



Missoc-Info

Social security & social integration

Evolution of social protection in the Member States

1999: A TURN FOR THE BETTER

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European Commission

Evolution of social protection in the Member States

During the year 1999

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1999 was a year of contrasts. With the return of more favourable economic indicators, a few, but nevertheless real, improvements can be discerned in some branches of national social security systems, and even a number of structural reforms that are mainly convergent can be noticed. It is therefore possible to state that there have been some real improvements in social security systems (Part I). During the 'reference period'⁽¹⁾ a great need was also revealed for consultations on the future of social security showing a persistent need for reform. The debate on social security policies is, therefore, still of great importance (Part II).

I. Improvements to social security systems

An analysis of the reports shows an improvement in a number of social security benefits. Only in the field of healthcare in certain countries can we observe the instigation of rationing measures or transfers of responsibilities towards individuals or households.

1. Rationalisation of financing and management mechanisms

The management rules of the various social security systems, which are the product of multiple compromises, are very complex in all the countries under study. The issue of financing social security, sometimes combined with simplified administrative and financial procedures, once again arose in a number of countries. For example, Greece has implemented a wide-ranging programme to stabilise social security expenditure. The primary concerns today are to improve the management of the diverse funds and types of financing and to clarify management responsibilities; the role of the State in particular is more clearly defined. This is the case in Portugal, where the government has brought in a framework bill on social security including measures aimed at rationalising financing mechanisms and administrative management.

Ireland has implemented a vast programme of consultations regarding the administration of the Ministry of Social Affairs. The United Kingdom is also announcing that the task of collecting contributions will be transferred to the tax administration in order to gain more clarity and improve the service for contributors. Finland has revised its system for financing unemployment insurance by clarifying the respective responsibilities of the central government and the social partners. Following the 'Toledo Pact', Spain has given the central government sole responsibility for financing health provision. Luxembourg has amended its rules on calculating central government participation in funding sickness insurance. All of Luxembourg's family benefits are now funded by the State budget. Italy is in the process of restructuring its health system and reorganising the respective responsibilities of the regions and the central government through a 'stability pact' that comprises all institutional levels.

Only three countries (Italy, the Netherlands and the United Kingdom) reported having restructured part of the organisation of their social security systems during the reference period. Iceland reorganised its appeal mechanisms for dealing with disputes. This move has been accompanied by attempts to improve the procedures for controlling and managing data, as well as the development of medium-term forecasting. Sweden also chose to appoint special survey interviewers to clarify the causes of certain health and occupational rehabilitation expenditure. Therefore, most countries have meanwhile adopted legislation on the use of computerised data collected for the purposes of social security benefits⁽²⁾. Such legislation, like the Finnish law of 1999, endeavours to handle the tricky balance between safeguarding the confidentiality of private information, fighting fraud as a matter of necessity and rationalising administration, which requires files to be interconnected. We can observe the emergence of legal controls over institutional activities that, though not uniform, are

⁽¹⁾ This document takes into account the 1999 national reports.

⁽²⁾ Directive 95/46/EC of the European Parliament and the Council of 24 October 1995, relating to the protection of physical persons with regard to the processing of personal data and the free movement of such data (OJ L 281, 23.11.95, p. 31) provides a general framework for such legislation.

certainly very similar from one country to another. Without doubt, there is convergence in this area.

Some measures to improve the access for beneficiaries to the institutions that pay out benefits have, as in Ireland, been implemented or announced. This concern for better access is a major one and can, in some countries, be observed with regard to the social security coverage for health.

2. Renewed coverage for families and family life

In 1999, legislators in various countries took a particular interest in the family.

— Family benefits rose considerably in almost all countries. There were several reasons for this. Family benefits had remained fairly stagnant over the previous 10 years. With a return to growth, there has been a phenomenon of 'catching up' and upgrading family benefits in an often explicitly stated concern to increase the birth rate, as in Sweden, for example. Single parent allowances, which have been criticised in certain countries and even cut in others, were created in Liechtenstein and in Austria and improved in other countries, such as Denmark. France extended the period during which parents can claim family allowances for children at full legal age.

— The concern to reconcile family and working life has led certain countries, such as Spain and Luxembourg, to integrate legislative measures for parental leave in the form of social security benefits and better protection for working women during pregnancy. For the most part, these are measures to support labour law rules inspired largely by Council Directives 92/85/EEC of 19 October 1992 and 96/34/EC of 3 June 1996 or of moves to 'catch up' on benefits that had not been increased for some time, as in the United Kingdom. Sometimes there are other reasons for legislative measures. For example, in Portugal, where aid to families with disabled children was improved. The lack of manpower, the concern to provide women with a bigger financial self-sufficiency and the wish to involve more men into the family life has led the Dutch Government to consider improving the

possibilities for taking extra leave to care for sick children. Norway has introduced a new nursery allowance for children whose parents receive no State aid; in this case it comes in support of private service provision.

— In this area, fiscal instruments supplement social security instruments, as witnessed by two reforms in the past year. Luxembourg improved its family benefits and reduced tax breaks for families. The United Kingdom certainly went the furthest in using tax measures to support family policy. It introduced a new benefit managed by the finance administration, in the form of a tax credit. This instrument is designed to encourage families with children to go out to work.

3. Better coverage of health and healthcare costs

A good many countries have changed the way in which they manage sickness insurance, and sometimes also the method of financing a specific branch or benefit. Chip cards containing several data start being used more widely: after some of the other Member States (see Missoc reports 1996, 1997 and 1998), Austria has started working on the electronic flow of information on sickness insurance. It is also possible to pinpoint several laws that endeavour to bridge the principal gaps in the coverage of sickness risk, in particular in the system of benefits in kind.

However, two trends can be distinguished. In countries such as Germany and Italy, there has been a reduction in contributors' participation in healthcare costs, increasing the public share. Liechtenstein has linked a reduction in contributions to a restriction on the free choice of general practitioners.

Other countries, like France, Austria or Belgium, are trying to extend coverage of healthcare costs to categories of the population that have hitherto been excluded because they did not fulfil the conditions for joining. To do so, they have created subsidiary mechanisms attached to the general scheme, without modifying the overall structure of the system. In Greece, unemployed people (young unemployed people up to the age of 29, unemployed people between the ages of 29 and 55 and the long-term unemployed aged

over 55) will receive medical care free of charge (benefits in kind).

Finally, we note a renewed determination to promote sickness and disability prevention and even, as in Norway, a desire to examine absenteeism and the award of invalidity pensions.

4. Innovations in the field of retirement and widow/widowers' pensions

In the retirement sphere there are several developments worthy of note.

Firstly, throughout the year 1999, certain countries have been continuing their work on the implementation of the reforms planned on several years; thus, for example, Austria.

In northern European countries we are seeing efforts to promote longer careers and especially moves to limit the possibilities of early retirement prior to the normal retirement age. In fact, manpower is becoming scarce in northern Europe and this trend is set to continue. New incentive mechanisms are being set up to prevent this phenomenon, which will start to have an impact in 2006. For instance, Denmark is combining mechanisms to make it more difficult to take early retirement with a reduction in the statutory retirement age. In Finland the minimum early retirement individual age has been raised from 58 to 60.

Graduated (partial) pensions are also being promoted in many countries and the idea of a gradual transition from employment to retirement is increasingly taking root in various legislations. Various are the reasons for acting in this way. On the one hand, Austria promotes partial pensions so that old salaried employees, traditionally hardly touched by unemployment, can remain in the labour market. On the other hand, Finland temporarily allows access to graduated pensions as from the age of 56. The conventional tripartite divisions between the three stages of life (education, employment, retirement) therefore seem certain to become gradually more blurred. However, we note that legislative advances have applied only to the transition to retirement, whereas the other areas of activity

linked with this re-examination of the issue of the three-stage division of life have so far hardly been explored. Portugal has also joined those countries that have introduced mechanisms for early retirement with pension allowances.

We also note that numerous countries, such as Spain in 1999, have now linked their pensions to a price index. However, there is a concern not to penalise 'small pensions' in many reforms, as in Belgium, or in the United Kingdom's draft reform⁽³⁾.

Without doubt the key element is a very strong desire to consolidate the finances of retirement schemes, as testified by the various measures recently adopted by a number of countries. Sweden is continuing the far-reaching reorganisation of its various retirement systems that it adopted the previous year. Ireland has recently set up two reserve funds (one for the public sector and the other for the private sector) to fund future retirement pensions, paid for from budget appropriations and profits from privatisation. France has also started down the same path, although it has allocated smaller sums to the reserve fund.

There have also been reforms of supplementary retirement schemes, reflecting a desire to treat the income of older people globally. There have been several reasons for legislation in this field. In countries such as the United Kingdom and Ireland, it was considered necessary to improve existing mechanisms in order to provide better retirement income guarantees. Sometimes it has also been necessary to step up administrative controls over 'pension fund' institutions, as in the United Kingdom and Iceland. In Luxembourg, legislative amendments were motivated by a concern to bring national law into line with prudential rules and the rule on equal pay in pursuance of Community legislation. Ireland clarified the link between basic and supplementary pensions. In general, the 'second pillar' reforms have been strongly influenced by the rulings of the Court of Justice of the European Communities. These innovations confirm, if confirmation were needed, the highly developed integration of supplementary mechanisms and the need to stabilise the new balances in the retirement field.

⁽³⁾ See 1998 Missoc report (Missoc-Info 2/1999).

5. Measures to boost employment: cherished aim of reformers in 1999

Measures to boost employment are undoubtedly converging in response to the guidelines stemming from the Luxembourg process. Under the influence of the economic upturn, most countries are announcing an improved employment situation.

This year, a number of salient points can once again be highlighted.

- The trend towards using the period of non-employment following a job loss as a time of training or retraining has now become largely established. Several countries, including the United Kingdom, are endeavouring to rationalise and improve the provision of services that must necessarily accompany this policy: de-compartmentalisation of financing and co-operation between the many different potential players involved is being encouraged. Such rationalisation attempts often take the form of pilot experiments in a particular section of the country.
- ‘Reducing payroll costs’, in conjunction with measures to get the unemployed back to work, has become a consistent feature in numerous countries. Such total or partial exemptions from social security contributions in return for hiring unemployed people are becoming established in France, Belgium and Ireland and have become the norm in Spain. France has extended the exemptions for social contributions and has thus developed an accompanying measure to the policy of working time reduction.
- ‘Activation’ of unemployment benefits is a concept that spread to new countries in 1999, including Belgium, Finland and Sweden, which are seeking to facilitate the training or retraining of unemployed people. For these countries the primary objective is to improve qualifications. However, this form of workfare, which has been termed an ‘offensive’ measure because it forms part of education programmes aimed not only at unemployed people, does not preclude more conventional workfare measures: incentives for a quick return to work are also multiplying. In addition, financial pressure on the unemployed has been stepped up. Nowadays, any unemployed person refusing a job, even where it is in a category other than the one in which he previously worked, is often penalised. Most of the European Union countries have launched a programme aimed at offering all unemployed people one chance of employment or training between now and the year 2001.
- Because of the future labour shortage, consultations on keeping older salaried workers in employment, which are being embodied in legislative provisions aimed at making work more attractive and retirement conditions less advantageous, are emerging in a number of European countries following the example of Finland. In the legislative provisions, mechanisms for totally ceasing work early are giving way to gradual or partial retirement schemes. Although it is, of course, too early to gauge the impact of such reforms, these trends aptly illustrate the impact of the demographic challenges facing social security systems today.
- The reduction in the cost of employing the unemployed entering (or returning to) employment has almost become the general rule today.
- In all European countries the long-term unemployed are at present treated in a way that derogates from common law. There have been considerable financial and organisational efforts to get the long-term unemployed back to work; a so-called ‘transitional’ labour market, subsidised largely by public funds, has been established in order to try to get the long-term unemployed back to work. Increasingly, such programmes are being opened up to other categories of unemployed people in difficulty as well, particularly young people. However, there are not many solutions that countries can apply to the problem of long-term unemployment among older workers. In Greece, special subsidies have been planned for companies employing the older and long-term unemployed. However, in return the latter will be obliged to have paid 1 500 days of contributions or five years of employment in addition before they are entitled to a pension totalling 4 500 contribution days.

— As in Sweden or in Portugal for example, back-to-work policies are now raising questions about the earnings of part-time workers and especially about allowing them to draw unemployment benefits in addition to low salaries. Alternating periods of work and unemployment are also raising tricky problems of entitlement to allowances paid from unemployment insurance: in all countries the dividing line between work and unemployment is becoming more blurred.

The distinction between the labour policy and the fight against poverty is fading a little more this year: measures of professional integration (or reintegration) are nowadays widely common to these two categories of social policies.

II. The ongoing debate

The debate focuses primarily on the tasks entrusted to social security institutions within the countries themselves (see Section 1 below), and in which the European Community institutions participate within the scope of their remit (see Section 2 below).

1. The social security tasks themselves, as well as the institutions responsible for managing such tasks, continue to be a matter for discussion in a number of countries. The various underlying balances and compromises of social security systems — which are specific to each country — such as the link between the public and private sector, are a particular subject of debate. The acknowledgement of financial difficulties or the anticipation of financial deadlock, especially in the retirement pension sphere and in certain branches of unemployment insurance, such as the unemployment of older salaried workers or rising health costs, are casting doubt on the long-term viability of certain branches of the social security system if legislation does not change. However, despite the clear resolve to implement changes in some cases, such changes are introduced only sporadically and in a way that is highly controversial. This has been the case with retirement pensions in France. Failing such changes, some countries resort to limiting the State share of spending and transfer to individuals or households the financial

cost of shouldering the social risk. In addition to restrictions on material coverage, which often apply to the sector of health coverage, there are restrictions on personal coverage: some countries are attempting to revise their policy for 'exporting' benefits, although international agreements and Community rules nevertheless limit the scope of such measures. It should also be noted that no new law has been adopted on covering the risk of dependency. Luxembourg stands out this year due to an increase of contributions and of the participation of the insured in the field of sickness insurance.

In our view, in many countries the social security system is torn between a tendency to enlarge its scope to include new fields, in connection with renewed policies to fight poverty, on the one hand, and increasing utilisation in order to support return-to-work policies, on the other hand. Policies for combating social exclusion have a considerable impact on how social security functions are perceived. The desire to promote the fight against social exclusion is leading to cross-disciplinary or more global approaches, in which social security is only one of a number of elements. Housing, public health and welfare policies contribute to no small degree. Social security, the role of which has traditionally been to protect individuals from the effects of a number of social and economic risks through public legal mechanisms, is now being assigned new functions. Social security is now being used for tasks more akin to assistance or welfare.

2. This year, the main engine driving change in the social security system at European level has once again been the Court of Justice of the European Communities (CJEC). Charged with monitoring the activities of institutions covering social risks whilst respecting the rules on the free movement of goods and services and the provisions on national social security policies, it has a direct impact on national social security policies due to the imperative nature of its rulings. First consider the rulings on coverage of the costs of health-care purchased abroad; a number of cases were filed with the Court, which is due to

clarify and supplement the positions adopted in the Kohl and Decker jurisprudence ⁽⁴⁾. The resulting rulings will influence national healthcare policies. The court of Luxembourg also has a considerable influence on the activities of institutions involved in covering social risks. Thus, a new brick has been added to the slowly growing edifice of the 'principle of solidarity', itself justifying the monopolies of social security 'enterprises' ⁽⁵⁾. A further illustration: jurisprudence on State aid strictly limits employment policy measures to provide public subsidies to enterprises undergoing restructuring in order to avoid distorting competition. Any measure of national employment policy must nowadays respect the criteria outlined by the CJEC. From now on, the influence of economic law jurisprudence is seen as decisive: it supplements and governs more and more the activities of national institutions in the same way as those on equal treatment for men and women already does.

The Commission Communication entitled 'A concerted strategy for modernising social protection' ⁽⁶⁾, sets out four objectives that Member States must achieve: to promote social integration, to make work more advantageous and provide a secure income, to guarantee a high and sustainable level of health protec-

tion, and to guarantee secure pensions and viable retirement schemes. The achievement of these objectives has to rely on 'improved' mechanisms for exchanging information and for 'monitoring (national) policies' by a group of senior officials.

Quite significant progress has been made on the 'second pillar': the Communication 'Towards a single market in supplementary pensions' ⁽⁷⁾ of 11 May 1999 outlines a clear action strategy in this area. Since it is already highly advanced as a result of Community insurance legislation, this will make it one of the most advanced structures that exist.

Mention should also be made of a number of new developments in the field of coordinating social security systems. In response to the Edinburgh European Council of 1992, which established the principle for a general overhaul of legislation ⁽⁸⁾, and the Commission communication entitled 'An action plan for the free movement of workers' ⁽⁹⁾, the Commission presented a proposal for a regulation on coordinating social security systems ⁽¹⁰⁾. This document was under discussion throughout the reference period. In addition to the proposed reorganisations, we note a desire to provide citizens from non-EU countries and new groups of people (and not only the 'migrants' categories already beneficiaries of a coordination) with personal coverage. ■

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⁽⁴⁾ See 1998 Missoc report (Missoc-Info 2/1999).

⁽⁵⁾ CJEC, 21 September 1999 three rulings: Albany International BV v Stichting Bedrijfspensioenfonds Textielindustrie Case C-67/96; Brentjens' Handelsonderneming BV v Stichting Bedrijfspensioenfonds voor de Handel in Bouwmaterialen. Joint cases C-115/97 to C-117/97; Maatschappij Drijvende Bokken BV v Stichting Pensioenfonds voor de Vervoer- en Havenbedrijven Case C-219/97.

⁽⁶⁾ COM(1999) 347 final of 14 July 1999.

⁽⁷⁾ COM(1999) 134 final.

⁽⁸⁾ Edinburgh European Council of 11 and 12 December 1992 Conclusions of the Presidency (SN456/92).

