equal treatment, the organisation of cross-border payments, the possibility for seconded workers to continue to pay contributions, and better information for affiliated members. This directive has not yet been transposed into the national legislation of all Member States: the transposition deadline has been set for 25 May 2002. The intervention of Community institutions in this area also demonstrates the importance which supplementary coverage mechanisms are adopting for old-age pensions in the social security systems of the Member States. This directive is accompanied by Member State efforts to foster the development of supplementary social security coverage. These measures will undoubtedly lead to the harmonisation of national rules in this field.

The year 1998 saw the publication of the Commission's Social Action Programme for the period 1998–2000 (COM(98)259, 29.4.1998). In it, the Commission proposes, during the said period, to update the 1992 Council recommendation on the convergence of social security systems, to introduce closer links with the employment strategy, to simplify Regulation 1408/71/EC, to put forward legislation to supplement the rules on equal treatment for women and men, and to promote measures to combat poverty.

In application of this action programme for 1998–2000, the Commission published a report on the implementation of Recommendation 92/441/EEC of 24 June 1992, on common criteria relating to sufficient means and benefits in social security systems [6].

The 1999 Council resolution on guidelines for employment plays a special role. It addresses the problem of undeclared labour. Systems of unemployment benefits are called upon to change in order to promote actively the capacity for occupational integration. The Member States must also 'encourage the development of self-employment by examining – with a view to reducing – any obstacles which might exist, in particular in the tax and social security schemes, in the transition from self-employment and to the creation of small businesses...'. However, the resolution stresses that a sufficient number of quality services are required for the care of children and dependants, in order to encourage women and men to enter the labour

[1] This text reflects the opinions of its author and not those of the Commission (DG V). It was discussed during the meeting of Missoc correspondents in Dresden in May 1999.
[2] This report is based on the national reports for 1998.
[3] OJ L 209, 25.7.1998, p. 1.
[4] COM(98) 779 final, OJ C 38, 12.2.1999, p. 10.
[5] OJ L 209, 25.7.1998, p. 46.
[6] COM(98) 774 final.

market and stay in jobs. These examples show that the guidelines for employment serve as a benchmark for drawing up social security measures.

The jurisprudence of the Court of Justice of the European Communities (CJEC) surely also merits a place in this report concerning social security trends in Europe. For the past 10 years or so, the CJEC has regularly been referred issues of compatibility between the activities of social security institutions and the fundamental economic liberties set out in the Community Treaties. This has led the Court to characterise what should come within the specific remit of social security organisations with regard to competition law ([7]). During the 'reference period', the European Union's supreme court was asked to deal with the issue of the compatibility between national provisions limiting recourse to medical care or service providers who are not established on the territory of that Member State. The Court of Justice of the European Communities ruled in the Kohll case that Articles 59 and 60 of the Treaty on the freedom to provide services prevent any national regulations from making reimbursement according to the scale of reimbursements of the State of affiliation subject to the authorisation of the insured person's social security organisation, with respect to dental care provided by an orthodontist established in another Member State. In the Decker ruling, the Court ruled that Articles 30 and 36 of the Treaty concerning the free movement of goods prevented a social security organisation in one Member State from refusing an insured person the lump-sum reimbursement of a pair of spectacles purchased from an optician established in another Member State, on the grounds that the purchase of any medical product from abroad must be authorised in advance ([8]). Sick people have therefore been recognised as having the right to receive care in the Member State of their choice, without prior authorisation and to be reimbursed for such care at the reimbursement rate of their Member State of affiliation. The true impact of this jurisprudence is difficult to measure at present; nevertheless, it is clear that such rules cannot leave either medical care and service providers, or national health administrators, indifferent.

An examination of the key elements of recent social security developments (A) highlights a few prominent areas of development (B).

A. KEY ELEMENTS OF SOCIAL SECURITY DEVELOPMENTS

Several points are worthy of note.

A very clear trend is emerging of legislators focusing their efforts on the least affluent sectors of the population. This can probably be explained by the advent of an ever more needy population as a result of rising unemployment, and not by more generous service provision to each beneficiary. This is a continuation of the move towards restructuring the welfare state. As a result, France has abolished family benefits for the most prosperous categories and Luxembourg has chosen not to extend family benefit increases to households on the highest incomes. The British Green Paper on reforming social security is a good example of this trend, advocating 'work for those who can, security for those who cannot'.

The desire to extend social security coverage to sectors of the population which have hitherto been excluded from any type of social security is also apparent. Again this year we are seeing an extension of the personal field of application of basic systems, as well as a re-centring of State policies on the most disadvantaged categories. This has led to a development in welfare. Increasingly, social security systems cover the entire population, at least for some risks. For instance, in Belgium, all the residual schemes have been integrated into the basic schemes and the conditions for admittance to the sickness insurance scheme have been eased, so as to allow some coverage for people on low incomes. Greek legislation provides for the coverage of sickness insurance costs in kind for job seekers up to the age of 29. There are further illustrations of this trend to provide better protection to the very poorest. The new French law on measures to combat exclusion is intended to guarantee access by the least privileged to a wide variety of rights, providing, in particular, access to health, employment, housing and culture. A 'universal sickness coverage', which offers better coverage for the least affluent members of society is under debate in France, and Austrian legislation provides for people to receive dental care from community clinics administered by the sickness insurance funds. Italy is laying plans for the introduction of a minimum wage on an experimental basis.

At the same time, supplementary social security has in many cases been, or is in the process of being, reorganised and promoted. The French social partners have rationalised one of their supplementary retirement schemes, and draft legislation on reform in this field has come into force in Denmark and Sweden. The Italian Finance Law of 1998 has amended legislation on supplementary pensions by creating an independent specialised committee that will grant authorisation for engaging in commercial activities, instead of the Ministry of Labour. Texts aimed at cleaning up the administration and guaranteeing employee rights have been announced in the United Kingdom and Luxembourg. This trend is very clearly marked.

([7]) Court of Justice of the European Communities: Joined Cases C-159/91 and C-160/91, Poucet v AGF and Camulrac and Pistre v Cancava, [1993] ECR I-637; Case C-238/94, García and Others v Mutuelle de Prévoyance Sociale d'Aquitaine and Others, [1996] ECR I-1673.
([8]) Court of Justice of the European Communities: Case C-120/95, Decker v Caisse de Maladie des Employés Privés, [1998] ECR I-1831; Case C-158/96, Kohll v Union des Caisses de Maladie, [1998] ECR I-1931.

Reforms of old-age pension systems continue to concern a fair number of governments. The discussions have focused firstly on concerns about demographic prospects, and secondly on the idea that the aim of retirement pension systems should be to foster economic growth by amassing savings to support investment, by a determination to reduce the public share of retirement pension funding and by a desire to curb the rise in compulsory deductions.

The measures adopted in 1998 are in line with these concerns. There are two distinct types of development. In some countries, fundamental reforms, which mark an abrupt change in the rationale behind old-age pension coverage have recently been, or are in the process of being, adopted. For instance, Germany has expressly earmarked a new tax for funding its retirement pensions and reduced the associated contribution. Italy has consolidated its reform. In other Member States, new consultations are being encouraged, and negotiations on transforming the retirement pension system are taking place, between the various members of civil society. As a result, Germany has abandoned the idea of implementing the planned pension system reform. Luxembourg has declared itself in favour of aligning public sector retirement pensions with those of the private sector in the future. However, civil servants have not been included in any salaried workers' scheme. Following a transitional phase, this measure will lead to a reduction in civil servants' pensions and a corresponding reduction in government expenditure. It is also a time of consultation. In France, a committee responsible for considering the future of retirement pensions has been appointed at the same time as setting up a reserve fund financed from a fraction of para-fiscal revenues, whilst a Green Paper on pensions has been published by the British government.

Moreover, we are seeing a disengagement of basic State pension systems and a renewed trend towards giving precedence to maintaining older people in work. The era of early retirement schemes funded mainly by collective mechanisms, in which virtually the sole technique is the contributory system, appears to be over. We also note that reforms of retirement pension systems fail really to take into account changes in employment patterns, characterised by a decline in full-time employment for certain categories of salaried workers, greater job mobility, and entry into working life at a later age. These data have not been taken fully into account as yet, and clearly the aim at present is to cope with current social security problems. It is not difficult to foresee that a proliferation of 'incomplete contributory careers', as a result of changes in employment patterns and tougher rules for calculating retirement pensions, will, in 20 years' time, pose problems in countries which do not have basic pension mechanisms that are funded by taxes.

The guidelines for employment and the national policies that implement them reveal no clear trend towards harmonising measures to combat unemployment (9). However, there are many Member States which refer to one of the 19 guidelines adopted at the Luxembourg European Summit of December 1997 to explain, if not justify, a given reform that (also) affects entitlement to social security.

This has resulted in a host of different measures. Some are based on the idea that social security systems are detrimental to business competitiveness and undermine economic dynamism, as a result of their disincentive effect on work. The same applies to mechanisms for reducing payroll taxes, which continue to be implemented, despite the fact that economic doctrine is starting to cast doubt on their effectiveness. This has led to the development of 'assisted employment contracts', under a host of different names and legal schemes, including the Greek and French assistance programmes which provide grants for recruiting young people and the long-term unemployed, as well as the Dutch programme which allies grant aid to fiscal measures. Likewise, the British government provides for partial exemption from social security contributions for people on low incomes, as an incentive to take on workers. 'The alternative use of unemployment funds', that is to say maintaining unemployment benefits for a certain period of time following recruitment and a correlative reduction in the labour cost of newly-recruited employees who fulfil the eligibility criteria, is evident in numerous reforms and in several planned reforms. However, there are sharp contrasts in the interim assessments on these policies, and the effectiveness of such measures is far from proven.

Promoting employment, training and incentives for job-sharing is on the agenda in all countries. With regard to training promotion, a training allowance has been paid to unemployed people in Finland since August 1998 to encourage them to undergo training. Ireland has launched a programme aimed at increasing the number of potential beneficiaries of back-to-work grants.

Measures can be identified in the various national legislations, aimed at encouraging part-time work and endeavouring to guarantee minimum replacement earnings for workers whose working careers include periods of part-time work at a lower wage. The most striking illustration of this trend is certainly Spain's new legislation on part-time working. Not only are the social security rules that have accompanied the new labour legislation designed to prevent discrimination against part-time workers but, particularly in the field of old-age pension

(9) Cf. Commission Report 'Employment in Europe 1998. Jobs for people, people for jobs: turning political guidelines into action' COM(98) 666 final.

insurance, they are very advantageous to employees. They therefore provide a real incentive to part-time working. Belgium has introduced a change in its unemployment insurance legislation to bring it into line with the new patterns of work laid down in collective bargaining agreements and in programmes for assisting the unemployed. The Portuguese government and social partners have recently agreed on the creation of a partial unemployment allowance which is payable as soon as a job-seeker accepts part-time work. Finnish legislators have recently followed suit. The French law on combating exclusion also provides for the possibility of drawing certain unemployment benefits concurrently with wages and makes it easier to draw certain welfare benefits concurrently with a salary. The rules on social security are therefore contributing to changes in employment and job-sharing patterns. Such measures for drawing replacement earnings concurrently with low salaries are also meant to encourage the beneficiaries of social security benefits to return to the labour market.

The traditional distinction, in some countries, between salaried workers' and self-employed workers' schemes is gradually becoming more blurred. The attraction of social security for salaried employees is very strong. This clear trend, which has been apparent in the field of family benefits for a long time, is now being confirmed in the realm of sickness insurance. In Denmark, the waiting period that has been introduced for the payment of cash sickness benefits to self-employed workers has been shortened. In Austria and Belgium, access to social security coverage for self-employed workers – fairly similar to that of salaried workers – has been facilitated in order to encourage this form of work. Italian legislation is certainly the best illustration of this development; in Italy we are seeing a desire to align coordinated and continuous collaboration (*lavoro parasubordinato*) and self-employment with that of salaried workers. The so-called long-service pension under Italian law is, however, no longer accessible to self-employed workers under the same conditions as for salaried workers (58 years of age, compared with age 57 for salaried workers).

The desire to combat 'fake self-employed workers', whose proliferation is reducing the revenues from salaried workers' schemes, is a trend which we have already seen in the past. Germany is, in its turn, launching a programme to integrate this category of workers into the salaried workers' pension insurance scheme.

Furthermore, certain sectors of the population which previously had their own social security schemes have been integrated into a broader scheme. These reforms reflect the financial difficulties of certain special schemes, as well as the desire to rationalise systems.

Rationalisation of costs and of the mechanisms for administering certain social security branches continues apace in some countries. Certain insurance funds for self-employed workers have been merged in Greece, and the social partners have decided to unify the rules on supplementary retirement pension funds in France. The special scheme for Belgian miners has been integrated into the general scheme. However, this remains sporadic and could hardly be described as a reconstruction of the entire system. Sometimes only the benefits are aligned on the largest scheme and they continue to be administered by specific institutions. This is the case with benefits in kind under the Austrian farmers' scheme. There is a Dutch plan to open up the administration of job reintegration programmes for unemployed people and the payment of unemployment benefits to private organisations, whilst at the same time developing contractual relations between the major enterprises and such new providers.

In the field of health, the Member States reiterate their desire to reduce the State's share in expenditure. Although the methods used, or planned, vary widely, such concerns do highlight the total or partial failure of previous measures to curb the steady rise in health spending (see Missoc Reports for 1996, 1997, 1998).

As a result, Member States are making a fresh effort to control sickness insurance. Several techniques are used for doing this. Luxembourg's decision to increase social security contributions is seen as an exception to the rule in Europe. Most countries, such as France, prefer to intervene on the supply-side of health care or services. Greece has announced a new mechanism for controlling spending by health insurance funds.

The coverage of dependants, which will certainly pose a major challenge to social security systems in the 21st century, is an issue that is tackled from two angles. The first is to make demand solvent, that is to say, create mechanisms for providing coverage. This is the case, for example, with Luxembourg, which has just adopted a law establishing a dependency insurance. Dependency coverage is often based on a priority of keeping dependants at home; this raises the issue of compatibility between the job of professional carer and that of 'informal carer'. This traditional concern of family policies has, as a result, been extended to new fields. The Netherlands is currently exploring the feasibility of a framework law to permit career breaks for personal assistance activities, whilst Luxembourg has acknowledged the useful work done by informal carers by conferring retirement pension rights on them. Portugal has acknowledged a special allowance for the parent who takes leave in order to care for a child suffering from a serious disability or chronic illness. Sometimes employment policy measures are combined with support measures for dependants: for example, France offers a wide range of exemptions from social security contributions for employing professional carers to look after dependants.

The solutions chosen vary widely, as shown by the study conducted under the aegis of the European Union ([10]). In addition, the Council of Europe adopted Recommendation No R (98)9 by the Committee of Ministers to the Member States, relating to dependency (adopted by the Committee of Ministers on 18 September 1998, at the 641st meeting of Ministers' Representatives), the impact of which needs to be measured.

The issue of anti-fraud measures, which seems to have loomed large in the last Missoc report, has apparently been taken up by only two Member States. However, Germany and Belgium report changes to their computing systems, in the field of welfare in Germany, and in the field of affiliation in the construction, interim work and personal overland transport sectors in Belgium, in order to attempt to curb fraud.

We note that Denmark has separated compensation for occupational accidents from that for occupational diseases. Occupational diseases, as well as lesions that suddenly appear during lifting activities, have been withdrawn from the insurance system and will now be covered by an independent institution administered by company representatives.

Finally, work by national administrations to adapt the social security rules to the euro are continuing.

B. A FEW OUTSTANDING AREAS OF DEVELOPMENT

I. Paupers versus savers: key new figures in old-age pension policies?

Once again, old-age pension insurance reforms, or planned reforms, are aimed at the poorest retired people. Indeed, in a number of countries, we are seeing a basic pension that is worth less than welfare payments for some people. Consequently, there is an attempt to correct a situation which is deemed to be unacceptable. Greek minimum pensions have been increased by 50 % for newly insured people, whilst the minimum for French old-age pensions has been revised upwards. The Italian law has eased the rules on drawing old-age pensions concurrently with self-employed work.