⁽⁹⁾ COM(97) 586 final.

⁽¹⁰⁾ COM(1998) 779 final of 21 12 1998; also see the communication 'Modernising and improving social protection in Europe', COM(97) 102 final.

1. Changes in the scheme governing salaried workers**Organisation and financing**

The principal measures involve the structural reduction of social security contributions, benefits derived from share options, the 'activation' of unemployment benefits and compensation payments for Belgian cross-border workers.

1. The structural reduction of employers' social security contributions by EUR 2.677 billion is designed to bring employers' social security contributions in line with the average contributions paid in Belgium's neighbouring countries within six years (1999–2004). Structural reduction replaces the Maribel reduction (one-off reduction of contributions for the employment of manual workers) and the reduction for low-salaries (a measure designed to promote unskilled work).

The new reduction system applies to workers paying contributions under all sections of the Belgian salaried workers' social security scheme.

The reduction of contributions is set in line with the level of remuneration, length of employment and the category to which each worker belongs.

For part-time workers, the reduction of social charges is proportional to the duration of payment of benefits as long as the minimum threshold of one third time is exceeded. From four fifths time, the reduction in contributions is the maximum possible.

There are three categories of worker:

- Category 1 comprises manual workers in the industrial and commercial sectors.
- Category 2 comprises (manual and white-collar) workers in the non-commercial sector.
- Category 3 comprises (manual and white-collar) workers contributing under all sections of the Belgian salaried workers' social security scheme not included in categories 1 and 2.

The maximum amount of the reduction is EUR 736.39 for a category 1 worker, EUR 525.68 for a category 2 worker and EUR 591.90 for a category 3 worker. These workers must have a reference salary of between EUR 2 565.18 and EUR 3 250.01 per quarter.

2. (a) Benefits of any kind obtained as a result or on the occasion of the beneficiary's professional activity in the form of the allocation, whether free or for consideration, of options (share options) do not constitute remuneration subject to social security contributions with two exceptions:
 - the difference between the value of the shares to which the options relate at the time of the offer and the (lower) price at which the option is exercised;
 - the benefit — linked to the option at the time of the offer or until the end of the period for the exercise of the option — resulting from the terms under which a given benefit is granted to the beneficiary of the option.(b) Benefit derived from the issue of shares at a discount in accordance with the coordinated laws on commercial companies is not subject to social security contributions.
3. The 'activation' of unemployment benefits is a technique which consists of using these benefits to promote employment. It targets the employer who creates jobs within the framework of employment integration schemes, recruiting the long-term unemployed or certain recipients of the minimum subsistence allowance. The benefit to the employer is twofold: the gross salary paid includes a reintegration allowance (paid by the unemployment insurance fund) and the salary is not subject to social security contributions.
4. A compensation payment has been awarded to Belgian cross-border workers employed in the Netherlands and France in order to compensate for the loss of earnings they suffer because they pay their taxes in Belgium and

their social security contributions in the country of employment.

Pensions

1. During the period in question, the legislator has been concerned primarily with fine-tuning the pension reform, which came into force on 1 July 1997, and with simplifying administrative procedures. This has brought the survivors' pension and the retirement pension on to an equal footing: as long as a simple age condition is fulfilled, an application for a survivor's pension is now the same as an application for a retirement pension and vice versa. In terms of setting the date of death in the case of absence, the absent spouse is considered to have died on the date on which the court ruling of absence becomes final and absolute.

The legislation on the transfer of Belgian pension rights to the community pension scheme has been adapted to take into account the Belgian pension reform, under which the age of retirement is set at 65, and to allow the transfer of rights when the pensionable age under the community scheme is reached, i.e. 60 years of age.

2. The link to support small pensions provided for in the pension reform has also been set up. As a result, an adjustment bonus has been granted to beneficiaries of pensions under the salaried workers scheme which took effect prior to 1 January 1991. For 1999, the bonus is 4.5 % of the gross monthly total of pensions payable for April 1999. In 2000, the bonus is 6 % of the gross monthly total of pensions payable for February 2000.
3. The decision on the winding up of the National Mineworkers Retirement Fund (FNROM), passed in 1996, has now become effective. The staff have been transferred to the National Institute for Sickness and Invalidity Insurance (INAMI) and the National Social Security Office (ONSS).

Unemployment

The measures taken in 1999 were designed primarily to:

1. Pay an attendance allowance to young job seekers following an intensive training for an employment course, and grant exemptions from the regulations designed to assist unemployed people trained by an employment integration business.
2. Adapt the rules on the accumulation of unemployment benefits with various financial advantages received at the end of a contract of employment, and define the conditions of eligibility for disabled workers in protected workshops to the guaranteed monthly minimum wage.
3. Adapt the regulations to take into account new provisions relating to temporary unemployment and voluntary work and implement the law on the 'charter for the socially insured' to strengthen social protection.

Healthcare

1. Since 1 April 1999, insured persons over the age of 60 who ask their family doctor to take on the management of their global medical file can obtain a reduction in their personal contributions of 30 % for each consultation. They can also ask their doctor to apply the 'third-party payment' scheme.

A general practitioner receives BEF 500 per patient for opening a file as well as, in 1999, a fixed annual payment of BEF 5 000 (the decision has been taken to extend this measure to groups of patients with reduced mobility, i.e. those over the age of 75 and the chronically ill who cannot attend a consultation alone, with effect from 1 May 2000).

2. Since 1 June 1999, a new category of insured person has been added to the preferential scheme: totally unemployed persons receiving compensation. In order to qualify for the right to preferential reimbursement they must:
 - have been totally unemployed for at least one year and be a manual worker;
 - be at least 50 years of age.

The right to preferential reimbursement may be granted retroactively, with effect from 1 June 1999, if a signed declaration was submitted to the

relevant insurance fund within three months of that date.

3. As part of a range of measures designed to help the chronically ill, physiotherapy agreements have been concluded and came into force in 1998. For VIPOs (*veufs, invalides, pensionnés et orphelins* — widowed, disabled, pensioners and orphans) and their dependants covered under these agreements, physiotherapy remains free of charge. This service is now also available free to those suffering from rare monogenic metabolic diseases, those suffering from mucoviscidosis and those suffering from neuromuscular disease.

Maternity

In terms of maternity leave, an additional period of two weeks pre-natal leave is granted in the case of multiple births. Where a worker has not used up this leave prior to the birth, she may carry it forward to the end of the eight-week period of post-natal leave (in the same manner as the six additional weeks of optional pre-natal leave).

Family benefits

1. In the case of the joint exercise of parental authority, where parents could not agree that family benefits should be paid to the mother, the father was entitled to apply to the labour tribunal to be designated as the recipient in the interests of the child. Since 6 February 1999, family benefits are paid, on application, to the father where the child and the father have the same principal residence. The employment tribunal retains competence to designate the recipient where the parents cannot agree on the payment of family benefits.
2. The level of physical or mental disability of a child is established in accordance with the official Belgian scale of disabilities (BOBI) and a list of conditions. An increase of 20 % is granted in the case of conditions which fulfil all five of the following criteria and an increase of 15 % is granted for those conditions which fulfil four of the five following criteria:
 - (a) the condition must have a range of serious symptoms despite the treatments available;

- (b) the treatments, when correctly and completely administered, must be very restricting and complex for the child and its entourage;
- (c) the child's general condition must be characterised by a stability constantly threatened by recurring complications;
- (d) in spite of constant, specific and regularly adjusted treatment, a chronic attack on various organs will develop progressively;
- (e) life expectancy is affected.

3. The provisions on family benefits for salaried workers stipulate that family benefits are supplemented by an additional benefit for the children of a totally unemployed person with social insurance from the seventh month of unemployment. A totally unemployed person with social insurance who, having once exercised an activity, returns to total unemployment within six months, retains his/her right to the additional family benefit.

Employment injuries — occupational diseases

1. A new provision providing for a conciliation procedure involving medical inspectors from the Employment Injuries Fund (FAT) was included in the law in 1999.

The aim of this reform is to offer a system of compensation better suited to the current conditions of private management, in order to guarantee real protection of the rights and interests of those suffering employment injuries, notably within the framework of the larger European market.

The conciliation procedure, which will remain optional, is designed to ensure that permanent invalidity rates and lesion consolidation dates are properly established.

This procedure will initially be reserved for accidents resulting in a serious level of invalidity. It will be limited to victims with a suggested or claimed level of invalidity of at least 25 %. The significance of this measure will therefore be great since it will help to avoid litigation which can be both costly and psychologically traumatic.

If mediation is unsuccessful, the FAT's doctor/mediator will draw up a report which the insurance fund will then lodge with the clerk of the labour tribunal. The judge may decide that the report of a public interest organisation responsible for significant monitoring measures constitutes sufficient basis on which to rule and, as such, this will undoubtedly constitute an effective tool for speeding up proceedings. Of course, the judge retains full discretion to decide whether or not it is necessary to appoint an expert to the court. The FAT remains an important player in the legal phase since it is responsible for reporting to the judge on its conciliation assignment.

Application of this measure will be detailed in a royal decree.

2. A new provision, introduced in 1999, stipulates that any expenses or other sums which cannot be reclaimed from a defaulting insurance fund shall be distributed by the FAT amongst the accredited insurance funds. The FAT has always served as a guarantee fund for victims in cases where the employer or the insurance fund fails to discharge its obligations.

Finally, therefore, the recovery of expenses sanctioned by the FAT becomes the responsibility of all employers through the global financial management of social security since, in Belgium, only employers pay contributions to cover occupational risks, and because social security accounts are globalised in one single financial system.

3. Benign affections of the pleura and pericardium caused by asbestos, as well as lung cancer caused by asbestos, have been added to the list of indemnifiable occupational diseases. Although these illnesses were already previously recognised thanks to the open system of unlisted diseases, the open system is not particularly favourable to workers suffering illness since it demands triple proof which is often difficult to furnish (proof of the illness itself, proof of exposure to the risk and a causal link between the illness and the exposure).

By incorporating these illnesses in the list, the Minister has *ipso facto* granted those suffering from these serious diseases a presumption of origin which exempts them from this difficult requirement of proof and thereby considerably limits the number of problems and court cases arising in this respect.

2. Changes in the scheme governing self-employed workers

Organisation and financing

Confirmation has been given that only applications for exemption relating to social security contributions payable by workers engaged principally in a self-employed activity and by those who carry on an activity after having reached pensionable age or are in receipt of an early pension are subject to investigation by the Commission on Contribution Exemptions (CDC). Henceforth, applications for exemption made by workers carrying on a part-time self-employed activity will be rejected as ineligible.

Complementary free pension

Where the reference earnings of a self-employed worker are less than two thirds of the ceiling earnings on which the minimum contribution is calculated, he/she can now nevertheless contribute under the complementary free pension scheme. This contribution is set at 7 % of two thirds of the earnings ceiling.

Survivors' pension

The National Pensions Office (ONP) is now permitted to pay advances to the surviving spouse of a self-employed worker even if this means that the surviving spouse effectively gains an advantage under the provisions of a Belgian pension scheme other than that for self-employed or salaried workers, a foreign pension scheme or under a pension scheme covering the personnel of an institution incorporated under international public law.

Healthcare

1. Following the reform of social insurance eligibility conditions, changes have been made, notably to the conditions to be fulfilled for

registration as a dependant child. In fact, a child loses its status as a dependant if it takes up a self-employed activity for which social security contributions are due. From 1 April 1999, such children cease to be regarded as dependant with effect from the date on which they acquire self-employed status.

2. Another change relates to the continuation, following the death of an independent disabled beneficiary, of the right to cover for minor risks for the surviving spouse and any orphans. Furthermore, the deadlines for the submission of information relating to the start and end of activities have been reduced to one month.
3. The scope of application of the benefits granted to self-employed workers in terms of healthcare has been extended. It now includes, for example, travelling expenses for premature and new-born babies between hospitals, services provided by speech therapists and certain home care products for beneficiaries suffering from serious conditions.

Social insurance in case of bankruptcy

The scope of personal application of social insurance in case of bankruptcy has been extended to self-employed workers who are neither traders nor directors of trading companies but who have obtained approval of an amicable reorganisation plan through the collective settlement of debts, have been subjected to a court settlement or have obtained the adaptation or review of the plan. The terms of application of social insurance in case of bankruptcy for these groups are the same as those specified for traders and directors of trading companies.

3. Guaranteeing sufficient resources

Minimum subsistence allowance and advances on maintenance payments

During the period under consideration, as in 1998, the measures introduced were once again designed to promote the socio-professional integration of recipients of the minimum subsistence allowance through their return to employment and the method used to calculate the resources of applicants for the minimum subsistence allowance.

1. The principle of the 'activation' of the minimum subsistence allowance, introduced with effect from 1 January 1998, has now been put into practice thanks to the implementation measures taken in 1999. These measures determined the conditions of access to the various integration programmes and the conditions for payment of the minimum subsistence allowance.

These conditions of access are specific to each employment programme and include, in particular, the period of receipt of the minimum subsistence allowance and periods counted as periods of receipt of the minimum subsistence allowance, the monthly level of the 'activated' minimum subsistence allowance and the period of employment giving entitlement to the activated minimum subsistence income.

2. Moreover, the method of calculating the means of an applicant for the minimum subsistence allowance was modified. With effect from 1 May 1999, the productivity or incentive bonuses offered by the various authorities responsible for individual in-company training schemes and community grants, allowances and benefits for the accommodation of young people in host families, can no longer be taken into account.

Guaranteed earnings for older people

In order to provide assistance to the most deprived groups, a special one-off heating allowance is granted to beneficiaries of guaranteed earnings. This allowance is paid automatically by the National Pensions Office (ONP) together with the benefits due for February, except in 1999 when it was paid in April. In 1999 the heating allowance was BEF 1 500 for a single person and BEF 2 000 for a household. These allowances have been set at BEF 2 000 and BEF 2 667 respectively for 2000.

Disabled allowances

1. In order to facilitate the transition from the supplementary family allowances scheme for disabled children to the disabled persons (adults) allowance scheme, the age of entitlement is 21 years for disabled children, as long

as the application is made within six months of the date of their 21st birthday.

2. Previously, a review was carried out automatically whenever a change could lead to a reduction or the abolition of the allowance for the beneficiary. In order to better guarantee the rights of disabled people, an automatic review is also carried out when a change in the beneficiary's situation could lead to an increase in the allowance (e.g. if he/she moves from co-habiting to single status).

If the person in question's earnings increase or if he/she is in receipt of earnings which cannot be accumulated, the decision now takes effect on the first day of the month following the date of notification, rather than the first day of the month following the change if the person in question has declared the change within six months. This provision is designed to avoid the recovery of an excessive sum if the disabled person declares the change within a reasonable period. ■

The greatest changes in social security legislation relate to early retirement and the lowering of the age of retirement. Although it may appear otherwise, the aim is to increase the involvement of older people in the labour market. In fact, it has become both less attractive to take early retirement before the age of 62 and less attractive — not to say impossible — for those who already have substantial pension savings to take early retirement.

The softening of the reduction in the basic pension (*folkepensionens grundbeløb*) in line with earnings from the pensioner's professional activity goes in the same direction.

Other changes which increase the costs payable by employers and the self-employed illustrate a trend towards placing a higher burden on non-salaried workers.

1. Pensions

The age of retirement has been lowered from 67 to 65 years of age. It is now 65 for those who were under 60 on 1 July 1999.

This modification has repercussions on other legislation:

- Those entitled to the national pension (*folkepension*) at the age of 65 can draw their supplementary pension (ATP) at the same age but the pension paid to beneficiaries aged between 65 and 67 is reduced by 10 % per annum (the reduction is calculated per monthly payment). In parallel, the supplementary pension continues to be increased by 10 % per annum if the beneficiary is aged between 67 and 70 years of age at the time the pension is drawn.
- At the age of 65, those in receipt of an invalidity pension under the law on insurance against employment accidents, and who are under 60 years of age on 1 July 1999, will receive a capital sum equal to four years' pension — in place of the two years' pension currently paid to those over 67.

An other change to the law on the social pension is that the reduction of the basic pension (*grundbeløbet*) in line with earnings from the pensioner's profes-

sional activity has been softened to the benefit of all pensioners, both married and single. This change is designed to encourage older people to remain in work.

For those people under 60 on 1 July 1999, access to the partial pension (*delpension*) has been made subject to the condition that the pension claimant has not obtained an 'early retirement certificate'. The partial pension will thus be reserved for those people who are unable to take early retirement.

The method of calculating the partial pension for these people has been modified — like early retirement — such that pension savings in excess of a certain ceiling will result in a reduction of benefits.

2. Daily allowances in case of sickness or maternity

From 1 January 1999, the waiting period for self-employed workers will be two rather than the previous three weeks.

As from 5 July 1999, benefits paid after the 52nd week of sickness will be paid by the community and will not be reimbursed by the State.

With effect from 1 January 2000, the difference between public- and private-sector employers has been abolished with both categories being responsible for the first two weeks of any period of sickness.

From the same date, the voluntary insurance premiums which the self-employed can pay, and which entitle them to receive benefits from the first or the third day of any period of sickness, have been increased such that the policyholders themselves pay a larger portion of the insurance costs.

Salaried workers will receive benefits for the first two weeks of a period of sickness paid by their employer if they have worked for this employer for at least 74 hours over the eight weeks immediately preceding the period of sickness, as against the 120 hours over 13 weeks previously applicable.

3. Family benefits

The reduction in supplementary family benefits for children living with a single parent — in force since 1 January 2000 — is balanced by an increase in the advances for normal foods paid by communities to single parents.

4. Unemployment

Apart from the change in the early pension, which is now financed partly by contributions paid by the beneficiaries, and which is reduced for those people under 60 on 1 January 1999 in line with the pension savings held by the early pension claimant, a waiting period of four weeks before access to daily unemployment allowances

has been imposed on self-employed workers with insurance.

5. Planned measures

In the field of unemployment, work continues on the 'wider labour market' project which is designed to integrate into the labour market vulnerable groups, namely the unemployed, the long-term unemployed and those with a reduced capacity to work. A business- and community-based retraining project has also been launched.

Discussion of the renovation of the early pension system is on the agenda, although the results of any such discussion are impossible to forecast as yet. ■

1. Changes in the health insurance scheme

As a result of the 'GKV-Act for the strengthening of solidarity', the financial burden of patients in the statutory health insurance scheme was reduced from the beginning of 1999 and the conditions for full exemption from extra payments for medication, dressings and remedies, as well as transport costs, improved for the chronically ill. Elements from the private insurance economy alien to the system were also withdrawn from the statutory health insurance scheme, as these would not only have undermined the balance of solidarity between the healthy and the ill, but with them even the aim of contributing to a more prudent use of benefits and a more economical provision of benefits would not have been possible. The repayment of contributions and self-containment for example, are included, among other things, in the system of elements alien to the system.

The 'GKV-Act for the strengthening of solidarity' served the purpose of once more giving the solidarity principle the status befitting it in the statutory health insurance scheme, of stabilising the financial foundations and of creating the conditions for a fundamental structural reform of the statutory health insurance scheme for the year 2000, with which more competition and quality, economic viability and more efficient supply structures are to be created.

The 'Health Reform Act 2000' came into force on 1 January 2000 against this background. The act keeps to the previous limits of growth in expenditure. As in the past the expenditure of the statutory health insurance scheme may only increase by the annual rate of pay increases in the future. Nevertheless, departures can be made from this limit if medically necessary treatment is at risk.

The 'Health reform 2000' has produced the main following changes:

The instruments of contracts for integrated treatment has given the health funds the ability to offer their insured persons coordinated treatment, with GPs and specialists, medical and non-medical services, out-patient and in-patient areas working together in a coordinated way.

To ensure that medical care is now channelled more in accordance with the patients' needs, the position of GPs is also clearly being improved. Thus, with the patient's consent, the GP is given, for example, greater authority with regard to documentation and can request and forward findings and reports where relevant from and to other benefit providers. This should avoid dual examinations and superfluous treatments.

In order to achieve a greater transparency with regard to services and costs within the hospital field as well, hospitals and health insurance funds are to introduce a comprehensive price system for hospitals by 1 January 2003.

In addition to this, health insurance funds have been given the opportunity to finance recognised health-promotion programmes and the promotion of health at work. Group prophylactic measures in dentistry will also be possible in the future for risk groups over the age of 12. The treatment and rehabilitation services will be improved and the extra payments for in-patient rehabilitation provision reduced. Instead of the inflexible regulation three-week period for rehabilitation measures, the period will in the future be dependent upon medical indication. Self-help initiatives are being continually promoted.

Quality assurance is becoming the universal guiding principle of the statutory health insurance scheme. A comprehensive system of quality assurance and an evaluation of costs and economic viability of medical technologies is therefore being introduced. However the concrete implementation and formation of these statutory guidelines remains the concern of those responsible for self-government.

The 'Health reform 2000' has also prepared the way for the future introduction of a list of medication allowed to be prescribed under the statutory health insurance scheme (positive list). This positive list should serve to improve treatment by medication. An institute for the supply of medication for the statutory health insurance scheme has been set up at the Federal Ministry of Health to deal with the positive list. Nevertheless the bringing of such a positive list into force

requires the prior approval of the Federal *Länder* in the Upper House of Parliament (*Bundesrat*).

2. Pensions' insurance

Pensions were adjusted in accordance with the net-pay situation at 1 July 1999. In the former *Länder*, they increased by 1.34 %, and in the new *Länder* by 2.72 %. In the years 2000 and 2001, the pensions are to be adjusted in accordance with the rate of increase in prices for the previous year.

The valuation of child-raising benefits has again increased from 1 July 1999: the rise was from 85 % to 90 % of the average earnings. From 1 June 1999, the contribution payment for child-raising will be met directly by the federation (*Bund*).

As of 1 April 1999, minor employments were brought into the social insurance scheme. In future the lower earnings limit will be DEM 630 for the entire country, this will not be increased again. An expansion of minor employments will thus be prevented. At the same time, multiple jobs are being added together.

Example: where a person, as an employee, earns DEM 4 000 in their main job, and also has a minor job earning DEM 630, he or she has to pay social insurance contributions for the total earned income and will thereby be on the same footing as an employee who is earning DEM 4 630. Instead of the usual previous tax, the employer will pay 22 % social insurance contributions from 1 April. Of this, 10 % goes to the health insurance scheme, 12 % to the pensions' insurance scheme. The contributions will have the effect of increasing the pension and will be taken into consideration to a limited extent for the satisfaction of the waiting period. It is possible for the employees to build up the total pensions' insurance contribution; they can thereby acquire the full benefit entitlement. So-called seasonal jobs of two months at the most or a maximum of fifty working days in one year (short-term jobs) are exempted from this new regulation. The previous regulations apply to these situations.

3. Family benefits

The monthly payable child benefit was increased from DEM 250 to DEM 270 for the first and second child from 1 January 2000. The rates for the third, fourth and additional children have

remained unchanged: they are DEM 300 and DEM 350 per child. The amount of the maintenance benefit for single parents has also changed. In the former Federal *Länder* this benefit is up to DEM 296 from 1 January 2000 and up to DEM 257 per month in the new Federal *Länder*.

4. Unemployment insurance

The Federal Cabinet (*Bundeskabinett*) ruled on the amendment act to the employment promotion law on 1 April 1999. The employment market policy instruments should be able to be put in place more accurately and more efficiently than before, to eradicate social hardship, and administrative expenditure should be reduced. The active employment market policy is being directed more towards target groups and should help to avoid long-term unemployment. Some important changes are described in detail as follows.

Active provision for employment promotion

In the future, employment procurement measures (ABM) should be promoted for employees who have been unemployed for six months during the last 12 months, in addition to the long-term unemployed persons (unemployed for more than one year). Until now the basic condition for access to the ABM has been long-term unemployment. According to the EU's employment policy guidelines, however, long-term unemployment should if possible not arise in the first place.

The employment of older workers over the age of 55 can in the future be promoted for up to five years in the new Federal *Länder* and in regions with particularly high unemployment, with structural adjustment measures.

Changes in benefit law

In the future, entitlement to unemployment benefit remains dormant if a settlement is paid and the relevant period of notice is not kept to. The employer is obliged to reimburse the unemployment benefit for older workers under certain conditions. This rule will guarantee that the workers will get the bulk of the settlement. At the same time, businesses will be prevented in particular from dispensing with their older workers at the cost of the general public and placing the financial

burden on the unemployment and pensions' insurance schemes.

In the future, the unemployed persons will not have to register in person with the Employment Office every three months, in order to maintain their entitlement to benefit.

The permissible 'fluctuation periods' for full time workers will again be reduced from three to two and a half hours per day and for part-time workers to two hours per day.

The minimum exempt amount for the inclusion of additional income, which until now corresponded to one half of the salary limit for minor jobs, will, following the new rules relating to the low earnings limit, be established at the stand-

ardised sum of DEM 315 per month in the former and in the new Federal *Länder*.

In future those setting up enterprises will receive a bridging allowance if there is a gap between unemployment and setting up their enterprise. In the future, a narrower time link will be sufficient. That is to say, short gaps, for example, due to a delay in registering a business, will no longer have a damaging effect on benefits.

With regard to unemployment assistance, the taking into account of assets was changed by a decree on 18 June 1999. Money for old age provision is 'reasonable' and will not be included when considering unemployment assistance, as long as this does not exceed DEM 1 000 for each full year of the unemployed person's, and their spouse's life. ■

1999 was characterised by a significant increase in expenditure in the field of social protection over the previous year, rising from GRD 6.9215 billion in 1998 to GRD 7.4804 billion in 1999, representing a budget increase of 8.07 % in one year.

The same period also saw considerable intervention in the field of protection for the retired, in particular those receiving the lowest pensions.

Finally, various policies designed to promote employment were implemented, targeting in particular the issue of unemployment amongst young people and those approaching retirement age.

1. Social security

Unfortunately, the Greek insurance system is affected by a series of problems relating to organisation, operation and financing which are exacerbated by socioeconomic changes at both national and international level.

In order to improve this situation, a series of measures were implemented during 1999:

- (a) A process of financial reorganisation of loss-making insurance funds through their merger with 'healthy' funds was implemented throughout the year.
- (b) A monitoring mechanism designed to control excessive spending on healthcare was put in place.
- (c) The level of healthcare, welfare and provision of pharmaceutical products for both insured people and the retired was improved. In addition, preventive medicine became obligatory.
- (d) Considerable restrictions were introduced in relation to the employment of retired people in order to make room for the young unemployed.
- (e) Special rules were drawn up in relation to the investment activities of insurance funds in order to improve their use of both tangible and intangible assets. During the period of 1993 to 1998, the value of tangible assets held by insurance funds increased by 157.29 %, while that of intangible assets rose by 32.21 % at current rates.

- (f) A new method of calculating the annual increase in minimum pension thresholds was introduced. Today, this indexed readjustment gives a minimum pension threshold (with special solidarity benefit for retired people) equal to 20 days' salary for an unskilled worker.
- (g) In 1996, a special solidarity benefit for pensions (known as EKAS) was introduced for those in receipt of the minimum pension payment. In 1999, the amount of this benefit rose to GRD 17 850 per month and the sole condition of entitlement is that total annual pension income must be less than GRD 1 650 000. The amount scheduled for 2000 is of the order of GRD 20 900 per month, while the total annual income must be below GRD 1 725 000.
- (h) The contribution paid by retired people in receipt of EKAS towards medical costs has been reduced by 25 % to 10 %.
- (i) The value of agricultural pensions paid by the Agricultural Insurance Organisation (OGA) for 1999 was set at GRD 33 000 per month. The sum planned for 2000 is GRD 43 000.
- (j) Under the provisions of a recent law (2676/99), female prostitutes are entitled to be and must be insured by the Institute for Social Insurance (IKA) in the same manner as any other salaried working women.
- (k) 1999 saw the start of distribution to both insured people and retired people, by the various insurance funds, of personalised insurance cards bearing their social security registration number. Furthermore, the relevant departments are in the process of creating a national register of insured persons, employers and retired persons.

2. Unemployment

Throughout 1999, the relevant authorities took action on numerous counts to address the problems of unemployment.

One of the key tools in this fight was undoubtedly the setting up of the second Greek National Action Plan for Employment for 1999 (PAN). In fact, amongst the various initiatives planned within the framework of the PAN, 22 programmes designed to promote employment and vocational training for the unemployed were set up involving some 140 000 unemployed people

with a view to taking up employment and to acquiring vocational training.

The policies implemented in Greece through the National Action Plan for Employment provided the foundations for a global strategy supporting employment and its development.

This strategy brings together, on the one hand, active policies in terms of employment, equal opportunities and the welfare state and, on the other, policies which regulate the employment market and guarantee a balanced and fair system of distribution of wealth.

The Greek Government has set itself the target of achieving lasting full employment, and thus the fight against unemployment remains its number one priority.

The Greek National Plan for Employment puts into practice the principles defined at European level for an effective employment policy based on a sustained effort to coordinate actions. Each action undertaken at economic level must be linked to new jobs. It incorporates the European guidelines for employment whilst reflecting the desire of the Greek Government to address the problems of restructuring and development in conjunction with its European partners and through social dialogue. It is, however, clear that the specific actions and initiatives are based on the realities of life in Greece and the needs of Greek citizens.

By the year 2001, every unemployed person will have been offered an opportunity to work or to train. Each year, almost 20 % of unemployed people will take part in professional reintegration programmes.

Special subsidies have been planned for businesses which recruit older unemployed people or the long-term unemployed. They will be obliged to complete 1 500 days of insurance cover or five additional years of work in order to be entitled to a pension totalling 4 500 days of insurance cover. The subsidy period may not exceed a total of 60 months and may not be less than 18 days per month.

Moreover, in accordance with recent regulations, unemployed people of any age (the young unemployed up to 29 years of age, unemployed people between the ages of 29 and 55 and the long-term unemployed over 55) will receive free medical care (benefits in kind).

Measures have also been taken to help SMEs create jobs and to encourage business owners to create new economic activities.

The entire working population of Greece can now see the benefits of the employment policy. In addition, thanks to the opportunities provided by the 1999 National Action Plan for Employment and the efforts made to integrate the young into the world of 'paid employment, a much larger number of unemployed people now take part in training programmes enabling them to acquire professional experience and facilitating their integration into the employment market.

It is true that unemployment remains a serious problem and that it continues to represent the major challenge facing Greece today. However, it is likely that the employment policy currently in place will succeed in stimulating demand in the job market. ■

Significant innovations were introduced in the social protection system throughout 1999.

The first innovation of great importance, introduced by the 1999 General Budget Act, provides that the State assumes responsibility for the entire funding of healthcare, thus eliminating any reference to support from social contributions. This means the total independence of social security in the financial field and a big step forward in the process of demarcating funding sources, which was one of the recommendations included in the Toledo Agreement (Pacto de Toledo), namely the separation and clarification of funding sources. This act also establishes the criteria for updating social security scheme pensions according to the price variation index foreseen for 1999 (1.8 %), both in their contributory modality — including minimum pensions and income ceilings for public pensions — as well as with respect to non-contributory benefits.

By contrast, Act 50/1998 on tax, administrative and social order measures set up two types of provisions. The first relates to the social security procedure and the second to the system's protective action. The provisions of the first group aim at encouraging debt collection and the utilisation of information technology to furnish data to the social security system. Consequently, the Social Security General Treasury — the competent agency in this matter — could adopt preventive measures of a provisional character in the legal proceedings for collection, thus enhancing the efficiency of social security collecting practices. This regulation is absolutely consistent with that established in the fiscal field and results in the disadvantageous position held by the social security system until now, as regards the collecting procedure. This act conditions the acquisition and maintenance of social security contribution rebates to the furnishing of certain data using information technology media, including the possibility to impose on larger enterprises the use of such media when they furnish the social security system with certain data.

The second type of provision included in this act, relating to protective actions and unemployment cover, lays down measures to encourage self-employment among handicapped workers and endorses the Stable Employment Promotion Pro-

gramme for 1999. This programme includes bonuses and incentives aimed at promoting the indefinite recruitment of unemployed workers registered in the Unemployment Agency who belong to the following groups: young persons aged less than 30 years, unemployed persons registered as job-seekers for 12 months or more and unemployed persons aged more than 45 years. Recruitment can be done on either a full-time or a part-time basis, including the hiring of workers under a regular discontinuous contract. This programme promotes also the conversion into indefinite duration contracts of the following nature: those of fixed or temporary duration, regardless the contracting modality; apprenticeship contracts; training contracts; substitution contracts in case of early retirement, provided that the workers belong to any of the groups already mentioned. As far as incentives are concerned, these adopt the form of social contribution rebates and depend on the contract's nature and formalisation date: indefinite contracts signed between 17 May and 3 December 1999, and the initial indefinite part-time contracts (regular discontinuous contracts included) signed during 1999.

Act 50/1998 also extends situations giving entitlement to widowhood and survival benefits. By virtue of these extensions, the surviving spouse is entitled to a widowhood pension even though the deceased was neither insured nor in a situation resembling insurance at the date of death, provided that he/she had credited a minimum contribution period of 15 years. This provision is also applicable to benefits for family members. New elements introduced by this act include the amendment of the Act on Infringements and Penalties in the Social Order, with a view to achieving a better and more efficient protection of the worker in the labour field; the amendment of the Act on Prevention of Occupational Risks to prevent labour risks as required by the transposition of relevant Community directives; and, lastly, the workers statute amendment to include new infringements with respect to which society has shown special sensitivity, i.e. sexual harassment at work and overtime abuse.

Labour reforms introduced in 1998 with respect to part-time work led to the approval of a royal

decree in February which developed certain aspects of social security with regard to harmonising the contributory principle inherent in the system with those of equal treatment and proportionality in part-time work. This decree will be governed by the principle of assimilation between part-time and full-time work. As an outstanding measure, this decree facilitates access to benefits by taking into account only worked hours to credit the required contribution periods, calculating their equivalence in theoretical contribution days. Similarly, when required minimum contribution periods are more prolonged (retirement and permanent incapacity pensions) this condition is somehow reduced by applying a multiplying coefficient (1.5) to the number of theoretical contribution days when determining the credited contribution periods. The amount of the retirement pension increases when the contributions resulting from the application of the criteria for obtaining the calculation basis percentage are taken into account. This royal decree also affects the partial retirement legal scheme. Two aspects are important here: the reduction of the minimum age for entitlement to partial retirement pension from 62 to 60 years of age, and the possibility to reduce working hours between 30 % and 70 %, instead of the 50 % required by prior regulations.

Moreover, specific regulations affecting management have been enacted, the most relevant being the act passed on 5 November to promote conciliation between the worker's family life and labour responsibilities.

The need to harmonise family life and work has already been stressed worldwide as a condition linked unequivocally to a new social order. This need brings with it complex and difficult problems that must be tackled through substantial legal reforms and the promotion of care services within a broader family policy frame. This act completes the transposition of guidelines to the legal Spanish system that have been set by international and Community law, surpassing the minimum levels of protection provided by it.

In this context, Council Directives 92/85/EEC of 19 October and 96/34/EC of 3 June play an important role. The first directive considers maternity from aspects of health and safety at work for pregnant women, those who have just given birth to a child or are still nursing. The second

directive, relative to the framework agreement on parental leave, signed by UIECE, ECPE and ETUC, considers parental leave and absence on *force majeure* grounds as an important means to harmonise professional and family life and to promote equal opportunity and equal treatment for men and women. The first chapter of the act introduces several changes in the workers statute as regards leaves for maternity, paternity and family-care reasons. Other aspects included are the worker's absence in the case of accidents or hospitalisation, as well as the introduction of a certain degree of flexibility with respect to nursing leave. Furthermore, the statute extends the right to working-hour reductions and leaves for workers in charge of aged or ill persons, in line with demographic and ageing trends.