Moreover, based on demographic considerations, it is still feared that public systems for guaranteeing retirement income are under threat of bankruptcy. During the current period of low inflation, national legislators are therefore seeking to supplement their contributory systems with supplementary savings.

A very apt illustration of this trend is the recent Green Paper published by the British Department of Social Security, entitled 'A new contract for welfare: Partnership in pensions'. This paper advocates combating the growing poverty among today's elderly people (one in five of whom are eligible for means-tested income support in addition to the basic State pension). It also proposes overhauling the pension-savings market to give savers new confidence and to counteract employers' recent efforts to disengage from the financing of supplementary pension schemes.

The Green Paper offers an assessment of these mechanisms of so-called 'individual responsibility'. It provides an interesting reference at a time when other European countries are considering the idea of developing funded supplementary retirement pensions. The findings are damning: too many retired people will have only a small supplementary pension. According to the Green Paper, a good number of supplementary savings products have failed to produce the yields claimed by their promoters. There is also condemnation of the obstacles to the acquisition of pension rights for salaried workers who frequently change jobs. A further finding is that employers are frequently pulling out of paying premiums which, as a consequence, are paid solely by salaried employees. Finally, the rising divorce rate has meant that women often lose out on divorce when a higher earning husband has taken out a private pension. To rectify this situation, the British government is planning to introduce pension sharing on divorce (or nullity of marriage), and a bill on this matter is currently before Parliament.

Assistance for the neediest retired people and savings support for people on low incomes are the two central elements of this draft reform. Total privatisation of supplementary pensions is expressly rejected, as is the 'continental model', in which 'the State plays an essential role'.

The Green Paper proposes support for the poorest pensioners in asserting their claim to a minimum income guarantee in addition to their basic pension, even automatically transferring income support in such a way as to guarantee a minimum old-age income. Pilot schemes have been undertaken in nine regions to identify those pensioners who have failed to request the income support to which they are entitled.

The Green Paper is original in that it proposes an overhaul of supplementary retirement pensions. These will vary depending on individual incomes. Similarly, efforts to protect pension entitlements when workers change employers and to safeguard reinsurance guarantees in the event of bankruptcy aim to create a climate of confidence. After years of laissez-faire, it is now the turn of the regulated market, as illustrated by recent Italian reforms to set up an independent authority for controlling retirement funds, as well as a new regulation on procedures for authorising retirement funds to set up in business.

Nevertheless, one might query whether these new rules have come about as a result of increasingly frequent criticism of the intervention of retirement

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([10]) Pacolet, J. et al.: The social protection for dependency in old age in the 15 EU Member States and Norway, (European Commission, 1998).

fund administrators in the market, whereby they seek to favour investments that offer the quickest and most lucrative returns, with no thought of long-term considerations.

Stakeholder pension schemes have not been ignored. Only those workers with incomes over GBP 9 000 a year are entitled to participate. This government programme includes efforts to improve the transparency of information and the promotion of precise rules for prudent management. Three main types of operators will be called upon to manage these new savings schemes: those based on representative or membership organisations, such as a trade union; those set up by financial services companies; and those set up by employers for their workforce. The contributions will be calculated on the basis of a maximum amount and the schemes will continue even after employment ceases. Tax relief will accompany the choice for this type of pension scheme. What is more, the benefits can be paid at any time between the ages of 50 and 75, and can be drawn concurrently with a part-time job.

This new way of linking contributory and funded systems is gaining acceptance in a number of European countries. Although the 'retirement saver' idea is certainly in fashion, the procedures for promoting this form of social security vary.

For instance, Sweden has thoroughly reformed its retirement pension system after 15 years of debate. The pay-as-you-go system has been made more flexible. A guaranteed pension financed out of taxes has also been created. This replaces the popular pension. These changes have been accompanied by the creation of a new, funded supplementary pension (*premiepension*). Since 1995, 2 % (2.5 % as of 1.1.99) of the earnings on which the pension is calculated have been invested in an individual account at the institution responsible for public debt (*Riksgäldkontoret*). The great originality of this system lies in the role played by public institutions. These sums are managed by a specific State administration (*Premiepensionsmyndigheten*), but in accordance with private insurance rules. The amounts are invested for the benefit of the saver (*premiesparare*).

Likewise, Denmark reports an extended retirement savings scheme introduced in 1997, managed by the supplementary retirement scheme. Employees pay 1 % of their gross income into this retirement savings scheme. The yield on the investment of these sums (subject to an upper limit) is paid to savers at the age of 67.

II. Greater patient participation in health care costs: a measure that is starting to be called into question

Some European Union countries have introduced financial participation in health care costs by beneficiaries. Other countries have increased the amount payable by beneficiaries, such as Finland in the case of out-patient surgery. 'Cost-sharing' is the term generally used for such measures, which are usually justified by the concern to make insured people realise the cost of the health care they are receiving. Most importantly, such measures make it possible to reduce the costs of collectivised systems of risk coverage, which in many cases are in financial difficulties.

We are beginning to see the emergence of the reverse phenomenon of improved coverage and reduced participation by insured people. In 1997, Dutch legislators introduced new, higher participation by insured people in health costs for both sickness insurance and insurance for exceptional medical costs. This measure was abolished as of 1 January 1999, due to two findings. Firstly, the expected result of reducing consumption did not turn out to have been achieved to any significant extent. Secondly, the existence of numerous dispensations to the principle of insured people's participation in their health costs had led to a considerable increase in the management costs related to implementing this reform. The supplementary costs of this new reform will be funded by a rise in contributions. The abolition of cost-sharing for the costs of home help and services for parents and children will mean that a larger number of people will be granted access to such services.

The new German law on increasing solidarity in statutory sickness insurance schemes also provides for the abolition of participation by insured people, or in certain cases a reduction in the costs still payable by insured people.

In our view, this trend is more than just noteworthy: it shows that a number of Member States are returning to this form of saving for funding social security and are once again giving precedence to public health imperatives. In the case of Germany, these improvements in coverage have not, however, been introduced on a general scale, except for medicinal products, but are aimed at specific types of illness or treatment.

Tying up with these reforms is the Portuguese order-in-council which came into force in September 1998, facilitating the recognition of HIV-infected insured people as invalids.

III. Back-to-work schemes for certain beneficiaries receiving social security benefits

The back-to-work measures for beneficiaries of social security benefits form an integral part of the national measures for applying the guidelines on employment. The Netherlands, for instance, has adopted a new law on helping handicapped or disabled people to get back to work, which provides government assistance for employers to offset the extra costs created by such salaried workers.

The promotion of short-time or part-time employment has become virtually generalised. This applies not only to job-seekers, but also, in the Netherlands, to the beneficiaries of disablement benefits, and in Finland, to people aged over 55. Certain beneficiaries of social security or welfare benefits are now allowed to retain their benefit when they accept a part-time or low-paid job.

Numerous laws on unemployment insurance, as in Denmark and the Netherlands, provide for an examination of the circumstances of job-seekers, coupled with an active approach to training, placement or job search, when they have been on benefits for a certain period of time.

The British draft reform to assist disabled people provides for two measures which stem from the desire to get the beneficiaries of incapacity benefit back into the labour market. It is planned to transform the eligibility test for incapacity benefit into a kind of employability test, in order to determine what work disabled people are able to do. In addition, there are plans to require people with a long-term illness or disability claiming incapacity benefit to have an interview with a job adviser. The adviser will help the disabled person to plan how he or she can achieve financial independence.

The Netherlands, Finland and Portugal report efforts to keep older salaried workers in work, due to their special labour market situations. The Netherlands is proposing to combat improper retirement through the unemployment benefits system. Finland has launched a vast programme for keeping older workers in work. Portugal provides a higher pension for those who, despite fulfilling the conditions for pension entitlement at the age of 60, continue to work beyond the age of 66. Although they have not declared the fact, most European countries have set up incentive mechanisms for keeping people in jobs beyond the statutory pension age, by increasing the required number of years for entitlement to the customary retirement pension. In some countries, such reforms have in effect meant a reduction in the retirement pension. In many countries the average age at which people stop working is below the retirement age and, since this means that salaried workers are no longer working when they retire, it is impossible for them to improve their pensions by prolonging their working life.

IV. A new focus on family benefits

Most of the Member States included in this study mentioned improvements in family benefits. However, family benefits are sometimes also paid on a more selective basis.

Benefit increases are made in several stages and include a fiscal element, as in Austria and Luxembourg. This combination of measures makes it possible to target family benefits more effectively on the neediest families.

The most radical draft reform is certainly the one replacing the means-tested cash family allowance with a tax credit on income. According to the British government, which is promoting such a measure, the reform is intended to guarantee a minimum income for working families, to provide work incentives and to increase the net earnings of the least affluent families by raising the income tax threshold.

V. Towards new forms of public intervention?

The previous Missoc reports underlined the multiple facets of privatisation. Turning over the management of certain social benefits or services to private organisations and competitive tendering for contracts was intended to result in savings. This public authority withdrawal from managing social security benefits has been accompanied by a change in its responsibilities. The State is becoming more of a care and service provision regulator.

Greater control over the activities of private supplementary retirement pension or retirement savings institutions also comes under the State's jurisdiction in the British draft reform mentioned earlier.

However, this trend is by no means uniform. For example, State involvement in the new Swedish supplementary retirement pension scheme is greater. Indeed, both the financial and administrative management of retirement savings has been entrusted to the public authorities.

Finally we note a concern to associate other partners in unemployment insurance funds, probably as a result of financial pressures. The local authorities are due to be associated with job reintegration measures in the Netherlands, whilst Finland reports a new system for distributing the financial burden for unemployment benefits between the government, employers and salaried workers.

Conclusion

Are we able to speak of convergence between the European Union's various social security systems? There is certainly no easy answer to that question. The examples provided in this brief report show that there is no move towards a single welfare State model; there are still major differences between countries with regard to benefits. Such differences will certainly come even more sharply into focus when national social security institutions start to use the euro.

A trend can be identified towards common directions. Today we are seeing two main directions. Most Member States are moving towards more flexible and less contributory schemes and towards greater individualisation of social security rights. At the same time, the mechanisms for integrating the most disadvantaged sectors of the population more effectively and minimum guarantees, such as universal health programmes, have been modified and improved. In the future we shall need to ascertain whether such 'trends' are confirmed. Social security is still a matter of discussion in many Member States, and changes are heralded for the future.

Francis Kessler

MODIFICATIONS TO THE SCHEME FOR SALARIED EMPLOYEES

Organisation and financing

Measures have been taken to introduce an immediate employment declaration (*Déclaration immédiate de l'emploi, DIE*) in the construction, interim employment and overland passenger transport sectors. This means that the employers concerned are obliged to notify the organisation collecting social security contributions (National Social Security Office or *ONSS*) of the dates on which employment contracts start and end, as well as various details which make it possible to identify the employer and any worker who has been newly recruited or whose contract is ending. These details must be notified, in principle electronically, at the latest when the worker starts work. Some of the details to be transmitted can be obtained by reading the worker's SIS card (new social security identity card originally introduced for health care and now replacing the former social security cards).

The aim of this immediate declaration is to inform the ONSS as quickly as possible of the dates on which the employment relationship starts and ends, so that it can include them in its files and to enable it to communicate them to the other administrative organisations on behalf of the employer, meaning that the employer now needs only to transmit the said details to a single organisation. The DIE will also make it easier to control the legality of a worker's occupation in the field. Furthermore, a new system of joint and several liability and of mandatory deductions has been introduced in the construction and other related sectors. These new measures should improve the collection of social security and tax contributions and effectively combat illicit practices among suppliers of labour. Joint and several liability means that anybody, except for a principal/private individual for strictly private purposes, calling upon the services of an unregistered contractor is jointly and severally liable for the latter's social security and tax debts. It can happen that several sub-contractors who were involved in executing the works before him are liable for the social security and tax debts of the unregistered sub-contractor, based on chronological order. Furthermore, anyone who employs an unregistered contractor must make deductions on behalf of the organisations collecting social security and tax contributions when paying the invoice. If a contractor pays an invoice to a registered sub-contractor, he must also make a deduction for the ONSS, except where the sub-contractor is not liable for social security contributions. If no deduction is made, a penalty is applied. A database is available to the interested parties to enable them to determine whether or not they are required to make deductions. No deductions need be made by employers who are not established in Belgium who have no social security debts in Belgium, or by any workers in possession of a valid secondment form. Registering the contractor does to some extent guarantee that the latter fulfils his social security and tax obligations. For this reason registration is granted only after an investigation and the operation of the committees granting the registration is optimised.

Healthcare

In 1998, two major structural measures were introduced in order to improve access to health care insurance for the entire population.

• Insurability was reformed:

On 1 January 1998, all of the remaining schemes strictly for people who were not insured under another scheme were abolished. Now only two schemes remain: the general scheme and the scheme for self-employed workers.

Insurability has been relaxed. This has meant abolishing the six-month waiting period, abolishing the requirement for six months' prior residence in Belgium and a reduction in (or exemption from) statutory contributions for people on low incomes.

• For the chronically-sick:

A set of measures was adopted in order to reduce their costs. These measures essentially consist of:

(a) an annual fixed-rate allowance for health care of BEF 10 000 (a measure which has also been extended to 1999);

(b) an annual fixed-rate allowance of BEF 10 000 for incontinence equipment;

(c) a monthly fixed-rate allowance of BEF 5 000 for disabled people with dependants (provisionally BEF 2 500);

(d) allowances for three groups of chronically sick people: those with neuromuscular or metabolic diseases, or with cystic fibrosis.

Pensions

The main change has been to the national pension fund for mine workers (*Fonds national de retraite des ouvriers mineurs*). In view of the small number of people still covered by this institution, it was decided in 1996 to dissolve the fund and to transfer its staff and responsibilities to the National Social Security Office and the National Sickness and Disablement Insurance Institute (*Institut national d'assurance maladie-invalidité*) respectively. The aim of this measure was to rationalise the management of the mine workers' sector in order to reduce costs. Implementation measures were therefore adopted in order to effect this transfer on 1 January 1999.

Unemployment

During the period under review, procedures were established to enable workers recruited for a job officially recognised under government back-to-work programmes for the long-term unemployed and for young people undergoing intensive training with a view to a job to benefit from an allowance paid from the unemployment insurance. In addition, the conditions were adjusted to allow workers who transfer from a full-time to a part-time job under the employment agreements which came into force on 1 January 1997 to maintain their entitlement to unemployment benefit. Also, the rules on unemployment were adapted to the new work patterns established as part of corporate plans to redistribute work in certain sectors of activity, as well as to career conversion programmes.

Family benefits

Since 1 October 1997, parents who are separated or divorced have been considered as forming a notional household with regard to bringing up children. This means that in all cases where there is joint custody, the father has remained the appointed priority recipient of the benefit and the mother as the person receiving the benefit. These rules have been refined. Now, where the parents disagree on the family benefits being awarded to the mother, the father is able to request the labour court to appoint him as the person entitled to the benefit, in the child's interest.

In applying the provisions regarding entitlement to family benefits for orphans or beneficiaries of a survivor's pension, a declaration of absence in compliance with the Civil Code is treated as a death. Conditions for an absence waiting-period ruled by the court of first instance were imposed with regard to the deceased parent or spouse. These waiting-period conditions were established by taking into consideration the *de facto* date of absence recorded in the preliminary investigation ordered by the court, with the result that the conditions for granting the benefits have been fundamentally relaxed.

As from 1 July 1998, the five-year prescription period for the reimbursement of family benefits paid in error is automatically applied, which strengthens the protection of contributors to the national insurance scheme. The exception in the case of corrupt practices or of false or knowingly incomplete statements has been maintained.