As a significant innovation, this act enables men to look after their child from the child's birth or from the moment it becomes a member of the family, giving women the opportunity to transfer the possibility to enjoy up to 10 weeks of maternity leave to the father. This allows both parents to enjoy such leave together and extends maternity leave by two additional weeks for each child in the case of a multiple birth. The act also introduces significant changes in the regulation on leaves for adoption and fostering purposes (permanent and pre-adoption). Provisions in force under past legislation determined the period of leave depending on the child's age — it varied if the child was under nine months or five years old. From now on, the child's age will not make any difference, provided that the child is under six years old. Several rules concerning work contract termination have also been drawn up. These rules explicitly declare as void any contract termination or dismissal due to pregnancy, claiming or benefiting from maternity, paternity or family-care leaves as well as any dismissal of workers with suspended contracts, except if such terminations or dismissals are proved to be motivated by legally authorised and justifiable reasons.

Nevertheless, the most important innovation in this act is the creation of a new benefit within the social security protective action related to occupational risks during pregnancy. This benefit aims at protecting the health of expectant employees through a period of work contract suspension. The benefit would come into play when a woman has

to replace her post by another which is more compatible with her condition, but such exchange is neither technically nor objectively possible or cannot be required for justifiable reasons.

The payment of the benefit in cash, which is in the competence of the managing agency, begins on the day the work contract suspension takes effect and terminates one day before the employee returns to her usual post or to another post compatible with her condition. The benefit equals 75 % of the calculation basis, which is equivalent to the basis set for the temporary incapacity benefit derived from common contingencies.

Finally, an effort has been made to avoid the situation where the social costs of these leaves fall to the employers, which could have a negative impact on the access to employment, especially for women. As an employment promotion measure, this act includes a 100 % rebate on the employer's social security contributions for common contingencies, accidents at work, occupational illnesses and other incidences subject to joint collection. However, to be eligible, the employer must hire an unemployed person on a temporary basis to substitute a worker taking leave on grounds of maternity, adoption, fostering or risk during pregnancy. ■

In the field of social protection, 1999 was characterised in France by the creation of universal sickness cover (CMU) providing everyone, including the most disadvantaged, with access to healthcare. The social debate on pensions continued, focussing primarily on the reduction of the working week to 35 hours and the complexity of the system implemented by two specific laws.

1. Financing

During 1999, the government decided to continue its reform of employers' social security contributions by linking the new reduction in charges on low and medium salaries to the negotiated reduction in working hours under the terms of the Law of 13 June 1998 on orientation and encouragement in relation to the reduction of working hours lowering the length of the legal working week to 35 hours with effect from 1 January 2000 for businesses with more than 20 employees, and with effect from 1 January 2002 for other businesses, supplemented by the Law of 19 January 2000 on the negotiated reduction in working hours.

The system put in place by the second '35-hour law' includes both the reduction of charges on low salaries which has been in existence since 1995 but increasing it from 1.3 % to 1.8 % for businesses reducing working hours and 'continuity' structural aid (FRF 4 000 per employee per annum) decided under the terms of the first '35-hour law'. The reduction is thus degressive, varying from FRF 21 500 per annum per employee for a wage level equal to the minimum wage (SMIC) to FRF 4 000 per annum per employee for a salary higher than 1.8 times the SMIC.

This reform of employer's social security contributions is financed through a special fund created by the Law on the financing of social security for 2000 (29 December 1999). The object of the fund to finance the reform of employers' contributions, a public administrative establishment, will be to ensure the continuity of the permanent system for the reduction of employers' contributions. In the long term it is expected to refund some FRF 100 to 110 thousand million to social security funds through reductions in social charges. It will be funded by a fraction of the tax

on tobacco, a fraction of the duty on the consumption of alcohol, by a new contribution based on the profits of businesses with a turnover of more than FRF 50 million, by the tax on polluting activities — the scope of which has been broadened to include washing powders, fertilisers and other agricultural products — and by a contribution from the State.

In addition, in terms of non-salaried workers, the Law on the financing of social security for 2000 (29 December 1999) has also harmonised and reduced the bases for the calculation of contributions payable by individuals forming companies subject to self-employed schemes, the schemes to which the vast majority of these company founders belong. With effect from 1 July 2000, all contributions will be calculated on a one-off basis (FRF 38 370 for the first year and FRF 57 555 for the second) and the amount of contributions to be paid reduced for two years (by 30 % in the first year and 15 % in the second year).

The social scheme of benefits paid upon the severance of a contract of employment or the end of a company directorship initiated by the employer or company is based on the applicable tax regime. This means that the taxable part of the benefit paid becomes subject, under certain conditions, to social security contributions (the social security contribution, *contribution sociale généralisée*) and the contribution for the repayment of the social debt (*contribution pour le remboursement de la dette sociale*).

Finally, the reduction of 30 % on employers' social security contributions applicable since 1992 to part-time contracts, resulting in a number of different offers of reduced part-time work, is abolished for those recruited with effect from 1 February 2001 by businesses with more than 20 employees and with effect from 1 January 2003 for the rest. This reduction cannot be cumulated with the assistance introduced in the second '35-hours law'.

2. Sickness

The Law of 27 July 1999 on the creation of universal sickness cover (CMU) constitutes an important social advance in France. Created against the

backdrop of the fight against social exclusion, it is designed to abolish the obstacles and difficulties previously encountered by numerous individuals in accessing care. Created for all residents of metropolitan France and overseas departments, it is designed to guarantee healthcare for all through a sickness insurance scheme and, for those on lower incomes, the right to additional protection and advance exemption from costs. The two sections of the law come into effect on 1 January 2000.

1. A universal entitlement to basic sickness cover on the criteria of residence and which is immediate and permanent and may be free or otherwise depending on the means of the beneficiary. All stable and regular residents in France will automatically become members of the general sickness insurance scheme if they do not already hold an entitlement under another basic scheme, notably linked to a professional activity. The CMU is therefore a substitute scheme which will operate in parallel with the existing professional schemes. The law governs membership, the provision of immediate care and, above all, continuity of cover. No organisation may stop paying benefits unless it is first established that the insured person is covered by sickness cover under another basic scheme. Basic cover is free for those with tax revenues under FRF 3 500 per month in 2000. After this they will have to pay a contribution of 8 % of their earnings above this threshold.

The CMU results in the abolition on 1 January 2000 of the personal sickness and maternity insurance scheme introduced in 1978.

This first aspect of the CM law affects 700 000 people including 150 000, or 0.25 % of the population, who do not currently enjoy sickness cover.

2. An entitlement to supplementary sickness cover free of charge with exemption from advance costs based on a means test. Any disadvantaged person can now enjoy supplementary cover for healthcare, hospital expenses and appropriate refunds for dental and optical prostheses and certain other medical products including hearing aids. These services are delivered free at the point

of service on a 'third party pays' basis. They may be paid for by sickness insurance funds or private insurance companies depending on the beneficiary's preference.

People with means below a variable ceiling determined annually in accordance with household composition receive supplementary cover free of charge (in 2000: FRF 3 500 for a single person, FRF 5 250 for a couple, FRF 6 300 for a family of three, FRF 7 350 for a family of four and FRF 1 400 for each additional individual). Supplementary cover is financed by a special fund financed by State grants and a contribution deducted from the 'healthcare' turnover of private insurance companies.

The scheme affects some six million people, that is approximately 10 % of the resident population, at an estimated cost of FRF 9 000 million in the first year.

This scheme results in the abolition of the contribution paid to medical assistance at department level which until now made up the basic sickness cover of approximately one third of the population. The State-funded medical assistance scheme is maintained, however, in particular for those people who do not fulfil the condition of stable and regular residence on French territory.

3. Eligibility

Under the terms of the Law of 15 November 1999 on the civil solidarity pact (PACS), a person related to an insured person by a civil solidarity pact is taken into consideration in the allocation of certain social benefits in the same way as the spouse or common-law partner. This person becomes eligible in respect of the insured person for reimbursement of healthcare as long as they are not him/herself insured and on condition that they are an actual, total and permanent dependant of the insured person. They are also entitled to the capital death allowance under the general scheme under the conditions stipulated for a surviving spouse. The provisions applicable to common-law partners are also extended to persons related by a civil solidarity pact (PACS) in respect of family benefits, various benefits for disabled adults and accommodation benefits and the minimum integration income.

4. Old age

Although no concrete measures were taken in 1999, the issue of pension reform remained open and continued to be considered. Several studies were carried out at the government's request. Amongst these, the report prepared by Mr Charpin, Commissioner for the General Plan, highlights the severe financial difficulty in which the various French pension schemes will find themselves between 2005 and 2010 due to demographic developments. The report also advocates possible routes for reform including, in particular, the extension of the period of contributions. These studies have been followed by a renewed phase of consultation with the various social partners. The first concrete decisions are expected in the first few months of 2000. These decisions should be measured and should aim, principally, to consolidate the payment schemes. The Reserve Fund for Old age Pensions for Salaried Workers, Craftsmen and Traders (FRRAVSAC) set up in 1999 and initially given FRF 2 000 million should have reached FRF 20 000 million during 2000.

Against this backdrop, the creation of legislation on pension funds, raised regularly since the non-application of the Law of 25 March 1997 on pension savings schemes but highly controversial, appears to have disappeared from the agenda in the short term as has the possible reform of salary savings schemes.

Moreover, the widow's pension under the general scheme for surviving spouses with or having had children has been changed significantly. It now includes the possibility of cumulating the widow's benefit with earnings from work for a limited period of one year. The benefit is now paid to those under 50 years of age for two instead of three years, but it no longer decreases in line with the year of payment. The maximum amount of the benefit is FRF 3 144 in 1999. Those over 50 years of age upon widowhood continue to receive the benefit until the age of 55. The means testing of the beneficiary below the annual minimum is now carried out on a twice-yearly basis.

5. Employment injuries and occupational diseases

The early retirement scheme for workers affected by asbestos came into effect in 1999. It entitles

persons suffering from occupational diseases linked to the inhalation of asbestos dust to give up work between the ages of 50 and 60 at an age determined in accordance with their length of work in businesses having manufactured asbestos materials, a list of which is determined by decree. This scheme is financed by a specific fund, the Asbestos Workers Early Retirement Fund (FCAATA), financed by a contribution from the State and a payment from the employment accidents branch of the general scheme. The Law on financing social security for 2000 (29 December 1999) supplemented the terms of access to the scheme and extended it to include new categories of workers, notably those working for flocking and heat insulation companies and in the construction and naval repair sectors.

Measures designed to improve the conditions of recognition of and compensation for employment injuries and occupational diseases were also implemented during the first half of 1999. They are designed to speed up the procedure for the recognition of occupational diseases by abolishing, in particular, the proceedings by which insurance funds can dispute the occupational nature of an injury or disease, and to make official the invalidity scale for occupational diseases so that victims are aware of it and can use it against the funds. Employment injury allowances for victims with an incapacity rate of over 50 % are henceforth paid on a monthly basis.

6. Family benefits

The right to receive family benefits irrespective of means was re-established in 1999. However, this measure was coupled with a fiscal reform of the applicable family quotient reducing the ceiling of this advantage from FRF 16 380 to FRF 11 000 per half share. With effect from the start of the 1999 school year, the allowance at the start of the school year (ARS) was extended to all those with one dependant child who fulfil the applicable means and age conditions. In 1999, this allowance was FRF 1 600.

Finally, with effect from 1 January 2000, the Law on financing social security for 2000 (29 December 1999) raised the age limit up to which dependant children are entitled to supplementary family benefit and/or are taken into account in calculating the family accommodation allowance from 20 to 21. ■

1. Policy developments

1.1 Pensions

Pre-funding of social welfare pensions

In Ireland today, for every 100 persons of working age, there are 20 persons over 65, but by the middle of this century, for every 100 persons of working age, there will be 50 persons over 65.

In 2030, 20 % of the Irish population will be aged 65 or over, with 200 000 people over 80 years of age (up from 90 000 at present).

The Irish Government announced, in July 1999, a strategy designed to enhance the State's capacity to continue to maintain the existing level of public services for pensioners. Beginning now, resources are being provided on a planned basis to secure the pensions in retirement of a progressively ageing population. To this end, an annual provision of 1 % of GNP is being set aside to pre-fund part of these costs.

The government decision has resulted in the setting up of a social welfare pension reserve fund with an initial allocation of IEP 320 million in 1999 (and a public service pensions fund with an initial allocation of IEP 200 million in 1999). In addition, to give an initial boost to the fund, the bulk of the proceeds from the recent sale of Eircom, the State-owned telecommunications company, amounting to some IEP 3 billion, has been invested in the funds.

Pensions for self-employed

Pro-rata pensions have been made available to many self-employed persons who were over the age of 56 when social insurance was extended to the self-employed in 1988, and who as a result, did not qualify for a contributory old age pension.

The new pension is payable to self-employed persons with at least five years of contributions since becoming self-employed. It will be paid at 50 % of the personal rate (plus 50 % of the qualified adult allowance and child dependant rates where applicable). The scheme was

introduced in October 1999, retrospective to April 1999. This group of pensioners now also has access to the free schemes.

Approximately 10 000 people (8 000 pensioners and 2 000 qualified adults) benefit from this measure at an estimated cost of IEP 18 million in a full year. The total estimated cost of this measure in the future will be over IEP 170 million.

Integration of pensions

The integration of the social welfare pension with the private occupational pension is a common practice in many occupational pension schemes — typically in defined benefit arrangements. In this process, account is taken of the amount of social welfare pension being received by the pensioner and the occupational pension effectively 'tops up' the social welfare pension to provide the total pension specified in the private pension scheme rules (usually half or two thirds of earnings).

While there is little, if any, evidence that any pension scheme rules permit a reduction in the amount of occupational pension in payment as a result of increases in the social welfare pension, the 1999 Social Welfare Bill provides that any such reductions in occupational pensions would be prohibited. This prohibition was recommended by the Pensions Board in its report on the national pensions policy initiative. This is also a preventive measure to ensure that such a rule is not, in future, introduced in a pensions scheme.

In a small number of pension schemes, integration continues after social welfare pension age (age 65/66) under a 'total pension income' approach, which is provided for in the rules of these schemes. Under this arrangement there is a guarantee to increase the total pension income taking account of the increase in the social welfare pension. Reservations about this approach have to be balanced against the voluntary nature of occupational pension arrangements and the fact that, firstly, many employers do not provide pension arrangements for their employees, and secondly, where schemes do exist many do not guarantee any form of indexation of the rate of pension.

Having consulted with the statutory Pensions Board, the department has asked the board to examine the indexation of occupational pensions generally. The government will consider the board's report and revisit the specific issue of post-retirement integration in the context of the Pensions Bill, which it is hoped to publish in 2000.

1.2 National anti-poverty strategy (NAPS)

The government set new social inclusion targets for the new millennium in the first annual report on the progress of the national anti-poverty strategy (NAPS). Following from new research by the Economic and Social Research Institute (ESRI), the report showed that the main NAPS targets have now been substantially achieved by June 1999 (the original target date was set for 2007).

In particular:

- the number of people in consistent poverty had been reduced from 9–15 % to 7–10 % - with the NAPS target of 5–10 % almost achieved;
- the level of unemployment had been reduced from 11.9 % to 6.4 % — again almost achieving the original NAPS target of 6 %;
- the income adequacy target, as defined by the Commission on Social Welfare, had been achieved in full with all social welfare payments over the target rate.

The government agreed to new social inclusion targets as follows:

- consistent poverty to be reduced to below 5 % by 2004;
- unemployment to be reduced to below 5 % by 2002
- long-term unemployment to be reduced to 2.5 % by 2002.

Since the publication of the report, further progress has been made. Unemployment now stands at 5.7 %, and long-term unemployment at 2.1 %. The latter has already exceeded the target set for 2002.

1.3 Family research programme

The department commenced funding of the following 13 research proposals by its family research programme:

- process of family formation in Ireland;
- marital breakdown research project;
- the impact of social policies on the family: Ireland in comparative European perspective;
- a nine-year psychosocial follow-up study of children and families;
- marriage: the first year;
- assessing the impact of counselling on marriage and relationships;
- a critical assessment of the impact of flexible working relationships to inform future policy development regarding 'family-friendly' initiatives in the workplace;
- children's experiences of parental separation in Ireland;
- a client satisfaction and services evaluation study of the marriage preparation and marriage counselling services provided by Accord;
- effective parenting: an exploration of need;
- strengthening families through fathers;
- grandparenthood in modern Ireland;
- marginalised men's research project.

1.4 Farm assist

The scheme was designed specifically for farmers on low incomes and replaced the existing smallholders assistance scheme with effect from April 1999.

The scheme is means-tested taking into account both farm income and off-farm income of farmer and spouse.

Farmers are not required to 'sign on' as unemployed to avail of the new scheme.

Eligibility is based on actual income assessed being within specified income thresholds.

Only 80 % of all self-employment income is taken into account.

Child related income disregards of IEP 100 per annum for the first two qualified children and IEP 200 per annum for the third and subsequent children.

1.5 Fishing assist

A similar scheme for fishermen, called 'Fishing assist' was also introduced.

- Features of the new scheme include:
- 80 % of self-employment income is taken into account, rather than 100 % as before;
 - child-related income disregards of IEP 100 per annum for the first two qualified children and IEP 200 per annum for the third and subsequent children;
 - relaxation of 'signing on' arrangements.

1.6 Carers

Carer's allowance/benefit changes

Free telephone rental allowance was extended to all recipients of a carer's allowance from 31 August 1999. Also included are carers of those in receipt of constant attendance allowance and carers who are in receipt of a prescribed relatives allowance.