MODIFICATIONS MADE TO THE SCHEME FOR SELF-EMPLOYED WORKERS

Organisation and financing

In order to promote self-employment, two major provisions have been introduced concerning the social security status of people setting up in business for the first time;

(a) a reduction in the professional earnings which serve as the basis for calculating the social security contributions of assisting spouses (*conjoints aidants*) who have been liable for tax as self-employed people since 1 January 1997 following changes to tax legislation;

(b) a reduction in social security contributions for the four quarters following the third full calendar year of self-employment in the case of a first-time business start-up as a principally self-employed worker.

A first-time business start-up is considered to be when an activity that is principally subject to the social security scheme for self-employed workers for a period of at least three full consecutive calendar years is exercised for the first time.

No reduction may be applied to self-employed workers who exercise their activity on a supplementary basis or who, in the capacity of persons treated as self-employed on a supplementary basis, are liable only for a reduced contribution for the quarters of the fourth calendar year during which they are liable for contributions.

The final contributions owed for each of the four quarters of the year following the third full consecutive calendar year for which they are liable for contributions are reduced by a sum equal to 15 % of their amount. However, the amount of this reduction may not exceed BEF 5 000 per quarter.

The measure came into force on 1 January 1998.

Disablement

An increase has been introduced, in the form of a fixed-rate allowance, in the disablement allowance where assistance is required from a third party.

Only self-employed workers entitled to a disablement allowance, who have dependants and for whom the assistance of a third party is deemed essential, may receive this allowance.

The amount of the fixed-rate allowance is BEF 28.17 as of 1 October 1998, representing an increased amount of BEF 96, and will be doubled as from 1 January 2000.

Social insurance in the event of bankruptcy

Three further refinements have been made to the legislation concerning social insurance for self-employed workers in the event of bankruptcy. They concern the monthly benefit:

(a) immunity from seizure of the monthly benefit of BEF 30 000 or BEF 25 000 (BEF 30 600 or BEF 25 500 following the index rise of 1 October 1997);

(b) time limit of three years for legal payment of the monthly benefit and for reimbursement of benefits paid in error;

(c) liability of the social insurance funds in cases where, through negligence, the monthly benefit has been paid in error and reimbursement of the payment made in error proves to be impossible.

These measures came into force on 1 July 1997.

INCOME GUARANTEE

Income support (*Minimex*) and advances on maintenance allowances

During the period under review, a variety of measures were introduced in order to foster the socio-vocational integration of beneficiaries of income support by means of back-to-work schemes, altering the method of calculating the earnings of an income-support applicant and advances on maintenance allowances.

The principle of an income support threshold was introduced on 1 January 1998. Where an income-support beneficiary works in a back-to-work programme as part of specific vocational reintegration measures for the unemployed, he is also entitled to a certain amount of income support from the public welfare centre (*CPAS*) for the portion of salary to be paid in the employer's stead. These are the net amounts of income support to which the interested party is entitled for the calendar month concerned. If the income from the said back-to-work scheme is less than the amount of the income support to which interested parties are entitled as a result of their family circumstances, they are paid an income support supplement.

As from 1 January 1998, another incentive to foster socio-vocational integration has been to increase the possibilities of drawing income support whilst at the same time earning net income under a back-to-work or vocational training scheme. The aim of this measure is twofold: firstly to extend the benefit of exemption for this income to assist people on income support who, as from 1 January 1998, have found a back-to-work scheme/job or vocational training course by themselves; secondly, to abandon the principle of making the measure degressive over time, by continuing solely to allow the exemption of the highest possible monthly amount for three years.

Where a public welfare centre itself acts as employer to beneficiaries of income support with a view to ultimately enabling them to receive the full benefit of certain welfare benefits, recruitment costs have been reduced, as from 1 January 1998, by the general introduction of exemption from employers' contributions for any recruitment of income support recipients. All of the financial resources thus released must be spent in full on the public welfare centre back-to-work policy, including socio-vocational training.

A monthly financial incentive to encourage full-time employment has also been introduced as from 1 January 1998, with the aim of promoting the integration of people on income support through back-to-work schemes, by means of cooperation agreements between the public welfare centre and private firms. This subsidy is aimed solely at funding the costs of supervision and/or training paid by the centre and may not be used to reduce the cost of labour to the business firm.

The method of calculating the earnings of income support applicants has been refined: as from 1 January 1998, it is no longer possible to take into account grants and allowances for removal, settlement and rent received by the interested parties from the regions.

Finally, as of 1 April 1998, modifications to the conditions for applying the law on maintenance allowance advances have been made at two levels to make the entitlement more effective. Firstly, the maximum amount of the monthly advance per child granted by the public welfare centre has been increased. Secondly, the maximum income of the maintenance creditor may now be exceeded by up to 15 % without losing the right to advances. In such a case the advance is reduced by the same percentage.

Allowances for the disabled

As for allowances for the disabled, provision has been made for the integration allowance to be granted on an advance-payment basis.

The 30-day period for filing an appeal against a decision by the administration relating to entitlement to allowances has been raised to three months. Furthermore, the administration may now adopt a new decision where it is discovered that the decision is flawed due to a legal or technical error.

With regard to social protection, the reference period was uneventful. The government introduced a few amendments to its legislation to strengthen and follow up previous legislation. It has continued its efforts to combat unemployment by placing particular emphasis on measures to aid young unemployed people, unemployed people from vulnerable social categories and older unemployed people. This was the basis for amending both social legislation and employment legislation.

Measures taken in the field of:

FINANCING

Social security funding has been subject to some adjustments, especially the Law on the Three Labour Market Funds which, since 1993, had governed the share of State funding for:

— unemployment insurance, early retirement, etc.

— activation measures

— cash benefits in the case of illness or maternity.

As a result of the amendments introduced, the three funds were merged into a single Labour Market Fund.

Furthermore, the scope of the new Fund's activities was extended. As from the 1999 financial year, it now covers the State share of costs for:

— unemployment insurance

— activation measures

— paid leave (*orlov*)

— daily allowances in the case of illness or maternity

— disability pension (*førtidspension*)

— rehabilitation

— flexi-jobs (*flexjob*) and other subsidised jobs

— the working tools and instruments provided to disabled people by the local authorities under an active social policy.

The contributions from salaried and non-salaried workers to the Labour Market Fund remain fixed at the rate of 8 % of their gross salary or earnings, whereas the employers' contributions will be discontinued in 2000. As from that year, the Labour Market Fund will be financed by contributions from the working population and also by State funding.

Such funding has already existed, to a lesser extent, since the creation of the three funds, but it has now been stepped up by the new law.

Labour Market Occupational Diseases Fund (Arbejdsmarkedets Erhvervssygdomssikring)

A new public institution comprising representatives of the social partners and of the local and regional administrations, and including a member appointed by the Finance Minister, provides funding for occupational illness and for accidents which occur suddenly as a result of a lifting action.

CASH BENEFITS IN THE CASE OF ILLNESS

The waiting periods for self-employed people have been reduced from three to two weeks, as of 1 January 1999.

PENSIONS

a. State pension (førtids-og folkepension)

In parallel with an amendment introduced under income tax legislation, the supplementary pension for married pensioners (portion of the pension which varies depending on income) was increased for the first time as from 1 January 1999. A further rise is planned for 1 January 2000.

b. Supplementary pension (ATP)

The special retirement savings scheme introduced in 1997 as part of an agreement on the budget, which comes under the ATP scheme, was made permanent in 1999 in conjunction with a new budget agreement.

All those who contribute to the Labour Market Fund, those who receive the daily allowance in the case of illness or unemployment, as well as the beneficiaries of income support, must pay 1 % of their gross income into this retirement savings scheme.

Under the new ATP scheme, these contributions are placed into a special account, from which each contributor, once he/she reaches the age of 67, will be paid a sum calculated on the basis of his/her contributions to the scheme, with an upper limit corresponding to the average contributions received from all contributors, this being a shared distribution of the yield.

UNEMPLOYMENT

The reform inaugurated in 1994 has entered its third phase. For unemployment insurance, the activation period will be brought forward, commencing:

— for unemployed people aged under 25: after six months out of work over a 9-month period;

— for unemployed people aged over 25: after 12 months out of work over an 18-month period.

Furthermore, the duration of the benefits has been fixed at a total of four years, three of which are covered by activation.

GUARANTEED MINIMUM *(KONTANTHJÆLP)*

The rules have been tightened somewhat for young people (aged under 25) receiving this benefit. They are no longer allowed access to the benefit-rate entitlement for people over 25 who have received a salary exceeding a certain level over an 18-month period. Following this amendment to the law, only young people under 25 with a dependent child are eligible for the higher rate of benefit.

PLANNED MEASURES

In conjunction with a planned adjustment to the law on early retirement (*efterløn*) which will make this scheme less profitable for people under 62 and will shorten the period of early retirement (between 60 and 65, instead of between 60 and 67), the retirement age, now set at 67, will be set at 65 for all those who reach their 60th birthday after 1 July 1999.

Finally, a new bill provides for single parents to receive a supplement (salaried workers or otherwise), who take paid leave in order to care of their children under five years of age.

GERMANY

In the Act to Amend Social Insurance and Secure Employee Rights of 19 December 1998, which came into effect on 1 January 1999, the following revisions were adopted:

Suspension of the demographic factor and of the revision in the invalidity pension

The demographic factor introduced into the pension adjustment formula under the Pensions Reform Act of 1999, which would lead in the long term to the reduction of the net pension level to 64 %, would be suspended for 1999 and 2000. The deterioration in invalidity and occupational disability pensions under the Pensions Reform Act of 1999, and the raising of the flexible age limit for the severely disabled from 60 to 63 years, will also be deferred pending a new reform, that is until 2000.

State contribution payment for child-raising periods

Starting on 1 April 1999, revenues from the ecological tax and rate reform will relieve the contribution rate for pension insurance by 0.8 percentage points. This shall be achieved by targeting pension insurance contributions for the financing of child-raising benefits and by the assumption of German unification costs by the State.

The fight against quasi-self-employment (*Scheinselbständigkeit*)

The Federal Government wishes to put an end to the further spread of quasi-self-employment (*Scheinselbständigkeit*). According to the new regulation, a differentiation is made between quasi-self-employed workers and self-employed under employee-like contract (*arbeitnehmerähnliche Selbständige*).

Quasi-self-employed workers (*scheinselbständige Arbeitnehmer*) are persons to whom two of the following four criteria apply:

— they employ no compulsorily insured workers, apart from family members;

— they work for only one primary client as a rule;

— they carry out a job in a way typical of an employee, i.e. they are subject to instructions from the client and are integrated into the client's work organisation;

— they do not act as entrepreneurs in the market.

In these cases it is presumed that an employer-employee relationship exists. The person in question, or his client, has the possibility to refute this charge. If this is not done, he will be dealt with as an employee, i.e. he must pay compulsory insurance contributions for all branches of social insurance and the client must pay half of these social insurance contributions. Commercial agents are excepted from this regulation.

Those persons are considered self-employed under employee-like contract (*arbeitnehmerähnliche Selbständige*) who are without doubt self-employed, but nevertheless should be protected by State pension insurance: a person who has no contribution-paying employees and regularly works for one primary client is to be compulsorily insured as a self-employed worker for the purposes of pension insurance, even if the suspicion that he is indeed an employee is disproved. In this case the compulsory insurance contributions are, however, limited to pension insurance.

For self-employed persons under employee-like contracts who are subject to compulsory insurance for the first time as of 1 January 1999, possibilities for exemption are provided for up to 30 June 1999. The prerequisite for this exemption is either the completion of the 50th year of life at the time the act comes into effect, or proof of a pre-existing life insurance policy or company pension plan, providing that by the deadline of 30 June 1999 these are arranged in such a way as to be equivalent to pension insurance. The possibility of exemption applies only to the self-employed under employee-like contracts, not to the quasi-self-employed.

The amount of pension insurance contributions for self-employed persons under employee-like contracts is calculated according to the regulations which already apply in general to self-employed workers subject to compulsory pension insurance. The contribution is thus regularly calculated based on the reference amount corresponding to the average wage of all insured. For 1999, this amount is DEM 4 410 per month in the old *Länder* and DEM 3 710 per month in the new *Länder*. Thus the standard contribution comes to DEM 860 or 723, respectively. In individual cases, application can be made for a contribution rate which is based on actual income from work, whether higher or lower, provided that this is evidenced in the tax return. In the first three years of an occupation, one can request that 50 % of the reference amount be used as the calculation basis. These regulations apply to the quasi-self-employed as well, as long as they are classified as self-employed for tax purposes.

CHANGES IN STATUTORY HEALTH INSURANCE

With the Act to Strengthen the Solidarity of the Statutory Health Insurance, which went into effect on 1 January 1999, the following changes came into being:

Lower patient's participation for medicine: The insured have been relieved of patient's participation for medicine: the patient's participation has been decreased by DEM 1 for small packets, DEM 2 for medium-sized packets, and DEM 3 for large packets and now comes to DEM 8, 9 and 10 respectively.

Exemption from patient's participation for the chronically ill: The financial burden for chronically ill persons has been reduced. A person who has spent 1 % of his annual gross subsistence income on co-payments for transport, medicine, bandages and other therapeutic products, and is in continuous treatment for the same illness, is to be fully exempted from these co-payments for the duration of the treatment.

No patient's participation for psychotherapy: The Psychotherapist Act has been in effect since January 1999. The previously required participation of the patient in the amount of DEM 10 per session was eliminated. No patient's participation is required for psychotherapeutic treatment.

No new patient's participation when health insurance contribution rates are increased: Under previous legislation, patients had to make higher co-payments when their sickness fund raised its contribution rates. An increase by one contribution rate point would have entailed DEM 10 more in patient's participation, or 10 percentage points more in the case of percentage co-payments. This has been revoked.

No more hospital emergency levy (*Krankenhausnotopfer*): The hospital emergency levy of DEM 20 per insured person has been repealed for 1998 and 1999 and permanently.

Dental prosthesis once again available for children and young people: Young people born after 31 December 1978 can once again obtain dentures when necessary. The evidence of regular dental check-ups usually required to obtain the bonus is assumed as having been furnished for the years 1997 and 1998.

Dental prosthesis are once again a benefit in kind: Patients need no longer fear that dentists will demand excessively high fees. Dentures are once again a benefit in kind, and dentists must again calculate their fees based on the fee ordinance for panel dentists. The health insurance fund is to check the correctness of the dental treatment plan and cost estimate before the treatment commences. In place of the fixed subsidy system, there is once again a percentage subsidy as was legally in effect up until the end of 1997.

Options have been eliminated: Elements introduced from the private insurance sector that tend to undermine the solidarity of the healthy with the sick, and that are inappropriate for a health insurance system based on solidarity, have been eliminated. There is no longer a choice between options such as direct cost reimbursement or benefits in kind, no more contribution refunds, and no choice of patient's participation.

CHANGES IN SOCIAL ASSISTANCE

The data reconciliation regulation (*Datenabgleichsverordnung*) pursuant to § 117 of the Federal Social Assistance Act went into effect as of 1 January 1998. This regulation is designed to contribute to preventing improper claims to social assistance, serves to insure that benefits are concentrated on those who are truly in need, and takes into account endeavours to achieve an economical and effective budgeting.

For this purpose, social assistance agencies are given the authority to check by means of automatic data reconciliation if recipients of social assistance benefits are simultaneously drawing benefits from the Federal Employment Agency and from the statutory accident and pension insurance agencies, or other social assistance agencies.

Savings are expected as a result of the possibility of data reconciliation, although the exact amount cannot be calculated since the extent of those benefits (especially assistance with living expenses), which are granted based on incorrect information, is neither ascertainable nor estimable. Aside from this, one may assume that the possibility of automatic data reconciliation will in and of itself prevent the declaration of false information.

With the amendment of the Federal Social Assistance Act (*Bundessozialhilfegesetz, BSHG*) of 12 August 1998, the legislator further extended the possibilities for communities to cooperate with interested employers in 'combined payment-models' (*Kombilohnmodelle*). The existing possibilities for promotion through granting supplements to the recipient of assistance were extended with regard to duration and amount. Thus, the recipient — when taking up a self-employed activity or an employment for which social security contributions are due — can expect a supplement up to the amount of the standard rate for head-of-households and for the duration of 12 months. An experimental clause (*Experimentier- und Öffnungsklausel*) — that terminates on 31 December 2002 — permits temporary supplements to the recipients, which means an extension of the above-mentioned legal regulations with regard to amount and duration.

GREECE

Throughout 1998, social protection was the subject of several major changes, addressing two key areas:

- the adoption of appropriate measures to provide immediate support for the existing social security system;
- measures to deal with unemployment-related problems.

SOCIAL SECURITY

Following a major social debate between the government and the social partners, measures were adopted with an immediate and far-reaching impact on the existing social security system. The planned regulations are both functional and structural in nature and include measures to support the current system.

The most significant measures are as follows:

- the dual aim of rationalising the Greek social security system and of putting the finances of loss-making insurance funds back onto a healthy footing has led the government to merge certain insurance funds for self-employed people. This includes the insurance fund for craftsmen and other professionals (*TEBE*), the storekeepers' insurance fund (*TAE*) and the motorists' pension fund (*TSA*). These funds have been merged into a single fund, called the Insurance Organisation for the Liberal Professions. The membership of the said funds totals 850 000 insured parties and 220 000 pensioners;
- in a bid to reduce health-related costs, a control mechanism has been set up to curb the benefits offered by the health funds. According to 1998 figures, these health benefit costs are estimated to be GRD 1 trillion. It is hoped that the introduction of control measures will lead to cost cuts of between 25 and 30 %;
- the role of preventive medicine is becoming decisive and mandatory;
- a list containing a fixed number of pharmaceutical products has been established for use by all insurance organisations. Moreover, after 1 October 1998, a single type of prescription enters into application for the supply of medicines which has become mandatory for all insurance funds;
- the exploitation of the tangible and intangible assets of the insurance funds is to be facilitated as from 2001, when the insurance funds will be allowed to invest up to 23 % of their assets in real estate, shares and other securities quoted on the stock exchange, as well as in mutual funds (compared with the current rate of 20 % of their assets);
- the conditions for payment of the survivor's pension become stricter as of 5 January 1999. The pension will be paid to the surviving spouse unconditionally for an initial period of three years following the decease of the insured party or his/her retirement. After this period, the surviving spouse retains his/her entitlement to the survivor's pension, providing a certain number of conditions are satisfied (age, employment, other resources, etc.);
- considerable restrictions have been introduced with regard to the employment of pensioners. For pensioners under 55 who start working again, payment of their pension will be suspended. For pensioners continuing to work after the age of 55, the portion of the pension exceeding GRD 250 000 per month will be reduced to a level of 70 %. The regulations relating to the employment of pensioners will come into force after 1 January 2001;
- for new insured parties (who were insured for the first time after 1 January 1993), the minimum pension is increased by 50 %. Moreover, measures to simplify administrative procedures and improve relations between the State and insured parties have been adopted in the field of social security;
- as part of the measures to curb tax evasion, there are plans to set up a special contribution control service as part of the National Insurance

Institute (IKA), at both central government and regional level, endowed with far-reaching powers;

— finally, a new basic scheme for farmers' insurance was set up on 1 January 1998. This is a purely contributory system which guarantees farmers a level of insurance at least equal to that enjoyed by the urban population.

UNEMPLOYMENT

a. As part of the programme 'Young people in working life', 50 000 young unemployed people aged between 20 and 27 are due to receive subsidies during the course of 1998 in order to help them to find jobs.

It is planned for 40 000 of these young unemployed people to benefit from a monthly allowance of GRD 100 000 to carry out practical training placements to enable them subsequently to take up new jobs in those same companies. The remaining 10 000 young unemployed people will receive an annual allowance of between GRD 1 200 000 and 1 600 000 to enable them to set themselves up in business.

The payment of subsidies is planned to last between 18 and 20 months (22 months for regions with a higher unemployment rate). The total sum which it is planned to distribute via this programme during the course of 1998 is GRD 108 000 million. The programme will also run in 1999 and 2000, and a total of 200 000 young unemployed people will benefit.

b. The long-term unemployed, aged between 28 and 64, will receive subsidies for a period of 16–18 months (18–20 months in regions with a higher unemployment rate). The amount of the subsidy is the same as for young unemployed people. In regions hit harder by unemployment, the annual subsi-dy for setting up a business ranges between GRD 1 600 000 and 1 800 000.

A total of 8 000 long-term unemployed are due to receive subsidies in 1998, take part in a training placement and then enter new jobs, while 2 000 others will set up their own businesses.

This programme will last three years and is expected to cost a total of GRD 20 000 million.

c. Special assistance measures have been introduced in order to address the problem of mass redundancies, enabling people who have been made jobless to re-enter the employment market under the aegis of training and work experience programmes.

d. In early May 1998, the first job-promotion centre was inaugurated as part of the organisation of labour. In the coming two years, other such centres will be created in the country's 52 administrative regions.

The aims of these centres are:

— to match job supply with demand by seeking vacant posts for unemployed people in companies with openings;

— to customise the provision of information to meet the needs of interested unemployed people;

— to monitor the changes taking placing in the local labour market;

— to distribute the 'personal employment card' for a variety of purposes, primarily for payment of unemployment benefit and vocational training.

A recent law provides for IKA membership for young unemployed people aged under 29 to receive benefits in kind in the case of illness. Not covered are young unemployed people who are insured in their own right, young unemployed people covered as a family member of an insured person or students studying at a Greek or foreign university.

The contributions for these young unemployed people are paid to IKA out of the employment and vocational training account (*LAEK*), which comes under the Labour Organisation (*OAED*). The monthly contribution for each young unemployed person totals 6.45 %, calculated on the basis of a notional salary under IKA's fourth insurance class (currently GRD 6 600 or ECU 30).

e. Finally, the provisions of Directive 94/33/EC concerning employment protection measures for young workers under the age of 18 were recently transposed into Greek legislation by a presidential decree.

SPAIN

Following a year of important developments, legislative activity on social security was limited in 1998. Nevertheless, this period saw the regulation of part-time work contracting, with its subsequent effects not only on contributions but also on social security benefits.

With reference to the comparative table, we note the following developments.

The Royal Decree 4/1998 of 9 January stipulates a 2.1 % appreciation of social security pensions, in terms of contributory benefits — including minimum benefits and maximum limits for public pension awarding — and of non-contributory benefits.

Other developments include a regulation issued in March that considers periods of sacerdotal or religious activity of priests, monks and nuns of the Catholic faith now as secularised social security contribution periods, and the general regulation on the proceedings for the punishment of social order infractions and for the settlement of social security contributions, adopted by Royal Decree 928/1998, 14 May.

As far as health care is concerned, two relevant norms were issued in July. The first aims to regulate health care in favour of Spanish self-employed workers working abroad. The second seeks to regularise the special agreement on health care within the general social security scheme in favour of Spanish citizens residing in the national territory and who are civil servants or international IGO employees.

With respect to retirement, we must mention Act 47/1998 which contains rules for granting early retirement when the insured party has contributed to two or more social security schemes but, taking those contributions records separately, none is substantial enough to permit the granting of such benefit. To this effect, at least one fourth of the total contributions of the insured person must have been credited to one of the schemes which incorporated early retirement benefits.

As regards widowhood pensions and benefits for orphans and family members, Act 50/1998, 30 December concerning financial, administrative and social order measures establishes that there will be a case for entitlement to those benefits although the deceased had no active contributor status or was not in a situation resembling insurance on the date of death, provided that he/she had completed a minimum contribution period of 15 years.

Part-time work

However, the most important development that took place in 1998 was the new regulation of part-time work contracting. This regulation not only intends to improve labour work operations, but also tries to offer new responses to personal, family, training and professional needs as well as to meet properly the adaptability requirements of enterprises. This new regulation complies with the European compromises undertaken within the framework agreement on part-time work, decided on 6 June 1997 by UNICE, CEEP and ESC, and incorporated into Council Directive 97/81/EC, 15 December for its implementation.

It is a bold step to promote part-time work contracting, which in Spain was around 8 % as opposed to an average of 18 % for the European Union and, overall, to encourage the use of stable part-time work contracts, given that approximately 80 % of the contracts of this type were temporary compared with 20 % in the rest of the EU.

Within the social protection field, the basic objective is to level off the protection received by both part-time and full-time workers, through the introduction of measures which facilitate the access to benefits, especially to those whose granting is subject to long contribution periods.

Act on comparability between professional and family life

There is a draft bill under parliamentary discussion whose aim is to establish legal channels that facilitate the combination of professional and family life, within a principle of equal treatment for men and women that promotes work among women.

This draft bill intends to make Spanish regulations equal to those of the EU, especially to the provisions included under Directive 92/85/EC on measures to promote industrial safety and health for women who are pregnant, have given birth to a child or are nursing, and also to those under Directive 96/34/EC relating to the framework agreement on parental leave signed by corporate organisations and trade unions at European level.

FRANCE

The objective of the law on financing the social security system for 1999 (law of 28 December 1998) was to bring the social security system back into financial balance. In order to achieve this, it includes a receipts strand and strengthens the system for controlling health expenditure.

RECEIPTS

The receipts strand limits the grant for hiring the first employee (for recruitments subsequent to 31 December 1998, the exemption from employers' social security contributions will concern only the portion of the salary below the guaranteed minimum wage (*salaire minimum interprofessionnel de croissance — SMIC*) and no longer the full remuneration). The receipts strand also adjusts the single degressive reduction in charges on low salaries which was perpetuated as from 1 January 1998 by lowering the wage ceiling for entitlement to exemption (130 % of the SMIC instead of 133 %), with a pro rata reduction for part-time employment.

SICKNESS

The finance law includes a series of measures aimed at preventing health cost increases, such as giving pharmacists the right to substitute generic medicines and creating a new contribution to be paid by pharmaceutical laboratories. With regard to consultants, the system of early retirement for doctors has been extended until 31 December 2004.

The rules on prescription have been relaxed in order to improve the reimbursement of occupational diseases. Also, specific provisions have been introduced for employees who have suffered from asbestos poisoning (re-entitlement to the benefits provided for under labour legislation, and the introduction of a system of early retirement at an age ranging from 50 to 60 years, depending on the period of exposure and the seriousness of the symptoms).

FAMILY BENEFITS

Family benefits were targeted in early 1998, as part of the effort to rebalance social security accounts. Family allowances were made subject to means testing and the amount of the allowance for home childcare (*allocation de garde d'enfants à domicile — AGED*) was reduced, now representing only 50 % instead of 100 % of employers' and employees' social security contributions towards domestic support within this limit. Furthermore, the ceiling for the home childcare tax reduction has been lowered from FRF 90 000 to FRF 45 000.

In the face of the public outcry caused by the decision to subject family allowances to means testing, this condition was removed from the finance law for 1999 (State budget). This is accompanied by a reform of the child's allowance set against tax (*quotient familial*), reducing the ceiling for this tax break from FRF 16 380 to FRF 11 000 per half-share of contributions for income earned during 1998. The re-establishment of family allowances for all families with two children, irrespective of income, is accompanied by an extension of the age limit for children for whom there is entitlement to these allowances (20 years of age instead of 19) and of the age limit for entitlement to increases (as from 11 years of age instead of 10, and 16 years instead of 15).

Furthermore, the allowance for the start of the new school year has been extended to anyone with only one dependent child who fulfils the requisite conditions for the means test and the age of the child.

PENSIONS

The funding of pensions continues to arouse grave misgivings. The Prime Minister has commissioned the French Planning Office (*Commissariat général au plan*) to examine the situation of the various pension schemes, to draw up a quantified assessment up to 2040, and to make proposals for reform. A final report will be submitted in March 1999. The Prime Minister will announce his decisions on the matter in the early autumn, following wide-ranging political and social consultations based on the report.

Meanwhile, in order to consolidate the compartmentalised pension system, a reserve fund, initially funded from a fraction of the income from the mutual aid social security contribution (*contribution sociale de solidarité*) (FRF 2 000 million in 1999) and surpluses from the mutual aid fund for the elderly (*fonds de solidarité vieillesse*), was created by the law on financing social security for 1999.

A single supplementary pension scheme has replaced the internal rules and procedures of the 90 ARRCO institutions (in the Association of Supplementary Retirement Pension Schemes), administering 45 different schemes. Henceforth a single set of regulations will be applied to all ARRCO pensioners.

WELFARE MINIMA

The law of 17 April 1998 gives entitlement to 'a special allowance for unemployed people of under 60 years of age who have paid 40 pensionable years of old-age insurance contributions' and receive the special mutual aid allowance (*allocation de solidarité spécifique — ASS*) or income support (*RMI*). This special waiting allowance (*allocation spécifique d'attente — ASA*) of FRF 1 750, is an earnings supplement paid to interested parties to enable them to attain a minimum earnings level in the order of FRF 5 000 per month (compared with the minimum pension of around FRF 3 500 per month).

Eligibility for the means-tested ASS extends to people who are no longer entitled to indemnities from unemployment insurance (the long-term unemployed who have reached the end of their entitlement and who fulfil the conditions for prior employment), as well as to those in specific occupations who are unable to claim such indemnities.

Furthermore, the framework law of 29 July 1998 on combating exclusion, the main objectives of which are to guarantee widespread access to existing rights, in particular in the fields of health, employment, housing and culture, and to prevent all forms of exclusion, provides for a range of different social measures:

— immunity from seizure of the special mutual aid allowance (ASS) and of the basic welfare allowance (*allocation d'insertion* — *AI*) modelled on the existing provisions for income support (RMI);

— the introduction, for beneficiaries of the AI, the single parents' allowance or the widows' and widowers' allowance, of the possibility of partial drawing of basic welfare benefits concurrently with professional earnings, and changes in the rules on combining RMI and ASS benefits with professional earnings;

— index-linking the ASS and the AI to price increases;

— establishing a minimum threshold of immunity from seizure for family benefits;

— the non-transferability and immunity from seizure of benefits in kind from sickness insurance;

— the introduction of emergency measures aimed at remedying the dysfunction of the special dependency benefit (*prestation spécifique dépendance* — *PSD*), deferment of the date when the reform of the fee structure for institutions housing dependent elderly people comes into force, and the possibility of fixing by decree minimum amounts for the special dependency benefit in residential institutions;

— the creation of a national observatory for poverty and social exclusion reporting directly to the prime minister;

— the establishment of an emergency welfare committee (*Commission de l'action sociale d'urgence*) responsible for ensuring the co-ordination of systems for allocating support, particularly financial, to people and families encountering serious difficulties.

DEPENDENCY AND DISABILITY

The law on financing social security for 1999 amends the provisions on exemption from employers' social security contributions for paying home helps working with elderly or disabled people.

These amendments include:

— as from 1 April 1999, the exemption from employers' contributions for non-dependent elderly people aged over 70 for employing home helps will be subject to a wage ceiling;

— as from 1 January 1999, total exemption from employers' contributions has been extended to home helps employed by service providers and to any other person who fulfils the required conditions of dependency for entitlement to the dependency allowance but does not receive this due to his financial means.

SUPPORT MEASURES TO ACCOMPANY THE REDUCTION IN WORKING HOURS

The framework law of 13 June 1998 to encourage a reduction in working hours has established a statutory 35-hour working week as from 1 January 2000 for companies employing more than 20 people, and from 1 January 2002 for other companies. Employers and unions have been asked to negotiate the reduction in working hours prior to the above-mentioned deadlines.

Companies that reduce working hours prior to the planned deadlines, under a collective bargaining agreement and in return for recruitment or job-preservation, will be able to benefit from a grant, the amount of which has been defined and capped in a payment scale. The grant takes the form of reductions in employers' contributions. This grant is not allocated to companies designated in Decree No 98-493 of 22 June 1998, in view of their monopoly position or the nature of their income.