Carer's allowance recipients now receive the new respite care grant. The grant is paid automatically to those in receipt of the allowance to be used as the recipients see fit. The grant is also paid to carers of those in receipt of a constant attendance allowance and carers who are in receipt of a prescribed relative's allowance. Approximately 12 000 carers benefit from this provision at an annual cost of some IEP 2.4 million.

Carer's allowance extended to carers of children in receipt of domiciliary care allowance.

Carer's allowance extended to carers of all people between 16 and 65 who require full-time care and attention.

Residency (in the same dwelling) conditions relaxed.

Introduction of carers' leave

Carers' social insurance records to be preserved.

Introduction of carer's benefit announced, based on PRSI contributions to be introduced from October 2000, which will allow people to take time off work for caring responsibilities. It will be payable for up to 15 months at the rate IEP 88.50 per week.

1.7 Disability allowance

The conditions for payment of a disability allowance have been extended to include where the

recipient is admitted to hospital or institutional care.

2. Organisational developments

2.1 Information services

Additional funding provided to National Social Services Board (NSSB) for completion of the Citizen Information Centre (CIC) network and further development of the pilot telephone information service and to assist in transition to the new organisation — Comhairle — which will result from the merger of NSSB and certain functions of the National Rehabilitation Board (NRB).

2.2 REACH

The government approved plans to develop a national framework for integrated service delivery across the public service, known as REACH, at an estimated cost of IEP 11.3 million.

2.3 Partnership

The department launched a formal partnership approach involving management, unions and staff in September 1999. This is part of the government's policy of progressing the modernisation of the public service and the implementation of new partnership structures within each organisation, allowing management, unions and staff to play a greater role in the decision-making process.

The department's Partnership Steering Committee, chaired by the Secretary-General, was established in November 1998. Since that date the Committee have been developing the agenda for participate management and all staff throughout the department were invited to apply for positions on each of the five partnership committees that have recently been established across the organisation.

A central steering committee, representing management, unions and staff leads the process within the department. The committee has 22 members and is chaired by the secretary-general. Five sub-committees are in place to promote and develop partnership throughout the department's network of HQ, regional and decentralised offices. The sub-committees are comprised of management, union representatives and members of staff from defined geographical areas.

Set up by each of the sub-committees, sub-groups give staff at all grades new opportunities to get involved in the partnership process. Groups can be asked to analyse particular issues in detail to give more general feedback on proposed developments.

3. Pro-employment measures

3.1 Rent and mortgage supplement

Substantial arrangements for retention of rent and mortgage supplement under the supplementary welfare allowance scheme for people on the community employment scheme, back to work allowance scheme and revenue job assist:

- current IEP 250 monthly limit of supplement to be abolished;
- back to work allowance and family income supplement payments to be disregarded in assessing gross income;
- withdrawal of the supplement to be phased over a four year period – 75 %, 50 %, 25 % and 25%.

3.2 Back to work scheme enhancements announced

- Extra 5 000 places made available.
- A six week training programme tailored to the needs of the client.
- A meal/travel allowance of IEP 35 per week during training.
- A cash bonus of IEP 200 on starting work after the training period.
- A further cash bonus of IEP 200 after six months in work.
- People claiming invalidity pension can move from that payment to participation in the back to work scheme.

4. Social welfare payments and other measures

4.1 Social Welfare Act, 1999

The main provisions of the 1999 Social Welfare Act include:

IEP 6 increase for old age pensions (8.3 %) moving towards a pension of IEP 100 per week in 2002

IEP 3 increases per week for all others on maximum rates (4.3 %) — all increases well above the expected rate of inflation.

The introduction of a new bereavement grant scheme (costing IEP 10 million in a full year) to replace the existing death grant scheme, which incorporates a five-fold increase in the grant (to IEP 500 from April 1999) with easier qualifying conditions.

Social Insurance (PRSI) changes including the abolition of the employment and training levy from April 1999.

Extension of the time limit within which an application to become a homemaker for the purposes of old age (contributory) pension may be made. The new registration deadline for an applicant who commenced homemaking during the period 6 April 1994 to 5 April 1998, is 5 April 2000.

4.2 Bilateral agreement with the Swiss Confederation on social security

This came into effect from 1 July 1999. The order provides that the social welfare acts and relevant regulations were modified to take account of the provisions of the agreement.

The primary purpose of the agreement is to allow social insurance contributions paid in Ireland to assist a claimant to qualify for certain benefits in Switzerland and to allow social insurance contributions paid in Switzerland to count towards satisfying the contribution conditions for certain Irish benefits. In the case of Ireland, the agreement covers old age (contributory) pensions, retirement pensions, invalidity pensions, widow's and widower's (contributory) pensions and orphans' (contributory) allowance. The agreement also deals with the liability, for Irish social insurance contributions (PRSI), of 'detached' workers who are seconded to work in Switzerland for a temporary period by an employer who has his business in Ireland. Such workers will continue to remain attached to the Irish PRSI system for periods of absences of up to two years. ■

1. General changes in the Act on Social Security

On 1 July 1999, new provisions entered into force, when an independent social security ruling committee was established. In case of disputes arising between an applicant and the State Social Security Institute with respect to the basis, conditions or amount of benefits, a ruling can be made by the committee. Any complaint to the committee should be made in writing and submitted within three months of notification of the decision to the party in the case. The committee should issue a ruling as soon as possible and no later than two months after receiving a case. The committee's processing of cases should otherwise comply with the provisions of administrative law. The committee is independent in its work and rulings cannot be appealed to other authorities. The case can, however, be taken to the courts.

A new chapter was introduced into the Social Security Act on Insurance under the act. A resident in Iceland is considered insured if other conditions of the act are fulfilled, subject to the provisions of existing international agreements. Residence means legal residence as understood in the Act on Legal Residence. There is a new provision that empowers the State Social Security Institute to determine whether an individual is regarded as insured in Iceland under the act. The Ministry of Health and Social Security issued a regulation with detailed provisions on the implementation of this new chapter.

2. Pension insurance

New provisions on invalidity pension in the Social Security Act entered into force on 1 September 1999. The entitlement to an invalidity pension exists only on condition that individuals have had their permanent disability assessed at 75 % as a result of a medically recognised disease or invalidity. The income of an individual is no longer relevant for assessing invalidity. The Chief Medical Officer of the State Social Security Institute assesses the degree of invalidity of applicants for invalidity benefits in accordance with a standard established by the Medical Department of the State Social Security Institute, based on the consequences of medically recognised diseases

or invalidity. The standard will be approved by the State Social Security Board and published in a regulation issued by the Ministry of Health and Social Security. The chief medical officer is authorised to establish the condition that applicants undergo a special assessment of their prospects of rehabilitation and an appropriate rehabilitation programme before a disability assessment is made.

3. Unemployment insurance

Unemployment was 1.9 % in 1999. More women were unemployed than men. No major changes occurred in unemployment legislation in 1999.

4. Pension funds

A new pension act entered into force on 1 July 1998. Provisions in the act, laying down obligations for the pension funds to apply for an operating permit, entered into force on 1 July 1999. New provisions in the tax legislation on a 0.2 % reduction of the payroll tax for savings in the third pillar pension system also entered into force in 1999.

5. Future policy

A new government was elected in Iceland in May 1999. The policy of this government is to review legislation on social security and the interchange of that legislation with the tax system and pension funds. The aim is to lower the cost of administration and to simplify administration procedures for the advantage of beneficiaries. Government policy aims to ensure equality between men and women by, for instance, increasing maternity benefits and encouraging men to take paternity leave at the birth of their child. With regard to the health system, the Icelandic Government has the policy of ensuring access for all persons to high-quality health services and reducing health inequalities. The objective is also to simplify the administration of the health system so as to improve its efficiency and effectiveness.

The Ministry of Social Affairs has introduced a new Bill on Social Services. In this bill, the provisions of the Act on Disabled Persons are integrated into the Act on Social Services of the municipalities. The obligations of the municipalities and the rights of the individual are made clearer. ■

The demographic question of the constant ageing of the population and the resulting increase in life expectancy has raised the issue of balance within the social security system in Italy as in other countries of the European Union.

The measures taken to deal with this matter include the reform of the retirement pension system adopted in 1995 and its implementing decrees which brought about a change from a payments-based system to a contributions-based system. As a result, retirement benefits are now linked both to contributions paid and to age in order to maintain a balance within the system and to guarantee increased flexibility in the acquisition of pension rights against a backdrop of far-reaching developments in the labour market.

1. Welfare initiatives

In terms of welfare, the priorities which the government has had to address during this period relate primarily to the management of the transition between the old and new retirement pension schemes. The government's intention has been to reinforce confrontation with the social partners by manifesting its will to maintain the solidarity-based inter-generation pact. It was also necessary to extend the supplementary welfare scheme.

Among the ministerial decrees implementing the law on the reform of the retirement pensions scheme, a decree on the criteria for the definition of particularly arduous work (e.g. work in quarries, mines, tunnels, steelworks, etc.) and the allocation of retirement benefits to persons carrying on such work was promulgated on 19 May 1999.

This decree establishes the parameters which define particularly arduous work and delegates the setting of the contribution percentages to bilateral negotiations. In addition, it contains a provision for government participation at a rate of 20 % up to an annual ceiling of ITL 250 000 million.

The government has also been charged with defining certain aspects of the legislation relating to insurance against employment injuries and occupation diseases by making provision for the extension of the obligation to contract this insur-

ance to management executives, professional athletes and workers regarded as salaried employees.

A decision was taken to recalculate the contributions payable to the National Institute for Insurance Against Employment Injuries (INAIL) by self-employed workers and agricultural workers and to redefine the responsibilities for reviewing INAIL pensions, compensation paid for 'biological damage' and accidents sustained 'whilst working away'.

Still in the field of social security, an *ad hoc* study commission is currently engaged in preparing a single text covering all the social security provisions currently in force.

2. Social policy measures

A review of social policy and support for family responsibilities are the priorities of the government's action plan, not only in relation to issues linked closely to social assistance but also in terms of the impact on employment.

The principal initiatives are:

- support for the family to ensure that it has sufficient resources to bring up children;
- stepping up experimental and partial initiatives introducing the minimum integration income.

With this aim in mind, new cash benefits have been introduced for families on low income with at least three children under the age of majority and for mothers not entitled to maternity benefit.

The large families benefit is awarded by the municipalities and paid by the National Social Welfare Institute (INPS) to all families of Italian citizens applying with:

- at least three children under the age of majority,
- an annual family income below ITL 36 million for five people.

The amount available for this benefit is ITL 2 600 million per annum for 1999 (13 monthly payments of ITL 200 000).

Maternity benefit, on the other hand, is targeted at all resident women and is regarded as an assistance measure since it disregards any working record and therefore social insurance. It consists of a monthly benefit to non-working mothers for a period of no more than five months. In all events, this benefit is limited by the means testing of beneficiaries.

Any woman of Italian nationality may apply if she:

- has a child born after 1 July 1999;
- belongs to a family of three with an income below ITL 50 million per annum;
- is not receiving maternity benefit under the social security scheme or receives less than ITL 200 000.

The amount of the benefit is ITL 200 000 per month for a maximum of five months paid in one single payment.

3. Health

The government's initiative on health was designed to set up a new public authority action strategy to stimulate and accompany the private-sector initiative.

The government has fashioned this strategy as a new social policy based on reforming the 'welfare state' and setting a new direction in the development of relations between the public and private sectors.

The call for fiscal federalism, intended to send a reminder to the regions of their financial responsibilities in the case of the financial failure of 'local health units' (ALS), was made with this aim in mind.

As part of its commitment to shared responsibility between the State and the regions, the government intends to draw up a 'stability pact' operating at all institutional levels in order to control health spending. In practice, through agreements between the Ministers for Health and the Treasury on one hand and the regions on the other, this stability pact will maintain the economic balance of management whilst

guaranteeing essential levels of assistance and supporting the national health plan.

The aim is, therefore, to determine the typical shortcomings of the national health system (SSN), to allocate responsibilities and to set up a final plan for the reorganisation of the health sector.

To reorganise and set new criteria for medical assistance, the government has drawn up an extraordinary investment plan for the large conurbation involving the allocation of ITL 100 000 million for 1999 alone, increasing to ITL 700 000 million for 2000 and 2001, in order to improve the quality and efficiency of the services and to increase structural and technological health subsidies in terms of both quality and quantity.

During the period under review, new regulations have been introduced for doctors practising independently outside hospitals.

Their working relationships are governed, in economic as well as other terms, by a collective agreement. Doctors who have opted to practise independently outside hospitals may not carry on any other professional activity, even on a part-time basis. Any breach of this rule can lead to the termination of a doctor's contract.

With effect from 1 January 1999, the patient's contribution towards the cost of each prescription for medication is ITL 1 000 per item (previously this contribution was ITL 3 000 per item).

Payment of the fixed patient's contribution (ITL 6 000) is waived for those exempt on the grounds of income or suffering a particular condition, on all prescriptions for diagnostic examinations using equipment and laboratory examinations and for other specialised services provided in hospitals.

Furthermore, registration in the national health system (SSN) has been made obligatory for all foreign residents who must, in all cases, provide proof of sickness insurance, where necessary by means of private insurance. ■

After 1 January 1997, comprehensive legal reforms on the realisation of equal rights between men and women, aligned with far-reaching changes in the system, came into force. Yet they were followed by a phase, also during the period covered by the report, during which relatively few new legal changes came into force. Even so, parliament adopted amendments to the law which only came into force, in part, after 31 December 1999 (the comprehensive amendments to the Health Insurance Act, which come into force on 1 April 2000, should be mentioned in particular).

1. Amendments to the Health Insurance Act

In September 1999, parliament passed a partial amendment to the Health Insurance Act. The regulations come into force on 1 April 2000 and on 1 January 2001. Reasons for the amendments which should in particular be mentioned are the above average increase in costs in the health service and the accompanying increased financial burden on insured persons due to increasing health insurance fund contributions and the insufficient legal supervisory regulations relating to health insurers. The following subjects were the focus of attention:

Supervision: Specification and reinforcement of the legal supervisory regulations and introduction of a risk compensation in order to put the competition between the individual health insurers on an equal footing.

Cost control: The health insurers are obliged to offer their insured persons a so-called GP system, in addition to the basic system of a free choice of doctor. People who decide upon this alternative insurance model limit themselves in the free choice of doctors, so in case of illness they are committed to visiting their GP in the first instance. In return they get a contribution discount and have only to pay a reduced share of costs. Children up to the age of 16 are fully exempt from contributions. Doctors participating in this system bear a certain share of the financial responsibility for the costs induced and incurred by them.

Financing: The health insurance scheme will, as before, be financed by contributions made by the insured persons and employers, by a share of costs by insured persons and by contributions from the State. However, changes have been made in all areas. A new element is the employer's contribution based annually on the average premium of all health insurance funds and the unemployment agency will take over the employer's contribution for unemployed persons. Children up to the age of 16 who are insured in the GP system do not have to pay a contribution. Young people between the ages of 16 and 20 get a reduction in the contribution. As the previous health insurance record card charge has not proved itself to be worthwhile, an increased costs' participation has been introduced (franchise and percentage participation). Nevertheless only adult insured persons have to pay the full share of costs into the basis system of free doctor choice (maximum CHF 800 per annum). Other groups of people bear no, or only a reduced, share of the costs. The State contributions to the health insurance funds are arranged in accordance with altered criteria. In addition to this, the State pays new contributions to insured persons in the GP system who are on low incomes, and it is taking over the costs for children in the GP system at 90%. In total, the State contributions have been greatly extended.

2. Adjustment to rising prices

Adjustments to benefits due to rising prices have been undertaken in various areas at 1%: pensions under the old age and survivors' insurance scheme and the invalidity insurance scheme (column 1) as well as further benefits dependent upon the value of the pension, supplementary benefits for pensioners dependent upon income and assets, allowances for the blind and attendance allowances.

3. Christmas premium

The old age and survivors' insurance scheme (column 1) and the invalidity insurance scheme (column 1) has provision for an additional benefit in December of each year, in addition to the monthly pension (Christmas bonus). This Christ-

mas bonus was raised, in December 1998, from 50 % to 100 % of the respective December pension (which corresponds to an additional increase in expenditure of 4 %). Therefore, since 1998, there has been provision for 13 monthly payments per year.

4. Extra payments for single parents

A new type of benefit has been introduced by the law relating to family supplements, extra payments for single parents amounting to CHF 70 per month for each child (in addition to the monthly family supplements depending upon the age and number of children, of CHF 230 per child or CHF 280 per child).

5. Changes in the contribution rules

Until 31 December 1999, the administrative costs' contributions to the old-age and survivors' insurance (Alters- und Hinterlassenenversicherung — AHV), invalidity/disability insurance (Invalidenversicherung — IV) and family allowance/compensation fund (Familienausgleichskasse — FAK) institutions amounted to an additional 3 % of the actual social insurance contributions (this corresponds to a total of 0.33 % of the total gross income). In total, the employees', employers' and administrative costs contributions to the AHV-IV-FAK institutions in 1999 amount to 11.33 % of the total gross income.