The reduction in the working week to below 39 hours can be organised wholly or partially in the form of days of leave. The collective bargaining agreement determines the procedures for taking such leave. Such leave may also be paid into a leave-credit account (*compte épargne temps*).

IRELAND

POLICY DEVELOPMENTS

National pension policy initiative

The Pensions Board submitted its report 'Securing retirement income' to the Minister for Social Community and Family Affairs in May 1998. The principal recommendations concerned the following:

— the development of a strong first pillar (social security pensions) based on social insurance;

— major improvements in the second pillar (occupational and personal) pensions coverage, so that 70 % of those aged over 30 years will have coverage.

The government broadly welcomed the thrust and recommendations of the report, as set out in its response 'Action on pensions'. To progress the main recommendations made by the Pensions Board in the report, working groups have been set up as follows:

(a) to examine fully the recommendation for an explicit fund mechanism to fund, at least partially, the substantial future costs of social welfare pensions;

(b) to progress the recommendation to increase second pillar coverage and the mechanism suggested for achieving this — namely, the personal retirement savings accounts;

(c) to examine further and advance the proposals to introduce a simplified and more flexible tax regime for pensions;

(d) to bring forward proposals in relation to an effective awareness/education programme.

Each of the above groups comprises representatives of the relevant government departments and the executive of the Pensions Board.

It is hoped to publish a Pensions Bill during 1999 dealing, amongst other things, with these issues and incorporating the recommendations of the various working groups, with a view to enactment during 2000.

Family policy

As outlined in Missoc 1995/96 the Commission was established to examine the needs and priorities of families today and to recommend how they can be strengthened and supported in the future. Following on the interim report of the Commission (see Missoc 1998) the final report of the Commission on the Family 'Strengthening families for life' was published in July 1998. It contains a comprehensive and in-depth analysis of the issues affecting families and wide-ranging recommendations across several different policy areas.

The report also contains some original and significant research work, including a national survey on the childcare arrangements which families make, sociological research on fathers and their role in family life and an overview of family policy in Ireland.

The Commission's recommendations in the main relate to the approach to be pursued in various areas of policy in the years ahead to strengthen families in carrying out their functions. The Commission has also highlighted some 40 recommendations by way of beginning the process.

Among the recommendations of direct relevance to the Department of Social, Community and Family Affairs are:

— the introduction of a network of family and community services resource centres over the next four to five years;

— a pilot programme to transform local offices of the Department of Social, Community and Family Affairs to provide improved services to families;

— the introduction of a parenting awareness programme;

— the introduction of a comprehensive information service for bereaved families and the provision of grant aid to voluntary organisations providing these services to families;

— the doubling of State funding for marriage counselling to IEP 3 000 000 over the period 1999–2000;

— the expansion of the Family Mediation Service to provide a nation-wide service.

National anti-poverty strategy

The national anti-poverty strategy (NAPS) published in April 1997 set a number of key targets. In particular, the NAPS proposed to reduce unemployment from 11.9 % in April 1996 to 6 % by 2007 and to reduce the rate of long-term unemployment from 7 to 3.5 % over the same period. By March 1998 the rate of unemployment had already been reduced to 9.4 % and long-term unemployment to 5.6 %.

Among measures introduced by the government which will have an important effect on poverty are:

— the publication of the report on a national minimum wage in line with the commitment given in the action programme;

— the establishment of the IEP 30 000 000 youth services development fund;

— the payment of Family Income Supplement on a net income basis as provided for in Partnership 2000 and the NAPS;

— the establishment of a special tax incentive — Job Assist — to help the long-term unemployed back to work;

— increased social welfare payments so that 94 % of all claimants are now over the rate recommended by the Commission on Social Welfare.

During 1998 government departments submitted statements on social inclusion to the National Anti-Poverty Strategy (NAPS) Unit within the Department of Social, Community and Family Affairs. Two interdepartmental working groups were established to examine strategic responses to specific poverty issues, i.e., homelessness and low levels of literacy among the unemployed. The NAPS recognised that deep-seated multidimensional problems such as these require a response which transcends traditional sectoral departmental responses.

An important development, following consultation with the social partners, was the introduction of poverty proofing, whereby all significant policy proposals across the civil service are assessed for their potential impact on poverty.

The Department of Social, Community and Family Affairs published its 'Social inclusion strategy' in September 1998. It takes account of the commitment in the government's action programme of seeking to establish an inclusive social by submitting the department's policies in each of its key areas of activity — including social insurance, combating unemployment, family support, pensions and supports to the voluntary and community sector — to review in accordance with the following parameters first set out for the development of the NAPS:

(a) a review of the key issues relating to poverty and disadvantage in each area of responsibility;

(b) a review of the objectives and effectiveness of the policies and programmes relevant to poverty and disadvantage;

(c) the constraints applying in each case;

(d) any cross-cutting initiatives which might usefully address problems of poverty and disadvantage;

(e) key action points arising from the review.

All other government departments also produced social inclusion strategy statements.

The Foundation for Investing in Communities — a joint initiative between the State and the business sector — was launched in November. The aim of this initiative is to build an endowment fund for distributing grants to the voluntary and community sector on an additional basis to existing State funding mechanisms.

Voluntary and community sector

Following the publication of the Green Paper, 'Supporting voluntary and community activity' in May 1997, a steering group was established to advise on the preparation of the White Paper, which will be published following a consultation process with the voluntary and community sector.

A key development during 1998 was the commencement of a three-phased consultation process with the voluntary, community and statutory sectors.

Phase 1 was completed during 1998 and concentrated on the provision of information on and facilitating discussion of the Green Paper. It involved the Department of Social, Community and Family Affairs, other statutory agencies and the voluntary and community sector.

Phases 2 and 3 will take place in 1999 and will involve statutory bodies organising regional consultative seminars, culminating with a national seminar. The issues arising from these will be further analysed by an external consultant appointed by the Department of Social, Community and Family Affairs and the Steering Group, with a view to preparing a draft White Paper.

Carers

In October the Minister for Social, Community and Family Affairs launched the publication of the review of the Carer's Allowance, which was carried out by an interdepartmental working group. The review had two primary aims:

(a) to assess the purpose and future direction of the Carer's Allowance and its role in the wider debate on the needs of carers, care in the community and the demand for long-term care;

(b) to evaluate expenditure on and the achievements of this scheme.

A number of proposals were made in relation to the Carers scheme, principal among them being:

— *needs assessment:* a working group should be established to advance proposals for a multidisciplinary assessment of a person's care needs for all social and health services;

— *continual care payment:* a new non-means tested 'continual care payment' should be introduced, which would follow the introduction of a needs assessment, for all carers providing a high level of care. Its aims would be to promote care within the community and formally recognise the work of the carer;

— *carer's benefit:* this proposal which would seek to facilitate carers in employment to temporarily leave work needs to be examined further and a separate consultancy study should be established to consider its introduction.

ORGANISATIONAL DEVELOPMENTS

Strategy statement

In June 1998 the Department of Social, Community and Family Affairs, published its second strategy statement, 'Inclusion, innovation and partnership' — see also Missoc 1995/96. This represents a significant milestone in the further development of the strategic management initiative process within the department. It sets out the goals and objectives which will enable the department to fulfil and develop its role as a vital public service provider, with particular reference to the following areas;

— policy development

— development of a new service delivery model

— human resource management and organisational structure

— control of fraud and abuse

— value for money.

The department's primary goal is the promotion of an inclusive society by providing the opportunities and incentives for individuals, families and communities to contribute towards and share fully in economic and social progress. It also commits the department to meeting service delivery standards and to monitor these standards systematically.

Disability Support Service

In July 1998 the Minister for Social, Community and Family Affairs announced the establishment of a national disability authority, thereby implementing one of the key recommendations of the Commission on the Status of People with Disabilities — see Missoc 1998.

The new service will operate under the aegis of the Department of Social, Community and Family Affairs, and will involve a merger between the National Social Service Board (NSSB) and the appropriate information services of the National Rehabilitation Board (NRB). This will result in the establishment of a single information support service for all citizens and is intended to ensure that services for people with disabilities will become an integral part of the mainstream information, advice and advocacy services for all.

Legislation will be brought forward by the Minister for Social, Community and Family Affairs in 1999 to give effect to the establishment of this agency.

New Family Affairs Unit

In line with its pro-family approach to the development of policy and services as set out in the programme for government 'Action programme for the millennium' and in response to recommendations from the Commission on the Family, the government has established a new Family Affairs Unit in the Department of Social, Community and Family Affairs. The functions of the unit are:

— to coordinate family policy;

— to pursue the findings in the Commission's report following their consideration by the Government;

— to undertake research;

— to promote awareness about family issues.

The unit has responsibility for support for the marriage counselling and family mediation service as well as a number of other family services, including a pilot programme to provide improved service to families from local offices of the department through the one-stop-shop model, and the introduction of an information programme on parenting issues.

In 1998 an additional IEP 2 750 000 was allocated for the development of a number of family services, including the establishment of the Family Affairs Unit, funding for the setting-up of some 20 family and community resources centres, additional funding for marriage and child counselling and the expansion of the family mediation service in regional locations.

Freedom of Information Act

The 1997 Freedom of Information Act came into effect on 21 April 1998. It applies to all government departments, health boards and local authorities. Under the legislation citizens have the right to obtain access to information held about them, to amend information held which is incorrect and to see how decisions about them are made. They also have the right of appeal to an information commissioner in the event of access to information being refused.

PRO-EMPLOYMENT MEASURES

Building on previous measures in this area, the four-year Back to Work Allowance (previously available only to those residing in areas covered by the area partnership companies) was extended nation-wide to long-term unemployed persons who take up self-employment. In addition, the number of places on the scheme was increased by 5 000 during 1998. Furthermore, cuts in pay-related social insurance (PRSI) contributions focused on low-paid workers.

In relation to the Family Income Supplement (FIS), weekly income thresholds were increased by IEP 7 from June, resulting in a gain of some IEP 4–5 per week for most of the 13 000 families in receipt of FIS. A new measure, introduced in October 1998, allows for the calculation of entitlement to FIS on a net take home pay basis.

SOCIAL WELFARE PAYMENTS AND OTHER MEASURES

In the area of social protection the 1998 Budget provided for (among other things) the following measures:

Rates

In June the weekly rates of payment in respect of short-term social insurance schemes were increased by IEP 3 (approx. 4.4 %). An average increase of between 4.2 and 4.6 % applied to all other maximum personal rates including widow's and widower's pensions. Increases of 3 % in relation to adult dependants brought all social welfare payments for the elderly above the minimum rates recommended by the Commission on Social Welfare.

Social security contributions

A number of changes were made in relation to pay-related social insurance (PRSI) contributions. The PRSI free allowance (classes A and H) was increased from IEP 80 to 100 per week, the effect of which is that employees do not pay social insurance on the first IEP 100 of their weekly earnings. In addition, the earnings ceilings for employees, employers and self-employed contributions were raised.

Pensions

The 1998 budget allocated increases of between 6.4 and 7.4 % applied to old age, retirement and invalidity pensioners aged over 65 years — constituting some 36 % of all social welfare customers — from June 1998. From September everybody aged 75 years or over who is certified as medically unfit to travel alone will be eligible for a free travel companion pass, which allows the holder to have any person aged 16 years or over accompany him/her free of charge when travelling.

Carers

In June the weekly rate of payment of the Carer's Allowance was increased by IEP 5 for those recipients aged over 66 years, and by IEP 3 for those under 66 years of age. In addition the free travel pass was extended to all carers in their own right allowing them to travel alone.

Disability/Invalidity

From June the personal rate of payment to Invalidity Pension was increased by IEP 3 (4.3 %) for those aged under 65 years, and by IEP 5 (6.4 %) for those aged over 65 years. Also since June, weekly earnings of IEP 50 from rehabilitative employment are not taken into account when assessing means for Disability Allowance, Blind Person's Allowance and Supplementary Welfare Allowance. Prior to that the weekly disregard was IEP 36.60.

Family benefits

Rates of child benefit for twins were increased by 50 % from September 1998. Grants which were payable to twins were extended to all multiple births of three or more children, that is, IEP 500 at birth and IEP 500 when the children reach 4 and 12 years of age.

Other measures

The 1998 Social Welfare Act provided for (among other things):

— the standardisation of the revenue and social insurance (RSI) number as a personal public service number;

— the introduction of a public services card along the lines of the existing social services card;

— new technology in relation to cards to develop new methods of payment of social welfare payments electronically;

— the sharing of information between relevant agencies for the purpose of determining entitlement to and control of certain social services.

ITALY

The finance law (*Legge finanziaria*) of 1998 introduced innovative provisions concerning pensions, in order to speed up implementation of the reform of the social security system, approved by Law No 335 of August 1995.

The government considered these innovations to be necessary in order to make the costs borne by the retirement pension sector more compatible with the State accounts. In spite of the corrective measures made by the Amato reform of 1992 and later by the Dini reform of 1995, the government's projections regarding trends in welfare spending indicate an increase in retirement pensions up to 2000 of more than 0.9 % of GDP.

The legislature has therefore introduced a series of innovations, in both the finance law and the related provisions, concerning:

1. new conditions required for retirement pensions, in both the private and public sectors;

2. enhancements to pensions, through measures for:

(a) concurrent drawing of pensions/wages,

(b) coordinated and continuous collaboration (*Lavoro parasubordinato*),

(c) self-employed workers;

3. harmonisation of the treatment of various provident funds (special schemes);
4. improvements to the rules for the actual start-up of the supplementary provident fund scheme;
5. modifications in the assistance sector;
6. taxation.

RETIREMENT PENSIONS

With the exception of certain categories of workers (young workers, labourers and equivalents) who are subject to the same rules as those framing the reform of retirement pensions (L. 335), the finance law provides for more rigid rules in this area, subject to age and contribution conditions, especially with regard to entitlement to the retirement pension for both private and public salaried employees and for self-employed workers.

The previous reform provided a gradual raising of the age of entitlement to the retirement pension from 53 to 57 years for the private sector, up to 2008. The current finance law provides, by contrast, for the condition of 57 years of age to have already been fulfilled as from 2002. For public sector workers, the same age condition is required as from 2004.

Self-employed workers are entitled to the retirement pension if they have paid a total of at least 35 years of contributions and have reached the age of 58. In this case, the age limit has also been raised, since the previous law provided for an age limit of 57.

The following table explains the new conditions required for most salaried employees to gain entitlement to the retirement pension.

Year	Age with 35 years of contributions	Number of years of contributions at any age
1998	54	36
1999	55	37
2000	55	37
2001	56	37
2002	57	37
2003	57	37
2004	57	38
2005	57	38
2006	57	39
2007	57	39
as from 2008	57	40

Concurrent drawing of pensions and wages

It is possible to partially combine old-age pensions with earnings from self-employment. It is therefore possible to combine the minimum wage plus 50 % of the amount exceeding this wage. More favourable wages which existed previously are excluded. This means that the government proposal introduces the possibility of partial concurrent drawing of pensions and wages for all workers entering retirement in 1997 who were formerly not entitled to draw them concurrently. For those who entered retirement before 1997, the previous regulations remain in application in cases where they provide greater possibilities for concurrent drawing of pensions and wages.

Coordinated and continuous collaboration (*Lavoro parasubordinato*)

The contribution for this form of work (currently 10 %) for individuals who are not registered under other compulsory schemes, rose initially by 1.5 %. Increases of one point followed every two years, up to 19 %. Despite being long-term, this contribution is tending to become more and more effective compared with a straight benefit, and forms of supervision are also beginning to be planned for this type of work.

Self-employed workers

Gradual increases in pension contributions are provided for, especially for craftsmen and traders for whom the increase is 0.8 points (compared with 15 % at present) as from 1998 and subsequently 0.2 points every year up to 19 %.