Administrative costs contributions are paid by employers, the self-employed, employees without an employer liable for contributions and those not in gainful employment. Since, with a contribution rate of 1.2 % of the total gross income (0.6 % for employees and employers), the invalidity insurance scheme has a comparatively lower administrative costs contribution rate, in comparison to the old age and survivors' insurance scheme (7.6 %) and to the Families' Compensation Fund (2.2 %), the invalidity insurance scheme is allocated the smallest portion of contribution income from the administrative costs contributions. Since, however, the invalidity insurance scheme has the greatest administrative expense in view of the comparatively greater complexity of business activity, a deficit in administrative costs is incurred, which is borne by the State. The administrative costs contributions are

now being increased from 3 % to 4 %. On the whole, this will result in a balanced accounting of administrative costs with the AHV-IV-FAK institutions. The State, which has up to now borne the administrative costs deficit, will be accordingly unburdened. In order to arrange this increase in administrative costs contributions in a socially acceptable way, the actual contributions to the Family Compensation Fund have been reduced from 2.2 % to 2.1 % (the people paying contributions to the Family Compensation Fund are the same as those paying administrative costs' contributions). As a result of this, the additional burden on the contribution payers in question is on the whole only minima. The lowering of the contributions to the Family Compensation Fund from 2.2 % to 2.1 % can be done without any loss of benefit for those in receipt of benefit, since the reserves held in the Family Compensation Fund are in excess of two years' expenditure.

From 1 January 2000 the employees', employers' and administrative costs contributions to the AHV-IV-FAK institutions will be 11.336 % of the total gross income; the administrative costs contributions will thereby amount to a share of 0.436 % of the total gross income.

6. Supplementary benefits

Supplementary benefits are benefits dependent upon income and assets for pensioners in financial need. Individual circumstances are taken into account, whereby income and expenditure are compared and any deficit (up to a set higher limit), is made up as the supplementary benefit. On the expenditure side, the overall deductions for general social insurance contributions are taken into account. As a consequence of the contributions to the health insurance scheme which have been increased above the average rise in prices in recent years, higher overall deductions for general social insurance contributions were taken into account at 1 January 1999.

7. Financial investment for the old age and survivors' insurance scheme

Since the old age and survivors' insurance scheme funds (column 1) show a reserve of more than 13 years' expenditure, the management of the money represents a significant source of revenue; a large part of the expenditure can be fi-

nanced by it. The investment policy is accordingly of great significance. The corresponding financial investment guidelines were changed by decree on 1 January 1999, and adjusted to the changed circumstances. This was necessary, amongst other things, because investments in foreign currency are only possible to a limited extent and the choice of foreign currencies is limited by the currency union. Furthermore, a slightly more aggressive investment policy was now possible (example: it had previously been possible to invest 30 % in shares, it is now possible to invest 40 % in shares).

8. Various smaller changes

Various smaller changes have also taken place in other fields: new rules on child benefits from the Family Compensation Fund in respect of foster children; new rules on the payment of additional family supplements in the case of interruption of employment due to illness, accident, pregnancy and maternity; definition of various birth defects treated within the scope of medical care and at the expense of the invalidity insurance scheme.

9. In prospect

Various greater plans for the law are in preparation.

In the field of old age and survivors' insurance (column 1) attempts are being made to improve the opportunity of getting an early pension. At the moment, with the regular pension age at 64, the pension can be paid one or two years earlier, whereby this incurs an actuarial reduction in the pension (6.8 % reduction for each year of early receipt). The government has put forward a proposal in which the pension can be paid from the

age of 60, whereby the reduction rates, depending on the extent of prematurely payment, lie between 3.0 % (payment 1 year early), and 15.0 % (payment four years early). The AHV funds at 31 December 1998 showed a reserve of 13.7 years of expenditure. However, the government intends to combine this improvement with an increase in the contribution rates and an increase in the State's contribution to the AHV. The so-called information bill (formulated laws with explanations), is being sent to interested parties and associations at the beginning of 2000 so that they can submit their views, before the government deals with this once more and the bill is forwarded to parliament. The government's intention is that this bill comes into force on 1 January 2001.

In the invalidity insurance field (column 1), a comprehensive review of the law is in preparation. The main emphasis of this is not in a review of the pension benefits, but in improving the various integration measures. Thus, amongst other things, the subsidisation of jobs for disabled persons is planned as a new benefit. Intention is to pay so-called wage subsidies to firms who employ disabled persons. Organisational changes and system clarifications are planned in addition to this (demarcation and/or coordination between the health insurance and invalidity insurance schemes). This bill will also be sent to interested parties and associations at the beginning of 2000 for information purposes. The government's intention is that this bill will come into force on 1 January 2001.

In the area of the law relating to supplementary benefits previously described, a comprehensive review is currently in preparation. However, no drafts at government level are as yet available.



1. Supplementary pension schemes

The law on supplementary pension schemes is designed primarily to transpose certain Community directives in this field into Luxembourg law. It is a framework law for company supplementary pension schemes. The law governs rights in the case of the transfer or insolvency of a company and also guarantees equality of treatment for men and women and ensures the rights of those working in two or more countries of the European Union.

Whilst allowing every business the freedom to decide whether or not to introduce a supplementary pension scheme, the law determines the rules to which each scheme must adhere, notably in terms of cover of commitments and members' rights.

As the law forms part of the global system of pension schemes including the private sector contributory scheme, special public sector schemes and supplementary pension schemes, and is designed to achieve the convergence of both benefits and contributions, the resources allocated to financing supplementary pensions are tax deductible in that they are designed to finance benefits below a certain threshold. Moreover, the law stipulates fiscal provisions which allow external and internal schemes to be dealt with in the same way.

2. Adjustment of the general pension insurance scheme

Periodic changes designed to benefit women in particular have been made to the general scheme. Thus provisions on the consideration of baby years have been relaxed. Baby years are the periods during which the State makes contributions to pension insurance schemes (maximum 48 months) on condition that the applicant has been a member of the scheme for at least 12 of the 36 months preceding the birth or adoption of the child in question.

Henceforth, parents can share the benefit of baby years and there is no longer a deadline for the submission of applications. In addition, the reference basis for the determination of the contributions to be paid by the State has been modified to make it more favourable to beneficiaries.

It is calculated on the basis of the average contributory income for the 12 months immediately prior to birth or adoption.

An optional supplement to the pension insurance scheme has been introduced. The conditions for taking out this voluntary insurance state that a person must:

- not be engaged in a professional activity or have reduced their professional activity on family ground;
- be resident in Luxembourg;
- have been a member of the Luxembourg pension insurance scheme for at least 12 months;
- be under 60 years of age;
- not be entitled to a personal pension;
- have passed a medical examination.

Henceforth, the legislation provides for the possibility of retroactive cover through the retroactive purchase of periods during which a person had given up or reduced their professional activity on family grounds. The eligibility conditions are the same as for the optional insurance scheme detailed above. There is also a provision for the reimbursement of contributions previously paid.

The method of determining the qualifying insurance periods for pension insurance has been improved to the advantage of part-time workers. In fact, hours of work under 64 hours a month not previously taken into account in determining the length of membership required for entitlement to a pension, are now brought forward and cumulated until the month in which they reach this threshold. This month then counts as one insurance month.

3. Financing sickness insurance

In order to balance the sickness insurance scheme budget imposed by law (system of distribution over one year which must balance), the general assembly of the Union of Sickness Funds (UCM) has adopted a number of measures designed to limit expenditure. In addition, the rate of contribution for healthcare has been increased from 5.14 % to 5.2 %. The rate applicable to cash benefits where no salary is paid has been increased from 4.2 % to 4.7 %.

There are seven expenditure-limiting measures. The first provision introduces a contribution of 5 % for outpatient interventions and services which were previously covered in full. However, this participation has a ceiling of LUF 260 (EUR 6.45) per session which is reached as soon as the medical fees reach LUF 5 195 (EUR 128.78) per session.

With the same idea in mind, the Union of Sickness Funds has also decided on a contribution of 20 % for certain speech therapies and a participation of 10 % towards the cost of spa treatments.

Still in the same vein, the daily contribution towards accommodation costs in case of hospitalisation in a clinic or occupational therapy centre rises from LUF 225 to LUF 365 per day (EUR 5.58 to EUR 9.05).

In terms of the cover of medications, the standard rate is reduced from the current 80 % to 78 %. Certain categories of medication previously reimbursed at a rate of 40 % (phlebotonics, no-tropic and anti-ischemic vasculoprotectors) are no longer covered.

The seventh and last measure is the increase in the period for renewal for spectacles from two to three years and restrictions to the current conditions of renewal in the case of a change of diopter which moves from 0.25 to 0.50.

The government also expressed its desire to play its part in the restructuring measures.

The solution chosen in the budgetary law effectively replaces the system for calculating the State contribution towards healthcare by the application of a fixed percentage on all contributions. The same calculation procedure for State contributions has been adopted for the financing of cash sickness benefits.

This modification brings the financing of sickness insurance into line with that of pensions insurance (contributory scheme), with the percentage specified for healthcare being fixed at 37 % (as against 33 % for pensions insurance).

In view of this solution, the State contribution towards the financing of healthcare will increase by approximately LUF 874 million (EUR 21 665 894) in 2000 in comparison with the previous calcula-

tion system. By setting the State contribution towards the financing of cash sickness benefits at 10 % of total contributions, the State has increased its contribution to the financing of the two cash benefit management systems by approximately LUF 50 million (EUR 1 239 468).

The solution chosen removes the anti-cyclical character of the current financing system by fixing the State's contribution towards the financing of healthcare.

In fact, as has been evident since the entry into force of the law on sickness and maternity insurance in 1994, under the old system if the economy or employment grew significantly and the contributory basis of insured persons in work increased faster than that of pensioners, the State's contribution towards the financing of the Union of Sickness Funds (UCM) dropped. During such a period of economic growth, income from the direct taxation of professional income also increased substantially. However, during an economic crisis resulting in a drop in the growth of contributory incomes to below that of the amount of pensions and in which, at the same time, State receipts from the direct taxation of professional income also stagnated, the increase in State contributions would be greater than the increase in contributions and contribution rates.

Even if the system were favourable to State finances during periods of growth, it would be subject to additional pressure in the case of an economic crisis during which the social situation might oblige the government to cover other social expenditure at a time when its financing potential was reduced.

The new solution has the advantage of no longer separating the calculation of the State's contribution into two parts, that for insured persons in work and that for insured persons in retirement, with the risk that the divergent development of these two parts exerts on the financing of healthcare and the State contribution. The State contribution will develop in parallel with the contributions paid by insured persons and employers and will be set immutably at 37 % of total contributions, whilst the contribution made by insured persons and employers will represent 63 % of total contributions.

4. Introduction of parental leave

The Law of 12 February 1999 on the implementation of the national action plan for employment introduced parental leave with a guarantee of re-employment. In order to ensure that this measure designed to support the family also has repercussions in terms of the fight against unemployment, it is linked to the idea that the employer will replace the worker on parental leave and that this will introduce a certain movement in the labour market.

Any person bringing up one or more children aged under five for whom family benefits are payable in their home can claim parental leave. The claiming parent must stop all professional activity completely or reduce it by at least half (part-time parental leave).

The length of parental leave is six months per child. In case of part-time parental leave the period is extended to 12 months. Each parent in work has an individual right to parental leave, but one of the parents must take their parental leave following maternity leave or settling-in leave. Part-time parental leave may, however, be shared between the two parents in order to guarantee permanent care of the child.

In addition, the claiming parent must, if he or she is not salaried, be engaged in self-employed activity at the time of the birth or adoption of the child and, if he or she is salaried, have been employed for at least one year prior to the start of parental leave with the same company based in Luxembourg (under a contract of employment with monthly working hours at least equal to half the normal number of working hours in the company).

Parental leave provides entitlement to a one-off cash benefit of LUF 61 861 (EUR 1 533.49) per month for each month of full-time leave and LUF 30 930 (EUR 766.737) for part-time leave. It is paid in monthly instalments throughout the period of parental leave.

The benefit is exempt from taxes and social contributions, except the contribution for healthcare and the dependants' contribution. The contribution for pensions insurance is paid by the State. The benefit is paid by the National Family Benefits Fund (CNPF) and is financed through the

employment fund (special income deducted from petrol products) and subsidised by the State budget.

Self-employed persons, civil servants and those in assimilated categories can also take parental leave.

5. Creation of leave on family grounds

In case of serious illness or accident of a child under 15 years of age, salaried workers are entitled to leave on family grounds of two days per year per child. Each parent in work is entitled to this leave which can also be extended if the child's illness or condition is very serious. The leave is granted on the basis of a medical certificate and is treated in the same way as a period of incapacity for work. The beneficiary therefore receives an allowance from the sickness fund which is determined in the same manner as sickness benefit (100 % of the previous salary) and which is subject to social charges and taxation. The benefit is paid entirely by the state.

6. Reform of the legislation on the guaranteed minimum income

Finally, a new law on the guaranteed minimum income has been passed but will not enter into force until 1st March 2000. The principal changes in relation to the previous legislation are:

- reduction of the age condition from 30 to 25 years;
- reduction of the length of residence condition from 10 years to five years in the last 20 years,
- simplification of the method of considering maintenance obligations;
- reinforcement of the aim of the national social action service in terms of the professional and social reintegration of beneficiaries capable of working;
- abolishment of the ban on a parent bringing up a child under six from attending professional integration courses (which constituted a poverty trap for women in particular).

One important change is the restructuring of the guaranteed minimum income which henceforth comprises two elements:

1. A guarantee of sufficient resources by granting a supplementary allowance designed to balance out the difference between the maxi-

imum guaranteed minimum income and the resources of a given household.

2. The application of measures stimulating professional and social integration with the payment of an integration allowance.

This reform of the guaranteed minimum income falls within the framework of the European policy on social protection, which aims to combat social exclusion amongst other problems. It is designed to transform social assistance policy into an active policy targeting integration through employment and calling upon the individual concerned to take up an activity. This law therefore moves away from the classic conception of social assistance designed primarily to provide minimum subsistence resources. It makes a distinction between those who are capable of work and those who are not and provides for specific, appropriate services, procedures and organisations for each category.

7. Family policy measures

An increase in family benefits of LUF 12 000 (EUR 297.47) per annum and per child with a parallel reduction in tax deductions for dependant children was implemented on 1 January 1999. When these two measures are taken together they become selective: in fact, all households benefit from an increase in family benefits, but this increase in the resources of households is progressively absorbed by the reduction in the moderation of taxation and households with incomes high enough to receive maximum moderation will find their available income unchanged.

The new family benefits payable with effect from 1 January 1999 are as follows:

LUF 5 371 (EUR 133.14) for 1 child;
LUF 13 102 (EUR 324.79) for 2 children;
LUF 24 459 (EUR 606.32) for 3 children;
LUF 35 808 (EUR 887.65) for 4 children.

On 1 August 1999 an indexed increase came into force. The amounts indicated have therefore increased by 2.5 % with effect from that date.

8. Exemption from work for pregnant women

Another legislative change in employment law has had an impact on social security law. This

change relates to the law on maternity protection for working women and results from the transposition into Luxembourg law of the European directive on this subject. It takes the form of a ban on working in risk posts defined by the law in question for pregnant women, nursing women and other new mothers. Where the employer is unable to transfer the woman in question to another post, she is exempted from work. Throughout the period of this exemption from work, she is entitled to a cash maternity benefit which is paid by the sickness insurance fund and funded from the State budget.

9. Financing family benefits

The State will henceforth finance contributions payable to the National Family Benefits Fund (CNPF) by the self-employed as is already the case for employers in the private sector.

10. Reorganisation of the monitoring commission

The law of 18 May 1999 modified the provisions on the operation of the monitoring commission. This commission is responsible for disputes between care providers and sickness and maternity or employment injury insurance establishments, on the one hand, and insured persons and care providers, on the other. The decisions of the monitoring commission are open to appeal before the relevant social jurisdiction.

The monitoring commission is also responsible for examining reports prepared by the medical control of social security (CMSS) in collaboration with the Joint Centre for Social Security (CCSS) on the activities of each doctor or dentist. These reports review the number, nature and cost of interventions carried out and prescriptions and invalidity certificates issued in order to identify failures to comply with standard medical practice (laid down by the agreements concluded between the sickness insurance fund and service provider) or any unjustified failure in the service provider's professional activities. If the monitoring commission deems that a failure to comply with standard medical practice or any other unjustified failure in the service provider's professional activity has occurred, it simply reports the facts of the case and refers it to the arbitration committee which will then rule.

In order to facilitate the preparation of the reports specified above, the aforementioned law provides the legal basis for the creation of a database of cases of incapacity for work of all insured persons.

11. Adjustment of benefits

With effect from 1 January 1999, certain social benefits have been increased by a linear rise of 1.3 %. The law has adjusted pensions and benefits in line with 1997 salary levels because a study on the development of the average level of salaries and treatments showed a progression of 1.3 % between 1995 and 1997. The adjustment factor (i.e. the calculation factor used to adjust the level of pensions in line with that of the development of salaries) was thus increased by 1.203 to 1.219. This adjustment of pensions and

accident allowances is the first joint adjustment for recipients of pensions and allowances in both the private and public sectors.

In order to maintain the difference previously existing between social security benefits and social assistance benefits, the various thresholds applicable to the guaranteed minimum income have been increased by the same percentage. With the same aim of maintaining the existing balance, the minimum social wage has also been increased by 1.3 %.

Moreover, in accordance with the automatic mechanism for indexing salaries and benefits to changes in the cost of living, an indexed increase came into force on 1 August 1999. Thus all social security benefits were increased by 2.5 % as of that date. ■

1. Priorities in social protection

Last year, unemployment in the Netherlands fell to below its level at the beginning of the 1980s. However, long-term unemployment is still a source of anxiety. Over half the jobless persons have been without work for more than 12 months. In order to prevent people, who have not succeeded in finding work by their own efforts, from joining the ranks of the long-term unemployed, a start was made in 1999 on the so-called 'comprehensive approach'. This approach, agreed within the European context, means that every new job-seeker will receive an offer of work or training within 12 months. In 1999, the cabinet set aside NLG 165 million for the comprehensive approach. The three responsible organisations — the National Institute for Social Insurance, the municipalities and the National Manpower Agency — can use this money to offer approximately 30 000 extra unemployed persons the chance to join a work or training scheme. In 2000, NLG 202 million will be available for the comprehensive approach, which will enable over 35 000 places in work or training schemes to be created. In 2003, 135 000 such places will have to be offered, through which the comprehensive approach will at last become reality. Apart from the contribution by the national government, financial support from the European Social Fund is also being used for this initiative.

The economic boom of the last few years has led to a large number of vacancies in both the public and private sectors. Throughout the Netherlands, employers have to make more and more efforts to find staff. Given the labour shortage there is a need to increase the participation in paid work, particularly by women. The government has put forward proposals that allow a better harmonisation of work and care. A 'work and care' act is on its way, with various sections. The first section is a conditional right for workers to a reduction or increase in working hours. A bundling of a range and expansion of the leave arrangements are also proposed, including a new right to a maximum of ten days' paid care leave

per year. Fiscal measures for the 'banking' of leave are also in sight.

People claiming social assistance have less chance of finding work than claimants under the Unemployment Insurance Act. To increase the chances of social assistance claimants finding work, inflow projects have been established and work experience places and day nursery facilities created. People who have little chance of going back to work immediately are put onto social activation programmes ⁽¹¹⁾. A considerable number of the participants in the experiments with social activation flow into (subsidised) work, voluntary work or education. To support the various joint ventures in this area, the Ministry of Social Affairs and Employment has set up a 'service point'. A new legislative proposal should ensure that the granting of incentives has no impact on income-dependent schemes. An examination will also be made of how municipal income support can be designed in such a way that more social assistance claimants return to work. To encourage the effectiveness of income support the municipalities will start exchanging 'best practices'.

The number of people unable to work due to disability is rising again after the fall in 1994–96. The number of disabled persons this year will amount to 904 000. This is expected to increase next year to 917 000 disabled persons. Through the ageing of the population, the chances of a person ending up by drawing benefits under the Disablement Benefits Act is increasing. The chances of leaving the Disablement Benefits Act scheme are not expected to change. Without further policy changes the number of persons claiming disability benefit will accordingly increase. In addition to the financial incentives for companies to reduce sick leave and disability as far as possible, extra measures are required to limit the growth in the number of disabled persons. These include better working conditions (prevention), more rapid reintegration of sick or partially disabled employees, and better and more timely disability assessments.

⁽¹¹⁾ Social activation programme offering socially useful unpaid activities for long-term benefit claimants with little or no prospect of a job. The aim is to offer them more of a perspective on the labour market and to prevent their social isolation.

2. Major developments in social protection

Decree on Broadening and Restricting the Scope of Persons Covered by the Dutch National Insurance System

This decree has been revised. The new decree will affect, among others, those persons residing in a country other than the Netherlands who receive a long-term Dutch statutory insurance benefit. As of 1 January 2000, these persons are no longer insured under the Dutch national insurance system. The same applies to people moving abroad who receive a long-term Dutch benefit. They no longer pay contributions and cannot claim benefit under the General Surviving Relatives Act (ANW), the General Child Benefits Act (AKW) or the General Act on Exceptional Medical Expenses (AWBZ). This consequently results in a higher net benefit. There are two exceptions with regard to the termination of compulsory insurance:

1. Persons entitled to a benefit, who are insured under the Compulsory Health Insurance Act (ZFW) and who reside in a Member State of the European Union, a country belonging to the European Economic Area (Norway, Iceland and Liechtenstein) or in a country with which the Netherlands has concluded a social security treaty (regulating entitlement to medical care at the expense of the Netherlands), remain insured under the General Act on Exceptional Medical Expenses (AWBZ) after 31 December 1999. (The countries with which the Netherlands has concluded a social security treaty are: Bosnia/Herzegovina, the Federal Republic of Yugoslavia, Cape Verde, Croatia, Slovenia, Tunisia, Turkey and the former Yugoslav republic of Macedonia.) As yet, the current treaty with Morocco does not regulate the provision of medical care for people who are residents of Morocco and who receive a Dutch benefit. However, an amendment to this treaty is currently being worked on. While Switzerland has already concluded such a treaty, it still has to be ratified by the Netherlands.
2. Benefits claimants receiving a child allowance up to 31 December 1999 will retain that entitlement until the youngest child — for whom child allowance is already being paid — becomes 18.

The (main) reason for this revision is that the government wants to return to the original objective of national insurance, i.e. that only residents of the Netherlands are insured under the Dutch national insurance system.

Because of the termination of compulsory insurance, persons receiving a general old-age pension are no longer insured under the General Surviving Relatives Act (ANW). This implies that the younger partner of the person already entitled to a pension will no longer be able to claim a dependant's pension on grounds of the General Surviving Relatives Act (ANW). However, the ANW can be continued voluntarily after the compulsory insurance has terminated. At present this is only possible if a person is also voluntarily insured for the General Old-Age Pension Act (AOW). However, when a person reaches the age of 65, he or she is already entitled to AOW and consequently does not have that option. Voluntary insurance regulations will therefore be amended in such a way that one will be able to choose between either insurance for the ANW or for AOW. In addition, the option to continue both AOW and ANW insurance voluntarily will be left intact.

3. Organisation of the administration of the employee insurance schemes

The employee insurance schemes are implemented by the National Institute for Social Insurance. This institute is responsible for management, and has to contract out the implementation to private implementing bodies. There are in total five private implementing bodies. The government wants to merge these five bodies into one public body: the Implementation Institute for Employee Insurance. This public body would collect contributions, carry out medical examinations and grant benefits. Special commercial reintegration companies (such as temporary employment services), which work by order of employers and employees, would be responsible for helping disabled or unemployed persons back to work. The Implementation Institute for Employee Insurance should hand out orders to the reintegration companies in case the disabled or unemployed person does not have a relationship with an employer. Social partners will gain control over the allocation under the Unemployment Benefits Act (WW) and the Disablement Benefits Act (WAO) contributions by means of a coordinating supervisory board. ■

In 1999, social security was subject to several changes, most important were the following measures:

- measure to give parents an opportunity to choose between different alternatives of childcare and spend more time with their small children;
- measure to substantially increase the minimum level in the public pension scheme;
- measure allowing the National Insurance Board to purchase health services (surgery) for employees with certain diseases.

1. Family benefits

One of the main political priorities in this period were families with children. A new cash benefit scheme was introduced on 1 August 1998 for families with small children. The benefit is neither means-tested nor subject to taxation. The most important conditions for the entitlement to benefit are that the child is aged less than two years and not accommodated in a day-care centre which is subsidised by the State. If the child, according to agreement, stays in the day-care centre less than 30 hours weekly, the family is entitled to a reduced cash benefit. From 1 January 1999, the scheme was extended to include families with children aged less than three years.

The benefit scheme for single parents has been restructured from 1 January 1998 in order to give single parents with small children a better financial situation and to encourage them to participate in the labour market after a transition period. The transitional benefit was increased, and the transitional period during which cash benefits were paid was reduced.

2. Minimum pension

From 1 May 1998, the minimum pension amount increased by NOK 1 000 per month. The minimum pension for single pensioners now amounts to NOK 84 204 per annum. Persons receiving only a minimum pension are exempted from income tax.

3. Measures to purchase health services (surgery) and changes in the sickness cash benefit scheme

During 1999, the arrangement which allows the National Insurance Board to purchase health services for employees incapable of working due to illness was extended and made available in all counties. The objective of this measure is to reduce the waiting period for surgery, and hence contribute to a faster return to work. Because this measure reduces the waiting period it also contributes to lower sickness benefit expenses.

The employer pays cash sickness benefit for up to 16 days (employer period). Prior to 1 April 1998, this period was 14 days. From 1 January 1999, the minimum earnings for entitlement to sickness benefits from the national insurance scheme increased from one half of the basic amount (NOK 23 475) to one and a quarter (NOK 58 687) of the basic amount. As a result of the experiences with the higher limit, the amount has now been reduced to the original limit of half the basic amount as of 1 May 2000.

4. Important studies within the national insurance scheme

In 1998, two official reports dealing with pension policy issues were submitted: NOU 1998:10 'Funding the national insurance scheme?' and NOU 1998:19 'Flexible retirement'. The challenges discussed in the two reports involve demographic changes, where an increasing share of elderly in the population are receiving higher average pension benefits. This will cause an increasing dependency ratio over the next decades. This problem is compounded by the growing trend towards early retirement.

The government will continue its work on these important pension policy issues during the period prior to the long-term programme 2002–05, which will be submitted in early 2001.

The Norwegian Government has appointed a commission including members from the largest

employers and employees organisations, ministries and scientists to propose measures to reduce sickness absence and the number of persons receiving disability pension. A significant increase in the cash benefit and disability pension expenditure during recent years motivated this move. The commission should

investigate possible reasons for this development. Further, the commission has been asked to evaluate reforms and actions, previously taken, to reduce the duration of absence and early retirement due to disability. The commission's report is expected to be submitted in June 2000. ■

1. Social insurance

Further advances in pensions' reform

The large reform package in the social insurance scheme ('Pensions' Concept 2000') was reported on here in the course of 1998⁽¹²⁾, some of its measures being also relevant to the current reporting period. In concrete terms, the following changes within this package of measures have come into effect on 1 January 2000.

The minimum contribution basis (contributions are to be paid from this, even if the actual income is below this amount) was again raised from ATS 6 003 to ATS 6 804 in the agricultural social insurance scheme (*Bäuerliche Sozialversicherung* — BSVG).

The assessment basis for periods of child raising was also significantly raised from ATS 6 685 to ATS 8 312, increasing the 'supplement' to the pension for periods of raising children considerably.

A more transparent calculation method relating to the increase points was introduced into the pensions' insurance scheme for benefits on old age:

- two increase points are earned per year of insurance;
- two increase points are deducted from the increase points earned for a date of commencement of pension prior to the regulation age (women 60/men 65);

However, only 15 % of the pension, or 10 increase points, at the most can be deducted.

- (a) 2 % increase points per annum at the regulation ages of 65/60 means:
- after 40 years at 60/65: 80 % of the assessment basis;
 - after 35 years at 60/65: 70 % of the assessment basis.
- (b) The deductions in the case of an early pension mean:
- after 45 years of insurance at 55/60: 80;
 - after 40 years of insurance at 55/60: 70;
 - after 35 years of insurance at 55/60: 60 %.

- (c) The highest possible pension in the social insurance scheme cannot exceed 80 % of the highest individual assessment basis.

An adjustment of the benefits for invalidity to the new calculation method will occur on 1 January 2001, the following protection regulation being relevant: there will be a comparable calculation on the basis of 1.8 increase points without reduction, limited, however, to 60 % of the highest individual assessment basis. The more favourable benefit rate is awarded.

Introduction of a chip card

The legal basis for the introduction of a chip card was created on 20 August 1999, which is gradually to replace the previous health insurance certificate. The advantages are that the insured persons will get simpler access to medical assistance with full data protection and the employer and insurance authorities, who previously had to issue the health insurance certificates, are relieved of this. The doctors can use the system for patient administration and accounting. The Principal Association of Austrian Social Insurance Authorities (the umbrella organisation) has been legally empowered to set up the structure necessary for the implementation of this project.

Easier access to health insurance

The possibility of a strongly favourable self-insurance scheme with regard to the payment of contributions has been introduced from 23 July 1999 for divorcees who have no entitlement to emergency assistance because of their maintenance and who therefore would lose their protection under the health insurance scheme.

In-vitro fertilisation

From a systematic point of view, this new benefit introduced from 1 January 2000 is not a social insurance scheme benefit, as it is not linked in particular to the risk of illness and maternity. Each couple is entitled to four attempts at in-vitro fertilisation, whereby the woman is below the age of 40, and the man the age of 50. Benefit en-

⁽¹²⁾ See Missoc-Info 2/1999.

titlement is in the main linked to existing health insurance protection. A specific fund has been set up to finance this benefit, which is funded at 50 % from the health insurance scheme and at 50 % from the family compensation funds.

Social insurance scheme for the self-employed

From 1 January 2000, doctors, dentists, chemists, vets, patent agents, financial trustees, civil engineers, notaries and solicitors have been included in the industrial health insurance scheme within the framework of cover for all those in gainful employment by the social insurance scheme. However the representative bodies of these independent occupations have been given the right to be excluded from this health insurance, if there is an alternative insurance with benefits which are at least practically similar to the statutory ones. All the representative bodies, with the exception of dentists, have taken advantage of this opting-out.

On 1 January 2000, the general subsidiarity in the health insurance scheme for those running businesses, farmers and civil servants was removed, so that this insurance liability kicked in, in any event. Previously, for example, a person with a secondary-farming job, who was already insured for sickness as an employee, was exempted from the agricultural health insurance scheme. Now there is dual insurance liability.

From 1 January 2000, in the industrial health insurance scheme, the children have been excluded from the participation in the costs for benefits-in-kind in the case of illness. This new rule concerns, in the main, medical assistance, substitute remedies, and medication (institutional care was already exempt from costs' participation).

Business set-up promotion

From 1 May 1999, the establishing of new businesses has been promoted in a corresponding package of measures by the relinquishment of certain charges and contributions subject to a time limit. For the social insurance scheme, the exemption of employers from the residential building requirement contribution (0.5 %) and injuries

insurance contribution (1.4 %) is important. This promotion is valid, in arrears, for all businesses set up from 1 May 1999 to 31 December 2002.

2. Unemployment insurance

A part-time allowance for older people was introduced from 1 January 2000 through a package of measures for older workers, which improves the rules for further training benefits, creates protection of the previously higher assessment basis for the older unemployed, and makes the sliding pension more attractive⁽¹³⁾. The following measures should be referred to in particular.

From 1 January 2000 (limited to 31 December 2001), part-time work for the older person is being promoted with allowances, in order to enable the continued employment of older employees in sectors with above average rates of unemployment. An allowance is awarded for female employees from the age of 52 and for a male employee from the age of 57, for a maximum of three years, if normal working hours are reduced by up to 50 %.

- The salary from the employer is built up to the highest contribution basis to a minimum of 75 % of the previous salary;
- the pensions' and health insurance contributions are paid on the basis of the previous assessment basis;
- processing at the amount of the most recent earned income is assured prior to the reduction in the working hours.

The most recent salary is used as an assessment basis in the health and pensions' insurance schemes (100 %), for all other contributions (injuries, unemployment insurance, etc.) the reduced salary is counted (75 %).

3. Family benefits

As already reported here on 1 January 1999, on the 'Family package 1998', the family allowance was again increased as of 1 January 2000 and at the same time a sibling element introduced. In addition to this, for the third and any additional children, there is a monthly multiple child supplement if the family income is below a certain level. ■

⁽¹³⁾ This package of measures has already been set out in the publication inforMISEP No. 67/ 68.

Various changes were introduced within the context of the reform of the social security system during 1999, although it proved impossible to secure parliamentary approval for the draft framework law which was re-submitted by the government returned in the October elections together with the changes resulting from the discussions held within the relevant parliamentary commission.

As a result, measures allowing a degree of flexibility in the age of entitlement to the old-age pension before or after the age of 65 were approved, giving the flexibility described below.

In order for workers to be entitled to draw an early old-age pension, they must be able to show a period of membership of 15 years, be aged under 55 and prove a period of 30 years with registered pay. A reduction in the amount of the early pension is applied for each year by which it is taken early. However, these workers may continue to contribute to the social security system in order to increase their pensions.

Moreover, workers applying for an old-age pension after the age of 65 having completed a period of membership of 40 years with registered pay are entitled to a pension subsidy.

The legal system covering unemployment protection has also undergone several changes. The principal innovation relates to the creation of a partial unemployment benefit which can be cumulated with a part-time job.

Other important changes relate to the increase in length of the periods for which benefits are paid, which have been increased on the basis of the beneficiary's contributory period, and to the introduction of new conditions on bringing forward the age of entitlement to the old-age pension for the long-term unemployed. These take into account the approved measures relating to the flexibility of the age of retirement.

Thus, unemployed people aged 55 who have come to the end of the period of receipt of unemployment benefit can claim the retirement pension at 60 years of age if they have cumulatively fulfilled the membership conditions required.

If an unemployed person is at least 50 years of age, he/she can apply for an early retirement pension but in addition to the membership condition he/she must also prove a contributory period of at least 20 years with registered contributions. The pension granted under these terms is reduced accordingly.

Another unemployment protection measure introduced relates to the establishment of an exemption from payment of contributions for employers who recruit unemployed people to replace their own workers whilst undergoing vocational training.

In terms of employment injury protection, also worthy of note is the creation of the Employment Injury Fund (FAT). The Steering Commission of the Employment Injury Fund (FAT) includes a representative of employment injury victims and a representative of workers' organisations. The Employment Injury Fund (FAT) is responsible for the payment of benefits where the competent insurance company is financially incapacitated.

Protection against the risk of employment injury has become mandatory for all self-employed workers.

In terms of family benefits, the completion of a period of work as a condition of entitlement has been abolished. The law now establishes as the only condition that pay must be registered in the name of the worker, with one days' work being sufficient to gain entitlement to benefits.

A new benefit has been created for dependant invalidity, old-age and surviving pensioners. This benefit, which is based on the level of dependence, replaces the allowance for assistance from a third party. Only two levels of dependence are provided for, although at the end of the first year of application of the law, adjustments can be made — notably at intermediary levels — to ensure a better adaptation to the aims of protection against this risk.

Finally, there was the creation of the Social Security Capitalisation Fund Management Institute (IGFCSS), the purpose of which is to manage the capitalisation funds designed to finance the social security system and other welfare systems. ■

No major social security changes took place in 1999. This was due to the fact that general elections were held in March 1999, and the new government had to focus primarily on the EU Presidency that Finland held in the second half of 1999. The same coalition that formed the former government remained in power, and the main policy guidelines have remained unchanged. The government programme stresses the need to continue economic, labour market and social policies that promote employment, permit stable State finances, enhance equality in working life and society, promote lifelong learning and longer working careers and fight social exclusion. In social policy, a special focus was set on active social measures and social security structures that encourage working and sustainable financing of benefits. In this context, legislation on healthcare, social fees and early retirement was passed in 1999. This new regulation will be in force from 2000.