Enhancements to pensions

The need to limit pension costs has led to expedients, even in the system for enhancing pensions. Indeed, it was decided that, in 1998, automatic realignment of pensions would apply only to pensions the amount of which did not exceed five times the minimum wage, i.e. around ITL 3 500 000 million per month. This does not concern pensions granted by supplementary pension schemes.

HARMONISATION OF THE DIFFERENT PENSION SCHEMES

The finance law speeded up the process of harmonising the different pension fund treatments which characterise the system, by adjusting the implementation time period planned in Law No 335 of 8 August 1995.

Supplementary pension schemes

The rules for starting up supplementary pension schemes have been refined by amending the pre-existing regulations (Law No 124/1993), which, *inter alia*, endowed the Ministry of Labour with the power to authorise retirement funds to engage in commercial activities. The finance law assigns this power to the Retirement Fund Monitoring Committee, considering it to be a genuinely independent and specialised authority. The Monitoring Committee adopted a regulation stipulating the procedures for authorising retirement funds to engage in commercial activities.

Furthermore, an increase of ITL 1 000 million for 1998 and of ITL 5 000 million for subsequent years was earmarked for the Committee's own activities.

GUARANTEEING SUFFICIENT RESOURCES

With regard to assistance, the finance law provides for:

— a review of measures for controlling civil disability by establishing a special plan for verifying the beneficiaries of financial support for civil disabilities, whilst making provision, in cases where the prerequisites are not met, for immediate suspension of payment of the benefit, which may be followed by the formal measure of revocation of the beneficiary;

— the establishment of a social policy fund aimed at promoting interventions to support projects carried out by the regions and the local administrations, by encouraging the simultaneous use of forms of finance from the European Social Fund. For the integration of disabled people, family support, drug prevention and treatment, children's rights, the conditions of the elderly and the integration of foreign citizens. In 1998, ITL 28 000 million were assigned to the fund for this purpose;

— the introduction on an experimental basis, for a period not exceeding two years, of income support for people without means who are single or have dependent children and find it impossible to support their children themselves.

The government is due to establish the amount of this benefit, which in any case should not exceed 60 % of the national average income.

TAXATION

As from 1 January 1998, new tax brackets, new rates and new tax deductions were established by Legislative Decree No 446 of 15 December 1997.

The IRAP (regional tax on production activities), a regional tax on top of the IRPEF (personal income tax), was introduced on the same date.

For 1998 and 1999, a 0.5 % rate was set for the entire country. For subsequent years, each region will establish a rate of between 0.5 and 1 %. The IRAP replaces the deductions for the SSN (national health service), as well as the compulsory insurance contribution against tuberculosis.

LUXEMBOURG

CREATION OF A NURSING-DEPENDENCY INSURANCE SCHEME

A nursing-dependency insurance scheme was introduced into the Luxembourg social security system by the law of 19 June 1998. This is a new branch of the social security system set up to respond to the needs of people dependent on nursing by financing the assistance and care they require. A person is considered to be nursing-dependent when, as a result of a physical or mental illness or disability, he/she is in regular need of major assistance to perform basic daily activities: moving around, hygiene and eating. Nursing-dependency insurance works in the same way as sickness insurance and is compulsory. The participation of insured parties corresponds to 1 % of their total income. The State funds 45 % of the total cost of the nursing-dependency insurance out of its own budget.

Nursing-dependency insurance covers insured parties and members of their family.

Benefits in cash and in kind are granted as from 1 January 1999:

— benefits in kind are granted in the form of assistance and care, special equipment or a housing conversion. They are paid directly to the home assistance and care services on the basis of the paying third system;

— cash benefits are given in the form of money. They are intended to remunerate informal carers. This benefit is nevertheless paid to the nursing-dependent person directly.

The law gives clear precedence to benefits in kind over cash benefits. In this way it recognises the priority for professional care and thus guarantees the quality of care.

With the aim of enabling people to stay in their own homes, the law also provides for the possibility of replacing all or part of the benefit in kind with a cash benefit (mixed benefit). The cash benefit is equivalent to half of the benefit in kind which it replaces. Furthermore, there are limits on the number of hours of assistance and care that can be replaced by a cash benefit:

— for up to seven hours of assistance and care the person may replace the full number of hours by a cash benefit;

— for between 7 and 14 hours, only half may be replaced by a cash benefit;

— for more than 14 hours, no replacement is possible.

A compensation is given at the rate of LUF 750 per hour of assistance and care required in case of replacement of cash benefits by benefits in kind.

To be covered by the law, the condition of nursing-dependence must be of a certain severity. This means a regular need for major assistance. The law stipulates that this need must represent at least three-and-a-half hours a week, i.e. half an hour per day. Moreover, the condition of nursing-dependence must be expected to last for a minimum of six months or be irreversible.

The law also provides for benefits to be paid for the care of the nursing-dependent person to a person who is not from a professional service (informal carer). Nursing-dependency insurance covers the informal carer's contributions to the insurance pension. The law also provides for the carer to take annual leave by annually paying out double the cash benefit for three weeks and, in the event that the nursing-dependent person stays temporarily in a care institution for these three weeks, it also pays for the required assistance and care.

The organisation managing the nursing-dependency insurance is the union of sickness insurance funds. The beneficiaries evaluation is administered by the evaluation and guidance unit, which is organised on a multidisciplinary basis (doctors, psychologists, social workers, occupational therapists, physiotherapists and psychiatric nurses). An objective, individual evaluation is required to determine the specific needs of each nursing-dependent person. The evaluation and guidance unit measures the severity of the need, based on the service required to meet this need. The severity is indicated by the amount of time required for assistance and care, which allows the benefits to be determined. The monetary value of the care has been fixed at LUF 1 420 per hour in a care institution and LUF 1 500 per hour for home care.

PENSION REFORM IN THE PUBLIC SECTOR

The public-sector pension system has undergone a major reform in order to reduce the financial cost of public-sector pension schemes and to achieve greater convergence with the private sector regime. The reform has stirred up controversy among civil servants, whose entitlements are being cut back as a result of this reform. However, so as not to reduce the entitlements of serving public officials too much, a transitional scheme has been introduced.

This reform has been enacted by two laws:

1. The first set up a transitional scheme for civil servants, or the equivalent, who were in office or were recruited on 31 December 1998. The characteristics of the former scheme have been maintained, i.e. the pension is calculated on the basis of the civil servant's last salary. However, during the course of this transition phase, the level of benefits will be progressively reduced by around 13 %. For years served subsequent to 1 January 1999, the replacement rate will be lowered progressively from 83.33 % to 72 %.

However, public officials who have completed their service careers (lasting 35 or 41 years) by early retirement age (55 or 60 years of age) will be allowed to increase their pension amount by 2.31 % of their pensionable income per year of service worked after that age. As a result, at age 60 or 65 respectively, they will be able to receive a pension corresponding to five sixths (83.33 %) of their last salary, namely the maximum pension entitlement under the former legislation.

Pensions already being paid at the time the reform comes into force are not affected.

2. The second law introduced a new scheme for public officials who entered the service after 31 December 1998. It remains a special scheme, but is structured along the same lines as the gen-

eral scheme and presents the following characteristics:

— pensions are no longer calculated on the basis of the last salary, but on the basis of the total remuneration received during the course of a person's career;

— adjustment will be identical and simultaneous to that applied to the private sector;

— the contribution levied to fund this special scheme will evolve in exactly the same way as the contribution for funding the general scheme.

A few special features of the former non-contributory scheme have, however, been retained. There is no upper contribution limit and no upper limit is used to calculate pensions. The special characteristics of the retirement procedure have been retained and the scheme is financed through a pension fund fed by wage deductions and other budgetary means.

The management of the new special scheme for civil servants has been entrusted to the civil service administration.

Also concerned by this new pension scheme are Luxembourg railway officials and district council officials.

FAMILY POLICY MEASURES

The family allowance of LUF 12 000 per child, per annum, was increased annually on 1 January 1999, with a parallel reduction in the tax abatements for a dependent child. These two measures taken together have become selective: in effect, all households benefit from the higher family allowance, but this increase in household resources is gradually absorbed by the lower tax relief. Also, households with incomes so high that they benefit from the lowest tax relief see their disposable income unchanged.

The new family allowances are as follows:

LUF 5 371 for 1 child (EUR 133.14)

LUF 13 102 for 2 children (EUR 324.79)

LUF 24 459 for 3 children (EUR 606.32)

LUF 35 808 for 4 children (EUR 887.66).

At the same time, the increase in the guaranteed minimum income for a child has been reduced by a corresponding amount.

BENEFIT ADJUSTMENTS

Certain welfare benefits have been subject to a linear increase of 1.3 %. This specifically involves the law of 11 December 1998, which adjusted pensions and annuities to 1997 wage-levels. A study of average wage trends had revealed a rise of 1.3 % between 1995 and 1997. So the adjustment factor (i.e. the calculation factor which adjusts the level of pensions to the wage trend) was raised from 1.203 to 1.219. This adjustment of accident pensions and annuities is the first ever adjustment to have affected the beneficiaries of pensions and annuities of both the private and public sectors.

In order to maintain the previous differential between social security benefits and social welfare benefits, the different thresholds applying to the guaranteed minimum income were increased by the same percentage. With the same concern of maintaining the existing balance, the minimum wage was also increased by 1.3 % by the law of 23 December 1998.

EVOLUTION OF THE CONTRIBUTION RATES FOR SICKNESS INSURANCE

On 31 December 1997, the cumulated overall sickness insurance deficit totalled LUF 785 million, LUF 641 million of which (i.e. 82 %) was allocated solely to managing cash benefits for workers. The Union of Sickness Insurance Funds therefore decided to raise the contribution rates for its three types of administration as from 1 January 1998. Below is the evolution of the contribution rates as from 1997:

(%)

	1.1.1997	1.1.1998	1.1.1999
Administration of benefits in kind0	5.0	5.1	5.14
Administration of cash benefits (without continuation of the employer's contribution)	4.2	5.0	4.2
Administration of cash benefits (with continuation of the employer's contribution)	0.2	0.3	0.24

It was found that by massively increasing the contribution rate for cash benefits in 1998, it was possible to wipe out entirely the cumulated deficit for the previous financial years. It was therefore possible to return the contribution rates to their former level with effect from 1 January 1999.

The rates remain unchanged for the other social security branches.

RELEASE FROM WORK FOR PREGNANT WOMEN

Another legislative amendment which concerns labour law, but which has an impact on the social security entitlement is worth noting. It is an amendment in the law concerning maternity rights for working women, which was introduced to transpose the European directive on maternity rights into Luxembourg legislation. The amendment introduces a prohibition on pregnant women, new mothers or breast-feeding mothers from working in jobs that are defined as risky by the law in question. In the event that the employer is unable to allocate such a woman to another post, she is released from work. Throughout the duration of her release from work, she is eligible for the pecuniary maternity allowance payable by the State.

PLANNED MEASURES

a. There is a bill for transposing certain Community directives relating to supplementary pension schemes into Luxembourg legislation. The bill in question, announced in the Government Declaration of 22 July 1994, creates an outline law for supplementary company pension schemes. The law will govern pension rights in the case of a company's transfer or insolvency. In addition, it guarantees equal terms for men and women and continued entitlement for people working in two or more European Union countries.

Whilst leaving companies free to decide whether or not to introduce a supplementary pension scheme, the law determines the rules with which each scheme must comply, especially with regard to coverage of commitments and the rights of affiliated members.

The bill forms part of the global pension-scheme architecture, which includes the private-sector contributory regime as well as public sector statutory schemes and supplementary pension schemes, and aims to achieve convergence in terms of both benefits and contributions. Consequently, tax deductibility is limited to funds set aside for a supplementary pension, the amount of which is calculated on the basis of the difference between the maximum pension under the new statutory scheme and the theoretical maximum pension of the contributory scheme. Moreover, the bill includes tax provisions to ensure identical treatment for external and internal regimes.

b. One of the measures taken under the national plan to promote employment specifically concerns social protection: it is the creation of parental leave, provided as follows:

— the father and mother will have an individual right to parental leave to care for a child for six months;

— the parental leave may not be taken in instalments, in order to foster temporary job replacement to provide job opportunities for the unemployed;

— one of the parents will have the option of an education allowance or parental leave. The parental leave will be paid at a rate of around LUF 60 000 per month (the same amount as the 22 months of education allowance provided for under current legislation);

— one of the parents must take the parental leave following the birth of the child at the end of the maternity leave. The second parent may take his/her parental leave before the child reaches the age of five;

— the parental leave may be taken in the form of half-time work, in which case it will be extended to 12 months, with the allowance divided into 12 units (of ± LUF 30 000).

Self-employed people may also benefit from six months of parental leave.

c. It is also planned to introduce leave for family reasons lasting up to two days per annum in the case of a child's illness. Extended leave is provided for in the event of a serious illness.

THE NETHERLANDS

PRIORITIES IN SOCIAL PROTECTION

In the last few years many instruments have been used to limit inflow into the social security system, to promote outflow from the system and to increase the chances of work for the low-skilled and long-term unemployed.

The common theme in the many legislative amendments has been to place greater financial responsibility on employers. This applies in particular for the introduction of the obligation on employers to continue paying sickness cash benefit during an employee's illness, the differentiation in invalidity benefits contributions, and the lengthening of the standby period in the Unemployment Benefits Act (the period during which the employer continues to pay a 'tide-over allowance' before the employee begins receiving benefit) and the Working Conditions Act.

The (Re)integration of the Work-Disabled Act (REA) came into force on 1 July 1998. This act makes it easier and more attractive for employers to recruit a person with an employment disability, by indemnifying employers against higher sickness and invalidity costs if they take on such a person. Moreover, the granting of provisions and subsidies has been simplified. More money has also been made available to help reintegrate people with an employment disability into the labour market.

A large number of initiatives have also been taken in the area of specific labour market policy. Temporary subsidised jobs have been created in the private sector, and permanent jobs for the public sector. Fiscal measures have also been introduced to reduce the wage costs for employers at the lower end of the labour market.

In August 1998, the second Kok government took office after May's general election. It is a coalition of social democrats and liberals, and excludes the centrist Christian Democrats. The new coalition agreement contains measures to improve the operation of the labour market, reduce inflow into the social security system and promote the reintegration of benefit claimants into work. The main accents here are on a review of the tax system reducing the costs of labour and promoting integration into the labour market, investments in enabling work and care to be better combined, addressing long-term unemployment as comprehensively as possible, and a new delivery system for social security and the employment service, with reintegration as its key theme.

The prevention of long-term unemployment is high on the agenda of the new government. At the Luxembourg Summit, the Netherlands and other EU Member States agreed on a commitment to achieve a comprehensive approach to long-term unemployment. The aim is that, within a period of eight years, all young job-seekers will be offered a new start before they have been unemployed for six months, and unemployed adults within 12 months.

Increasing the participation of older people in the employment process is also an important objective of the government. The changes taking place on the labour market (which is becoming increasingly tight), combined with demographic trends ('maturing' and ageing), mean it is vital to retain more older workers in the labour process. In consultation with the business community, the conditions are being created to make it attractive and possible for older people to continue working. Improper retirement via the unemployment benefits system will be combated. Depending on the degree to which a switch towards a more age-conscious personnel policy is achieved, and to which more demand arises on the labour market for older workers, consideration will be given to a (phased) reintroduction of the job application duty for people aged over 57.5 years.

Another important objective of government policy is to create more and better opportunities for combining family and working life. Improving the ability to combine family and working life serves the interests of both the individual and society as a whole. It will enable better use to be made of as yet untapped talents of women in paid work and of men in bringing up children and caring for families. This is also important for the labour market. Given the ageing of the population and the affordability of social provisions in the future, there is a need to increase the participation in paid work further, particularly by women. The government will table a framework act on employment and care in the Lower House, possibly in phases. This act will harmonise and combine the existing statutory forms of leave and will create a framework to allow workers to save up for leave in time and/or money. A statutory right to part-time working will also be established and the possibility will be explored of creating a statutory right to care leave. Particular account will be taken here of the interests of small and medium-sized businesses.

MAJOR DEVELOPMENTS IN SOCIAL PROTECTION

The Export Restrictions on Benefits bill

A change is on its way for people entitled to receive benefit in the Netherlands but who (go to) live abroad. The Export Restrictions on Benefits bill rules that entitlement to Dutch benefits will be reserved for people living in the Netherlands only. Any person entitled to claim benefit under Employees Insurance Schemes, National Insurance Schemes or the Supplementary Benefits Act, loses entitlement if he or she takes up residence in a country other than the Netherlands or stays outside the Netherlands for a period longer than three months. As soon as that person takes up residence in the Netherlands again, or stays there longer than three months, he or she will basically be entitled to claim benefit again. By introducing this bill the Cabinet hopes to bring in line the enforcement policy for benefits within and outside the Netherlands. A benefit can be exported to a country which has signed a treaty with the Netherlands, i.e. has entered into a contract that contains valid provisions for enforcement. Benefits can also be exported to countries within the European Union.

The bill was passed by the Lower House on 3 November 1998 and the ensuing act should take effect on 1 October 1999. From that date, anyone planning to live in a non-treaty country, or planning a stay in such a country for longer than three months, will face immediate consequences. A three-year transitional period is in place for those people who have already taken up residence in a non-treaty country on the commencement date.

An exception will be made for the General Old-age Pensions Act (AOW): to a limited extent AOW can be paid out in other countries. However, the AOW partner allowance, the pension for a single person and the pension for a single parent (only the part that exceeds the 50 % allowance) will be brought under the benefit export restrictions. The exceeding part as well as the spouse-supplement will be exported if a convention containing enforcement articles is concluded.

Organisation

A successful reintegration policy stands or falls on an efficient, work-oriented and customer-friendly delivery system. The structure of the new delivery system for social security and the employment service must be finalised in the coming government period. The conclusions of the parliamentary inquiry into the delivery of the social security system will continue to be the guiding themes here: active integration, regional implementation, independent assessment of the right to benefit and independent supervision.

Before the end of 2000 so-called Centres for Work and Income (CWI) have to be set up throughout the whole country. These CWIs will be given the assignment in the forthcoming government term of fulfilling the public gatekeeper function, independent of market influences or the direct influence of vested interests. All job-seekers will be able to go to these centres for — in the first place — help in finding work and secondly, to apply for benefit.

Scope will be created for the introduction of market forces in the actual implementation of the reintegration programmes and the payment of benefits. In the government's view, competition could enable more people on benefit to be helped into work and make implementation of the benefits system cheaper. An as yet unspecified proportion of the reintegration projects will have to be purchased from the (public-sector) Employment Service, in order to guarantee that a good public employment placement service remains intact.

To encourage the entry of new providers, the criteria for approval as a benefits agency or employment placement service will be relaxed. It will also become possible to delegate these tasks to third parties, such as temporary employment agencies.

Healthy competition presupposes not only a sufficient number of providers, but also of clients. The government proposes that sectors and large companies (with more than 100 employees) should enter into contracts with benefits agencies and employment placement services. The commitment of employers and unions remains important, particularly when it comes to arrangements regarding the choice of delivery agency and the contents of the contract. Further consultations will be held with employers and unions and local authorities on the detailing of the revamping of the implementation of the social security system. Local authorities will be able to contract out their benefit-paying tasks, on the condition that the Municipal Executive will at all times remain responsible for the implementation of the system and that the scope given to local authorities in implementing their reintegration task must not lead to higher implementation costs. In this connection, the resources for the National Assistance Act and the Job-seekers Employment Act will be combined in a 'Fund for work and income', and the contribution of local authorities to the funding will be increased.

AUSTRIA

HEALTH, ACCIDENT AND PENSION INSURANCE

The extensive social insurance reform package has already been described in the national report ('The development of social protection in the Member States') included in the comparative tables as of 1 January 1998. That report thus also included the measures that were taken relevant to the current reporting period. In addition, the following reforms have been undertaken:

- As of 1 January 1999, it is possible for insured persons to receive permanent dental prosthesis in dental out-patient clinics run by the insurance funds; previously this service was available only from dental practitioners and dentists in their own practices. This new service provided by the out-patient clinics is only available to regular clinic patients when a specific medical indication exists, as well as to low-income patients.

- As of 1 January 1999, the minimum contribution basis for those taking up commercial self-employment for the first time, was decreased from ATS 13 761 to 7 400 per month in order to facilitate the take-up of self-employment. This minimum contribution basis applies to the year in which self-employment is taken up for the first time and the two following calendar years. This reduction is financed through restructuring and compensatory contributions within the overall solidarity of the insured persons in the commercial economy.

- As of 1 January 1999, accident insurance for farmers was redesigned. Coverage is now extended to accidents and occupational diseases occurring during the practice of agricultural sidelines, during the carrying-out of earning activities in connection with the accommodation of guests in the context of 'Vacations on a farm', and for participation in the activities of agricultural communities, as well as participation in purchasing and economic cooperatives where no formal working relationship exists. Furthermore, a uniform assessment basis was created for both full-time and part-time farmers in the amount of ATS 204 000. In place of the previous disability pension, a new benefit (the 'business pension') was introduced which should make it possible to hire a substitute worker to maintain the farm as a source of income for the disabled farmer and his family.

— As of 1 July 1998, medical assistance and dental treatment under the farmers' health insurance was placed on a legal basis corresponding to the general system. The participation paid by the patient in the amount of 20 % of the costs of the above services was replaced by a contribution of ATS 51 per certificate for treatment by a doctor or dentist.

— As of 1 August 1998, the list of occupational diseases for purposes of accident insurance was expanded to include several additional chemical substances, thus bringing it into line with the European List of Occupational Diseases.

UNEMPLOYMENT INSURANCE

On 1 April 1998 the following change went into effect in the area of unemployment insurance:

Previously, entitlement to unemployment assistance was based, among other things, on Austrian citizenship, with, however, refugees, stateless persons and citizens of the European Economic Area being treated as equal to Austrians. The remaining foreign citizens were entitled to unemployment assistance only if they were in possession of a so-called 'Befreiungsschein' (long-term work permit, with which foreign citizens who have worked in Austria for a long period of time are placed on an equal basis to Austrian nationals). With the decision of the European Court of Justice for Human Rights in the case of Gaygusuz, the criteria for entitlement to unemployment assistance were formulated irrespective of citizenship — and thus without regard to possession of a long-term work permit. As of 1 April 1998 a person is entitled to unemployment assistance who

— has been insured for a period of 416 weeks or

— has completed at least half of his compulsory schooling in Austria by the end of his 25th year of life or

— was born in Austria or

— has had his permanent residence in Austria for at least half of his life.

Apart from this, a voluntary insurance within the unemployment insurance was agreed upon for the following persons (effective as of 1 August 1998):

Workers who, for example, take up a self-employed activity and thus are no longer compulsorily insured for unemployment, previously retained their entitlement to unemployment benefits only for the span of three years. As of 1 August 1998, the possibility of a voluntary insurance was created in order to prolong this three-year period. This should above all reduce the risk associated with failing in a self-employed activity.

The same applies to workers who take up a non-self-employed activity outside of Austria.

FAMILY BENEFITS

To provide additional financial support for families, the following improvements in the areas of family benefits and taxes were resolved, which will come into effect in two stages:

Starting in 1999 the family allowance for each child will be increased by ATS 125 per month. In general, a large-family supplement of ATS 200 will be introduced for the third and each subsequent child, paid only if the annual taxable income of the family does not exceed a certain limit. The child deduction (reduces the individual tax liability) will be increased by ATS 125 per child and month.

Starting in 2000 the family allowance will be increased once again and at the same time a sibling scale will be introduced (an increase for the first child by ATS 25 per month, for the second child by ATS 200 per month and for the third and each subsequent child by ATS 375 per month each). The large-family supplement will be increased by a further ATS 200 per month and the child deduction standardised at ATS 700 per child and month.

The tables show the amounts of family allowance and child deductions (in ATS per month):

	Family allowance	0-10 years	10-19 years	19-26 years
1998	For each child	1 300	1 550	1 850
1999	For each child	1 425	1 675	1 975
2000	1st child	1 450	1 700	2 000
	2nd child	1 625	1 875	2 175
	3rd and subsequent children	1 800	2 050	2 350

	1998	1999	2000
Large-family supplement (starting with the third child)	–	200	400

	1998	1999	2000
Additional family allowance for severely handicapped children	1 650	1 775	1 800

Child deduction	1998	1999	2000
1st child	350	475	700
2nd child	525	650	700
3rd and subsequent children	700	825	700

Social protection in Portugal is being developed in line with two essential objectives: to reform the system and to apply the agreement between the government and the social partners.

REFORM OF THE SOCIAL SECURITY SYSTEM

To achieve this objective, the government has presented two proposals to Parliament:

— a policy document on the main elements of the reform, calling upon the other parties to agree on a regime concerning the reform;

— a draft outline law concerning social security.

The two documents, one political and the other legal, are based on the following points:

(a) the system is founded on the principles of equality, universality, positive discrimination, solidarity, public responsibility, complementarity, participation and information;

(b) the system of solidarity and of social security provides social protection for the public, protection for the family and social protection to replace income from professional activities;

(c) the aim of public social protection is to guarantee a minimum income for people in need and to prevent and combat poverty and exclusion, in order to promote social well-being and cohesion;

(d) the aim of family social protection is to ensure that family responsibilities and costs incurred by disability or dependency are compensated;

(e) the aim of social protection to substitute income from professional activities is to compensate for a reduction or loss of income as a result of illness, maternity, unemployment, disability, old age or death, as well as occupational risks;

(f) funding for social protection varies depending on the type of protection and is raised by means of taxes, mainly VAT, together with contributions from workers and employers;

(g) supplementary protection is provided for and encouraged.

The three other parties sitting in Parliament have presented further draft outline laws which are now under study for final approval before entering into legislation.

AGREEMENT BETWEEN THE GOVERNMENT AND THE SOCIAL PARTNERS

The following measures have been developed in connection with the above agreement:

— a review of unemployment protection, the most innovative measure of which will be the creation of a partial-unemployment allowance for unemployed people benefiting from an allowance who take a part-time job;

— a review of old-age protection: workers who have contributed for more than 30 years will be entitled to a pension reduced by a technical factor. Furthermore, the value of the pension will be increased for workers who, despite being eligible for a full pension at the age of 60, apply for this only after the age of 66;

— a review in order to reduce contribution rates, under certain conditions specific to the activity or to the type of benefits under the scheme.

PLANNED MEASURES

To increase benefits

Family benefits have been raised to a value above the expected rate of inflation.

With regard to pensions, in addition to the annual update, a further exceptional increase has been adopted for the minimum amounts of pensions corresponding to at least 15 years of contributions.

The amounts vary depending on the length of the contributory period (fixed percentage of the minimum wage, reduced by the amount of contributions paid by the worker).

Maternity allowance

Maternity protection has been increased. The duration of the allowance is 110 days in 1999 and 120 days as from 2000.

In the case of twins, the protection period is increased by 30 days, as from the second child.

The parents' entitlement to special leave to care for children has been increased from six months to two years, and from six months to four years if the child is handicapped or suffers from a chronic illness.

If the child suffers from a serious handicap or chronic illness, the father or mother taking the leave is eligible for a special allowance.

The government entered into its fourth and last year in 1998. Facing parliamentary elections in March 1999, no major changes were made, thus work concentrated on finalising the reforms that have been made in the last few years. The government continued its work in order to streamline the social security schemes and thus reach savings in expenditure, to create a better coordination of the different schemes and a system where work is always more profitable than relying on social security benefits.

UNEMPLOYMENT INSURANCE

Unemployment coverage was reformed in 1997 to promote re-entering into work and taking up both short and part-time work. In connection to this the financing of the scheme has been reformed in 1998 with the new system coming into effect from 1 January 1999. The new system aims at clarifying financial responsibility, stabilising premium levels and opening the opportunity to create a buffer fund. According to the new scheme the State finances (as before) the basic unemployment allowances (payable to those non-members of unemployment funds) and the corresponding part of earnings-related benefits, with the employers and employees financing the rest. Earlier the State contributed with a given percentage of all costs. In the new scheme, the State will not further finance the costs for child increases and the earnings-related daily allowances paid to employees temporarily laid off or to those (aged) long-term unemployed, who are entitled to allowances during an additional period from age 57 (previously 55) to age 60, until unemployment pension becomes payable. Entitlement to this additional period requires that allowances have been paid for the maximum 500 days and that the beneficiary has reached age 57 before the end of this period. These costs will be paid by employers and employees only. The immediate changes are rather insignificant, but in the long run the costs of the State are expected to be reduced.

The employees' unemployment premium, collected on a temporary basis since 1993, turned into a permanent regulation and is used to finance both earnings-related benefits and part of the basic allowances, proportionally divided among fund members and non-members.

One of the reform's main targets is to enable the setting up of a buffer reserve within the scheme that enables more stable premiums and the balancing of structural fluctuations within the scheme. This buffer is funded by premiums collected from employers and employees.

PROMOTING EMPLOYMENT OF THE AGED/ELDERLY

In accordance with the targets laid down in the employment guidelines, measures to promote employment for aged unemployed have been carried out. In 1997 a service programme for aged, long-term unemployed was introduced as on pilot project, and enlarged to cover the whole country in 1998. The particular needs and skills of each individual are taken into account, and an individual programme package is developed consisting of both education programmes, training and rehabilitation. Should a person in fact be disabled to a degree giving entitlement to a pension, the pension applications are put forward. This programme is carried out by the National Social Insurance Institution (Kela) in cooperation with the employment services.

To make short-time work more attractive the pension rules for people aged over 55 years were temporarily modified from 1 July 1998. According to the new rules the pension rights already accrued are safeguarded, thus giving a higher overall pension even when the salary level of new employment is lower than the previous one. These modified rules stay in effect until 31 December 2000.

Temporary reduction of the age limit for part-time pensions: early retirement is high and considered a serious problem. In order to diminish the pressure on early retirement schemes the age limit for part-time pensions was reduced from 58 to 56 years from 1 July 1998. The lower age limit remains in force until 31 December 2000.

Continuation of national five-year programme for ageing workers: the national programme for ageing workers 1998—2002, a five-year programme focusing on improvement of employability, employment situation and work willingness of the ageing and aged, has been continued. During autumn 1998 special emphasis was set on training and education programme designs and the role of SMEs (small and medium-sized companies). As part of the programme related research and pilot projects are being carried out.

REFORM OF THE SOCIAL ASSISTANCE SCHEME

The reform of the Social Assistance Scheme brought a new Social Assistance law into effect from 1 March 1998. The most important change is the proportional self-risk (7 %) in housing costs that henceforth has to be carried by the benefit recipient. The aim is to encourage recipients to take an active interest in their housing costs. The amount paid to children over 18 years living with their parents was reduced for those not in training or education. Further the amounts paid to younger children were slightly reduced. The target was to adjust the internal balance of benefits paid from the social assistance, compared with other benefits and low income.

CHANGES IN FINANCING OF SOCIAL SECURITY

Social insurance is financed by contributions paid by employers and insured persons as well as by general revenue. No major changes in the financing principles took place in 1998. Even the contribution levels remained almost constant, still aiming at maintaining or reducing the overall level of contributions levied on salaries.

Contributions	1997	1998	1999
Employers/private sector (% payroll)			
National pension	2.40-4.90	2.40-4.90	2.40-4.90
Sickness insurance	1.60	1.60	1.60
Employment pension (average)	16.70	16.80	16.80
Unemployment insurance (payroll max FIM 5 000 million/exceeding part)	1.00-4.00	0.90-3.90	0.90-3.85
Employees/insured			
Sickness insurance (% taxable income)	1.90	1.50	1.50
— increase for income > FIM 80 000/year	0.45	0.45	—
— increase for pension income	3.00	2.70	2.40
Employment pension (% salary)	4.50	4.70	4.70
Unemployment insurance (% salary)	1.50	1.40	1.35

EMU AND THE EURO

The introduction of the euro has started. In social security (schemes) all payments will continue in Finnish markka until 2002. In general, however, the possibility to pay benefits and receive premiums in euro (e.g. to and from abroad) exists. In addition enterprises can change to euro in their accounting from 1 January 1999, if they wish. The changes necessary in the fields of social security legislation, data programs and registers are studied in several working groups. Preliminary results are expected during 1999.

SWEDEN

In April 1998 the government presented a bill to Parliament on income-related old age pensions. The present rules on basic pensions, national supplementary pensions, partial pensions and pension supplements will gradually be replaced by a single old age pension system. Old age pensions will be kept separate from social insurance and be treated as a separate class of insurance.

The reformed pension system will be compulsory and will be administered by the social insurance offices, the National Social Insurance Board and the Pre-funded Pensions Administration.

Pension rights will accrue for 18.5 % earnings during a person's entire working life (the lifelong earnings principle). This is a basic element of the reform. Pensions will correspond to the value of all paid-in pensions contributions. Qualification for pension rights will start at the age of 16. There will be no upper age limit.

All income after deduction of basic contributions will be pensionable. However, only income up to a limit of 7.5 times the basic amount will carry pension rights. As of 1 January 2002, the limit will be adjusted upwards to take care of the general earnings trend. Contributions will be paid on all pensionable earnings and other amounts received.

Pensions will be financed by contributions amounting to 18.5 % of income. The question of how much of this contribution will be paid by employers and how much by employees still remains to be solved. The aim is to divide the amount equally between employer and employee.

Pensions to persons who due to childcare or on national service will be calculated on a notional amount. This notional income is called the pensionable amount. It will be calculated as a supplement on top of the actual income. The contributions for pensionable amounts will be paid in by the State or the relevant social insurance system.

The lion's share of the pension contributions (16 %) will be used to finance pensions to eligible recipients during the same year, that is an ordinary pay-as-you-go system. Pension rights corresponding to paid-in contributions will be registered for all individuals. The aggregate pension contributions will represent the net claim and will be adjusted upwards every year in accordance with the general earnings trend. When a person retires, this will represent his or her aggregate adjusted pension rights under the system.

The remainder (2.5 %) will be funded and will carry interest in an individual pre-funded pension account. Pensions from this part of the system are called pre-funded pensions.

The new pension system will be introduced gradually. Persons born before 1938 will get national supplementary pensions from the old system and no income-related pension from the new system. Those born in the period 1938–53 (the transitional generation) will get part of their pension from the old system and part of it from the new system. The proportions depend on a person's year of birth. People born in 1954 or later will get all their pension from the new system.

The law on income-related old age pension should come into force from 1999 and the first payments from the new system will be made in January 2001.

In 1998 a report on survivors pensions was presented to the Minister for Social Insurance. The proposals in the report were supposed to adapt the rules on survivors pensions to the new old age pension system. Every benefit is supposed to be income-related. Child pension, adjustment pension and special survivors pension are supposed to be related to the lifetime earnings of the deceased and are to be calculated on his/her aggregated pension rights in the new old age pension system. Widows pensions will be calculated as at present on the supplementary pension of the deceased. Income-related survivors benefits will be completed with a guarantee pension replacing the present basic pension.

The implementation group has been working on the implementation of the new rules for several years. There are still some problems to be solved. New rules on housing allowance related to the new old age pension system are to be created as well as transitional rules for persons with pensions from the old system.

Disability pensions are also influenced by the new old age pension system. New principles for disability pensions have therefore been decided upon by Parliament. Those principles relate disability pensions more closely to sickness insurance in order to strengthen the efforts to rehabilitate persons hit by sickness or disability. A special committee is working on a reform of the sickness insurance and the disability pensions according to the principles set down in the parliamentary decision.

In 1998 the recovering Swedish economy made it possible to introduce some reforms.

The child allowance was raised and at the same time additional child allowance was reintroduced.

The compensation rate in the parental insurance and the sickness insurance was raised from 75 to 80 % of the income loss.

The compensation rate from the housing allowance for pensioners was also raised.

Sweden has gone through a period with a very difficult economic situation. Large budget deficits were common for a couple of years. In order to solve the problems, the government had to make severe cuts in the State budget. As social security costs represent almost 20 % of the GNP, the social security budget could not remain unaffected. It is important to create systems which can survive and maintain reasonable benefits also during economically hard times.

Therefore, the ambition must be to create stable security systems. The new pension system is a good example of such a system. The aim is now to create systems that are similarly stable in other areas of social security.

INTRODUCTION

During the reference period, work continued apace on the overall review of the UK welfare state in line with the government's commitment to promote work incentives, reduce poverty and welfare dependency, and strengthen family life. The year was marked by the publication of a series of consultation Green Papers. These set out the government's proposals on the reform of pensions and disability benefits, changes to survivors' benefit and the groundbreaking introduction of new work-focused interviews for benefit claimants and the creation of new stakeholder pensions. Many of the proposals have been included in the Welfare Reform and Pensions Bill, which was published in February 1999. Detailed information on the Bill, will be included in next year's report. The current report, therefore, concentrates on the proposals published in the Green Papers.

WELFARE REFORM

The government is committed to reforming and modernising the British social security system in a coherent and principled way that promotes fairness and opportunity. In March 1998, it published a consultation Green Paper *New ambitions for our country: A new contract for welfare* which outlined their philosophy for the welfare State: 'work for those who can, security for those who cannot'.

The Green Paper advocates reforming welfare on the basis of a new contract between citizen and government, based on a welfare State from which everyone benefits, but on terms that are fair and clear. The Green Paper also, for the first time, sets out a series of success measures to be achieved over the next 10 to 20 years. For example, by the end of the process of reform, the results that the government expects to achieve include:

— a reduction in the proportion of working age people living in workless households;

— a guarantee of decent income in retirement for all;

— an increase in support from tax and benefit systems going to families with children;

— clearer gateways for eligibility for all types of benefit;

— increased customer satisfaction.

Since March 1998, a further series of consultation Green Papers has been published in support of these aims. Details are included below.

RETIREMENT PENSIONS

A wide-ranging consultation Green Paper — *A new contract for welfare: partnership in pensions* — was published in December 1998. The Green Paper outlines a number of proposals relating to the future of both State and supplementary retirement pensions. The main proposal is that the (second-tier) State earnings related pension scheme (SERPS) should be abolished and replaced by a State second pension (SSP), aimed at enhancing the retirement income of people on low pay or those not working because of caring responsibilities. This is in line with the government's aim of ensuring that everyone has the opportunity to achieve a decent income in retirement, to enable those who can make better provision for their own retirement to do so and to provide security for those who cannot. The Green Paper includes the following proposals:

— the (first-tier) basic State pension would be retained as a universal, contributory, non-means tested system, increasing in line with prices;

— SERPS would be replaced from April 2002 by the new State second pension, offering a significant rise in the pensions of those earning less than GBP 18 000 a year;

— low-cost, flexible, funded 'stakeholder pensions' would be introduced for those earning between GBP 9 000 and 20 000 a year and who are not in company pension schemes. It is anticipated that these voluntary pensions would supplement the basic State pension and the State second pension;

— people would receive an annual pension statement, bringing together pension entitlements from all the different sources (i.e. State pensions, stakeholder pension and personal/occupational pension) and showing the retirement income they can expect to receive when they retire.

The government has also announced a GBP 2 500 million package for current pensioners, including a new minimum income guarantee from April 1999 of GBP 75 a week for single pensioners and GBP 116.60 a week for couples through the means-tested income support scheme. Other measures include an annual 'winter fuel payment' of GBP 20 for all eligible pensioner households (GBP 50 for those getting Income Support) and free sight tests for all pensioners from April 1999.

SURVIVOR'S BENEFITS

A consultation Green Paper *A new contract for welfare: Support in bereavement* was published in November 1998. This outlines the modernisation of benefits for widows and widowers. The main proposals include the following:

— equality of treatment between men and women, making the same bereavement benefits available to both;

— increasing the State lump sum death benefit from GBP 1 000 to GBP 2 000;

— introduction of a widowed parent's allowance (equivalent to the current 'widowed mother's allowance'), which would be payable to widowed parents until the youngest child in the family ceases full-time education;

— widows and widowers aged 45 and over without dependent children would receive a weekly bereavement allowance for six months only.

These proposals, which are expected to take effect from April 2001, will not affect existing widows.

DISABILITY BENEFITS

In response to growing concerns that the present system of State disability benefits was failing in its main objective of providing the most help to those with the greatest need, the government published a consultation Green Paper *A new contract for welfare: Support for disabled people* in October 1998. This outlines plans to provide greater security for disabled people with the greatest needs, and greater help and encouragement to disabled people who can work. Some of the key proposals include:

— reforming the non-contributory severe disablement allowance so that people disabled before the age of 20, who did not have the chance to work, will get a higher rate of benefit;

— the restructuring of the disability benefit system to provide a new disability income guarantee for severely disabled people under the age of 60 with the highest care needs. This will give single people a guaranteed income of at least GBP 128 a week and couples GBP 169 a week through the means-tested income support system;

— reforming the 'all work test' for incapacity benefit into a kind of 'employability' test in order to shift the emphasis from what claimants cannot do to what they can do;

— requiring people with a long-term illness or disability claiming incapacity benefit to have an interview with a personal job adviser. The adviser will help the disabled person plan how he or she can achieve independence, and to ensure that the right benefits are being paid. This is part of the new 'single work focused gateway' approach to social security benefits — see paragraph 9 below.

In October 1999, the current means-tested disability working allowance — cash 'in-work' benefit for disabled people — will be replaced by the disabled person's tax credit. This will be a system of payable tax credits administered by the Inland Revenue. It will provide an incentive to work by ensuring that sick and disabled people on a low income are better off in work than out of work.

FAMILY BENEFITS

The working families tax credit (WFTC)

Proposals to replace the current means-tested family credit (a cash benefit) by the WFTC from October 1999 were announced in the March 1998 Budget. The WFTC will be a payable 'tax credit' which will provide GBP 4 200 million a year of help to around 1.4 million working families. The Inland Revenue will administer WFTC and it will be payable through the employee's wage packet from April 2000.

The WFTC will make work pay for families with children. It will improve work incentives, encouraging people without work to move into employment, and helping people in relatively low-paid jobs to move up the earnings ladder.

The WFTC is central to the government's major programme of tax and benefit reform and represents an important step towards greater integration of the tax and benefits systems. It is accompanied by radical changes to the National Insurance system (see paragraph 10 below). The government's strategy to help people move off welfare and into work will be supported by a minimum wage from April 1999. The introduction of the WFTC will make work pay by:

— raising incomes: a working family with two young children, earning GBP 200 a week (the average wage for someone moving from unemployment into full-time work), will be more than GBP 23 a week better off as a result of this measure;

— providing a guaranteed minimum income for working families, over and above the minimum wage;

— lowering the tax burden on working families by raising the point at which in effect they begin to pay income tax; and

— reducing the stigma associated with in-work support and demonstrating the rewards of work.

CHILDCARE

The government is developing a national childcare strategy to help parents, especially mothers, to balance family and working life. The aims is to ensure that good quality, affordable childcare for children up to the age of 14 is available in every neighbourhood in England. Similar strategies are being developed for Scotland and Wales.

A consultation Green Paper *Meeting the childcare challenge* was published in May 1998. This outlines three steps to the national childcare strategy:

— raising the quality of childcare, including the establishment of 25 new early excellence centres. (These provide an integrated approach to early education and childcare provision and support services for parents and families.);

— making childcare more affordable, with a new childcare tax credit from 1999 for working families on low incomes. This will provide help with 70 % of childcare charges up to a limit of GBP 100 a week for a family with one child, and up to GBP 150 a week for a family with two or more;

— making childcare more accessible, with more places from a greater variety of providers, supported by GBP 300 million from 1998 to 2002.

CHILD SUPPORT

In July 1998, a consultation Green Paper *Children first: A new approach to child support* was published which outlines a radical reform of the child support system. The government intends to ensure that more parents with care responsibilities receive regular maintenance for their children from the absent parent.

BENEFIT ADMINISTRATION

Currently, people enter the benefit system in a variety of ways and through different routes depending on the benefit claimed. This is inefficient and causes confusion for claimants. Information for different benefits has to be provided to different agencies, in different locations and at different times. In order to address these problems, the government published a consultation Green Paper *A new contract for welfare: A gateway to work* in October 1998. This outlines proposals to introduce a more streamlined and efficient benefit system in which there is a single point of access to welfare, and in which everyone who has the potential to work is provided with help to find it.

This approach, the 'single work-focused gateway', will bring together the Employment Service, Benefits Agency and other welfare providers (including local authorities who administer housing support and the Child Support Agency) at a single point of contact. All new claimants of working age will have a personal adviser to guide them through their options. Modern technology will be used — including call-centres — to make the process as quick and efficient as possible. The objective is to forge an entirely new culture, which puts work first and is based on a modern, integrated service for all. The 'single gateway' will be piloted in three phases:

Phase 1: From June 1999, in four areas of the country, people of working age who claim benefits will be able to access information on work, benefits and tax credits, training, housing and other government services in one place. They will be given a personal adviser who will help them plan a route back to independence, while also ensuring that they receive the benefits to which they are entitled.

Phase 2: From November 1999, this approach will be extended in four other areas, by using call-centres to help people make their first contact with the benefits system. In another four areas, the private and voluntary sectors will be invited to offer their own innovative solutions.

Phase 3: From April 2000, (subject to legislation) new claimants will be required to take part in an interview with a personal adviser to talk about their prospects of finding work; this requirement will initially be implemented in the pilot areas and will be introduced in ways that take account of individual circumstances.

FINANCING

The government is introducing the biggest reform of the National Insurance contribution system for over 20 years. The radical package of measures, which were announced in the March 1998 budget, will improve work incentives and encourage job creation. The key measure involves a change in the National Insurance contribution structure.

At present, once people earn the lower earnings limit (LEL), or GBP 1 above, — GBP 64 a week in 1998/99 — they have to pay National Insurance (NI) contributions on the whole of their earnings. Under the changes announced, employees will no longer have to pay NI contributions on earnings below the LEL from April 1999. In the longer term, once measures can be put in place to protect benefit entitlement, the point at which employees begin to pay NI contributions will be aligned with the single person's allowance for income tax.

For employers there will be a similar change: removing the liability to pay NI contributions on earnings below the LEL and aligning the point at which they start to pay contributions with the single person's allowance for income tax. This means that from April 1999, liability for the employer's share of contributions will arise only on their employees' earnings over GBP 83 a week. In addition, the current system of multiple NI contribution rates for employers will be replaced with a single rate.

ORGANISATION

The Contributions Agency — which is responsible for ensuring compliance with the law on National Insurance (NI) contributions, maintaining contributors' NI records and providing NI-related information to the Benefits Agency — will be transferred to the Inland Revenue in April 1999. This measure will facilitate closer alignment of income tax and NI.

Merging both organisations will provide customers with a single point of contact for tax and National Insurance matters. It will also ensure the services are provided more efficiently and effectively.

REVIEW OF BENEFIT RATES

Benefit rates were reviewed with effect from April 1998 with reference to movements in retail prices. Contributory benefits (e.g. retirement and widows' pensions, incapacity benefit, etc.) were increased by 3.6 %. Income-related benefits (e.g. income support, family credit, housing benefit, etc) were increased by 2.4 %.

RECENT LEGISLATIVE CHANGES

The Social Security Act 1998 received Royal Assent in May 1998. The Act will:

— help people to move from welfare into work by increasing take-home pay and encouraging employers to create jobs;

— ease the administration of National Insurance for employers by simplifying the system and aligning it more closely with income tax rules;

— simplify and streamline the way decisions and appeals are handled, enabling the department to deliver a better service to the public;

— reduce waiting times for appeals;

— equalise the rate of child benefit for new lone parents with that for couple families.

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