1. Social protection expenditure in 1999

The general economic trends remained very favourable throughout 1999. In 1999, social expenditure is estimated to have reached FIM 190 billion, i.e. 26.5 % of GDP (compared to 27.3 % in 1998). Healthcare expenditure continues to rise but is still less than it was before the recession.

As of 1 January 1999, index increases in employment pensions have been 2.3 % (pensions before the age 65) or 1.6 % (old-age pensions after 65 years). For national pensions the index increase amounted to 1.3 %. In addition, pensioners' care allowance, childcare allowance and general care allowance were correspondingly indexed at 1.3 %.

Long-term unemployment of aged persons remains a serious problem. The unemployment rate in 1999 was 10.2 %. In 1999, the unemployment basic daily allowance was raised from FIM 120 to FIM 121. The average daily earnings-related allowance paid amounted to FIM 217.8 per day.

2. Unemployment protection

Financing of unemployment insurance

The financing of unemployment insurance benefits was revised as of 1 January 1999. The aim was to clarify financial responsibility, stabilise premium levels and give the opportunity to create a buffer fund.

In the new structure, the State finances basic coverage whereas the earnings-related part is financed through contributions by both the employer and the employee. Thus the State finances labour market support in full and is also responsible for the financing of basic unemployment allowances that are paid to persons who qualify for unemployment insurance but are not members of unemployment funds.

The earnings-related unemployment allowance is paid by unemployment funds. Here the State pays that part of the benefit corresponding to the basic allowance. The earnings-related part is financed by both employers and employees. However, the State does not take any part in financing child increases or allowances that are paid to persons temporarily laid off or to the long-term unemployed (aged over 57 years), who are entitled to additional payment days after the normal maximum period of 500 days. (In the earlier system the State paid a given percentage of the total cost.) The central institution, the Unemployment Insurance Foundation, receives payments from unemployment funds and from the employer's and employee's contributions. The unemployment funds are directly responsible for 5.5 % of the total cost (financed by membership fees) and the remaining part is covered by the compulsory unemployment insurance contributions paid by both employers and employees.

The revised legislation gave the employees' premium that had been collected on a one-year basis since 1994 a permanent status. All employees have to pay the premium. However, the part of the premium income that corresponds to those employees that are not members of unemployment funds, is used to finance the basic unemployment allowances. This correspondingly lowers the State's contribution.

The level of annual premiums is set by the Ministry of Social Affairs and Health which acts by request of the Unemployment Insurance

Foundation. The agreement reached also indicates that, at the beginning, the premium levels can be higher than needed for the actual costs in order to create a buffer fund. This helps to stabilise the premium level in the long run. The buffer fund is targeted to cover costs for one year so in case of a sudden worsening of the employment situation the premium level does not have to be raised sharply right away. This happened at the beginning of the 1990s under the old system when Finland was hit by recession. The estimated target level of the fund is FIM 3 billion.

The intention is that giving to both, the employers and employees, the sole responsibility for financing the daily allowances paid to persons laid-off or entitled to additional payment days, will raise the threshold against the use of unemployment insurance in those cases and thus help reducing early withdrawal from the labour market.

Improved supervision

A new benefit register was created to strengthen the supervision of unemployment benefits. In the new register, the Ministry of Social Affairs and Health will collect data on recipients of unemployment benefits and data needed for the granting and payment of benefits. Comparison with data from the tax authorities will be possible. To fight misuse, the Ministry of Social Affairs and the Ministry of Labour have published new guidelines for the unemployment funds and labour market authorities. Intention is to create more uniform practices and better cooperation between the different authorities.

Promoting education and short-term or part-time work

To promote re-education of unemployed persons, the time spent for professional training that is arranged by labour authorities will no longer be taken into account when determining the maximum number of days during which the unemployment benefit can be paid.

In order to support the take-up of short-term or part-time work, a reduced unemployment benefit can be paid. The payable benefit is the full daily allowance reduced by the amount of the received salary. The maximum payment period

equals 150 full payment days. Due to high unemployment this restriction has, however, been abolished since 1995 and was also extended into 1999. The restriction, although somewhat loosened, will enter into force again as of January 2000.

3. Fees for healthcare and social services

Healthcare services and social services are provided by the local authorities and mainly financed by local taxes. To strengthen the financial situation of municipalities and provide better incentives for a good and effective service provision as well as the proper use of services, the fees that the municipalities are allowed to collect were raised. At the same time an annual total maximum for some services was introduced. The changes entered into force on 1 January 2000.

Annual maximum

For several years, there have been discussions about the need to introduce an annual ceiling for patient fees in municipal healthcare. As of 1 January 2000, a ceiling of FIM 3 500 per annum will be applied. When the sum of paid fees exceeds the ceiling, the patient will receive outpatient care, basically free of charge. However, the patient can be charged FIM 70 per day in inpatient short-term care after reaching the ceiling. When calculating the annual maximum for example, fees for doctor's visits, day surgery and short-term fees for inpatient care in healthcare centres and institutional care of social services are taken into account.

The ceiling will serve most of those patients who have been in inpatient short-term care for three weeks or longer per year. The number of such persons is estimated to be about 100 000.

For patients in long-term care the fee is based on the patient's individual income. The fee amounts to 80 % of the patient's net income, though at least FIM 450 per month must be left for personal use.

In some cases the financial situation of the remaining spouse has been seriously weakened. The new legislation that entered into force in September 1999 obliges municipalities to take account of the total financial situation of spouses and children, who are economically dependent

on the patient, when the long-term care fee is fixed.

For medicine reimbursement from the sickness insurance, a similar ceiling (FIM 3 283 in 1999) has been in use since 1986. When the patient's costs for medicines in one year rise above the ceiling, all costs are reimbursed.

Municipality fees for social and healthcare services

In order to improve the financial situation of the municipalities, some fees in healthcare will be increased in 2000. The most important change is the raise in day surgery fees from FIM 250 to FIM 400 per day. Other fees for healthcare will generally be raised by 20 % on average.

Children's day care fees in the highest income group will be raised by 10 % and some other small adjustments that slightly increase the overall annual fee will be made.

4. Reforms to reduce early retirement

Promoting longer working careers and reducing early retirement remains a key target. In 1999, an agreement between the social partners and the government was reached that will lower incentives for early retirement and increase measures aiming at rehabilitation, retraining and re-employment. The new legislation will come into force on 1 January 2000.

The agreed changes are as follows:

Unemployment pensions will no longer be credited with additional accrual time (from the date of unemployment to normal retirement age). This will reduce unemployment pension amounts for new pensions by around 4 %. The same reduction will apply if the unemployed person becomes disabled and is granted a disability pension. It will, however, not affect survivors' pensions or old-age pensions.

The minimum age for individual early retirement pension will be raised from 58 to 60 years. However, those born before 1944 can still retire from the age of 58. To make rehabilitation more effective, the pension institutions are obliged to carry out a rehabilitation assessment for all those aged

58 or more years who apply for disability pension. The part-time pension age limit was lowered to 56 years in 1999. This was extended until the end of 2002.

To promote re-employment of persons older than 55 years, the temporary law providing for a safeguarded old-age pension amount — based on the former salary level if the person takes up lower paid jobs or temporary jobs — was made permanent.

The actual coefficients used in calculating early old-age pensions or postponed pensions were adjusted to fit new mortality tables.

In order to create incentives for employers to further keep and employ older workers, the employers' direct financial share for unemployment pensions and disability pensions were modified. According to the new legislation, the employer is at most responsible for 80 % of the actual value of a pension granted. (This applies only to companies with more than 50 employees and the share increase with the size of the firm being the full 80 % for companies with more than 1 000 employees. The rest is financed by a joint average premium.) This means an increase for unemployment pensions (former maximum of 50 %) but a decrease for disability pensions (former maximum of 100 %).

5. Financing social security

Social insurance is financed by contributions paid by the employers and insured persons as well as by general revenue. No major changes in the financing principles took place in 1999. Even the contribution levels remained almost constant, still aiming at maintaining or reducing the overall level of contributions levied on salaries. From the year 2000, the unemployment premiums and sickness insurance premiums for pensioners have been lowered.

6. Euro

The changes that are necessary in the fields of social security legislation, data programs and registers were studied in 1999, and the government fixed the basic guidelines that should be used in the social security legislation. The basic principle is that amounts given in FIM will be converted into euro using the conversion rate and ex-

Contribution rates in social security schemes 1998–2000

Scheme	1998	1999	2000
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)	16.80	16.80	16.80
Unemployment insurance (payroll max FIM 5 billion/exceeding part)	0.90/3.90	0.90/3.85	0.90/3.45
Employees/insured			
Sickness insurance (% taxable income)	1.50	1.50	1.50
increase for income > FIM 80°000/year	0.45		
increase for pension	2.70	2.40	1.70
Employment pension (% salary)	4.70	4.70	4.70
Unemployment insurance (% salary)	1.40	1.35	1.00

pressed with two digits. Most of the required legislation will be presented to Parliament in 2001.

7. Other

A new social and healthcare planning system came into effect in 2000. A four-year programme called 'Social and healthcare target and action programme' will be in effect from 2000 to 2003. It defines the main objectives for social and healthcare services for the entire period. The targets and instructions given by the government do not bind the municipalities; moreover, practical implementation depends on decisions taken by each municipality. The government has committed itself to carrying out the targets set in the programme in its own work. One of the priorities of the programme is to promote independent living of older people and persons with disabilities. Emphasis is set on preventing social problems and thus inhibiting social exclusion.

The programme seeks to strengthen mental health work. The financing and payment arrangements will be developed to favour open care services.

In 1999, the Act on Electronic Service in the Administration was passed. In force as of 1 January 2000, the act establishes legislative grounds for electronic services and targets rapidity in the services provided by the administration. According to the new law, any authority in possession of the necessary technical, financial and other resources should offer to the public the option of sending a message to a designated electronic address so as to submit or process requests. The legislation applies to electronic service also when someone other than a public authority is handling an administrative matter. Accordingly, social security institutions are in the process of making the arrangements necessary for electronic service. ■

1. Parental benefits

For many years Sweden has expanded and adapted the support provided for families and children, according to general needs. One of the best ways to economically support a family with children is to give both parents the possibility of gainful employment. The parents' income is the foundation of the family's economy. The majority of families with children in Sweden have two incomes. It is therefore very important to develop benefits that encourage work and make it possible to combine professional and family life.

Recently there has been a decline in the Swedish birth rate. Women who are unemployed or studying tend to delay the birth of their first child. New statistics also show that women are hesitating to have a second or third child. Now that Sweden has moved beyond a deep economic recession, certain levels of social insurance benefits and child benefits could be increased due to the economic stabilisation. The government has proposed that the child benefits should be raised and the supplements for large families correspondingly. The government has also proposed a maximum fee for child day-care in order to reduce the economic marginal effects of parents working outside the home.

2. Sickness benefits and rehabilitation

As a result of rapidly increasing absence from work caused by illness, the costs for sickness insurance have increased correspondingly. This situation is expected to last for another couple of years. Therefore, the analysis of why those costs are increasing have to be deepened and proposals aimed at diminishing sickness absence and reducing insurance costs have to be made. As a result, the government has decided to appoint a special investigator whose mission is to carry out the analysis and identify as far as possible direct and indirect factors that are crucial to the development of costs within sickness insurance. The investigator should also clarify the connection between sickness insurance and the disability pension system. The guiding principle for this task is to ensure that sickness insurance is safe, fair and effective. A national insurance which gives a safe economic standard, through

means-tested benefits and which is financially stable should ensure this objective.

The government considers the present situation on the rehabilitation field insufficient. Resources aimed at rehabilitation must be used in a more effective way for both the individual and society. In this field, the government has also appointed a special investigator to look at occupational rehabilitation. An important part of his task is to make a survey of the rehabilitation process and identify the roles played by the different participants in this process, determine the goals of the activities and the level of cost efficiency.

3. Pensions

Previous reports have described principal changes in the old-age pension system in Sweden. Parliament took its decisions regarding the new system in June 1998. The decision was based on an agreement between the five political parties which constitute a stable majority. New rules came into effect on 1 January 1999, and the first benefits from the new system will be paid in 2001.

The implementing work of the reformed old-age pension system continues. In 1999, the five political parties behind the reform made an agreement on its remaining parts. These parts are mainly technical and deal with how money from the AP fund should be transferred to the State budget, how economic deficits and surpluses should be balanced, the right to remain in the working force up to the age of 67, exchange of contributions, the organisation of the AP funds and the rules of investment.

At present, the existing rules for people born before 1938 are being adjusted; those people are only marginally included in the new system. The proposal is that a transitional guarantee pension should replace the present basic pension consisting of a national basic pension, pension supplement and special tax deduction for pensioners. Housing supplements for pensioners and survivor's pensions will also be adjusted to the new old-age pension system. Bills concerning those matters are expected in Parliament during 2000.

As a result of the reformed old-age pension system, the disability pension system is also undergoing reforms. The objective is to link the disability pension system closer to sickness insurance. The objective is to prevent a person who has been incapable of working over a long period to lose contact with the labour market. The future possibilities of returning to work and pursuing an active life are also supposed to improve through a strengthened link to the sickness insurance. As a first step, a system with a so-called dormant disability pension has been introduced. Under the new rules, a person with a disability pension gets an opportunity to try working again for one year, without losing his/her right to a disability pension. Pension can be paid out while working for at most three months. The disability pension could be dormant for another two years while the person is gainfully employed.

A special question regarding the disability pensions is how the system for young people who, due to medical reasons, cannot be gainfully employed, should be structured in the future. A special report on this subject has been compiled. The proposal is that nobody should receive a disability pension before the age of 30. The government is preparing a bill on this issue for parliament during 2000.

4. Law on social security

The parliament has also decided on a new law on social security. This law mainly aims at defining when and for whom the different branches of the social security system are applicable. The new law, which comes into effect on 1 January

2001, divides this insurance into two parts: one residence-based and one work-related part. Only one insurance condition will be applicable for each branch of the insurance, either residence in Sweden or work in Sweden.

5. Unemployment

Although unemployment in Sweden decreased during the last year in a very evident way, the rate is still rather high compared with the Swedish experience. Different measures were applied to take care of the situation. A special commission has been working with problems connected to part-time unemployment. The commission proposed a special supplement that should be paid to an unemployed person for the maximum period of 52 weeks and after that, efforts will be strengthened to stop the unemployment situation.

Further, a special working group has proposed to abolish existing rules stating that the period in which a person participates in special labour market measures qualifies him/her for a new period with unemployment benefits. Instead of that, a place on a transitional labour market is offered to the unemployed person in order to help him/her return into employment. Improved plans of action will define the obligations for the unemployed persons as well as for the labour market authorities to considerably reduce unemployment. The intention is to develop incentives to return to work through increased compensation levels at the beginning of unemployment for active job-seekers. ■

1. Introduction

The government is committed to reforming and modernising the social security system in a coherent and principled way which promotes fairness and opportunity. The priorities for reform are:

Prevention and active management: the system of welfare in the UK is too often passive. In the future it will have to do more to prevent problems occurring. It must be active, creating opportunities and incentives to help people into work while at the same time providing security for those incapable of working.

Public, private and voluntary sectors must work in partnership.

Resources must be directed to the best possible effect, in support of the government's objectives.

2. Welfare reform

The Welfare Reform and Pensions Act 1999 received Royal Assent on 11 November 1999. The act contains a range of measures relating to social security benefits and pensions. It introduces reforms in four key areas:

- pensions;
- bereavement benefits;
- measures to keep people in touch with the labour market;
- incapacity and disability benefits.

The main measures of the act are:

- a single work-focused gateway (which was renamed 'ONE') to the benefit system for all those of working age — this means that all new claimants will have a work-focused interview before claiming benefit;
- reforms to modernise provision for people with disabilities or long-term illnesses;
- the creation of stakeholder pension schemes;
- modernising benefits for widows and widowers;
- pension sharing for divorced couples.

Detailed information on each of these measures is shown below.

3. Financing

The Contributions Agency and responsibility for national insurance contributions (NIC) was transferred to the Inland Revenue in April 1999. The aims of the transfer were to:

- reduce the burden on business and individuals so they can sort out their tax and contributions through a single organisation;
- give businesses and other representative bodies one focus for discussion about improvements to legislation, procedures and guidance for tax and national insurance;
- enable the new organisation to combine their efforts on customer service;
- enable an independent right of appeal on national insurance to the general or special commissioners. As the same issues normally arise for tax and NICs this will remove the need for two separate appeals processes.

The transfer does not affect the link between the payment of national insurance contributions and entitlement to contributory benefits. Following the transfer, the Department of Social Security and Inland Revenue continue to work together on areas of common interest.

4. Maternity

The Welfare Reform and Pensions Act 1999 extends maternity allowance so that women earning below the lower earnings limit for national insurance contributions, but earning at least GBP 30 a week would become entitled to the benefit. The reform applies to women expecting babies on or after 20 August 2000 and around 16 000 more women will get maternity benefit for the first time.

5. Invalidity

The Welfare Reform and Pensions Act 1999 contained measures which will amend the national insurance contribution conditions for new claims and provide for some account to be taken of occupational and personal pensions when determining entitlement to incapacity benefit. The act also makes provision for the 'all work test' to be replaced by a new personal capability

assessment. The new assessment will provide information about a person's capabilities as well as the degree of their incapacity and that information can be used by them and their personal adviser to help plan a possible route to greater independence.

The act provides for the abolition of the severe disablement allowance (a non-contributory benefit for people who have not paid sufficient national insurance contributions to qualify for the contributory incapacity benefit). Those disabled early in life and who claim benefit before the age of 20 (or 25 if a higher education student or trainee) will be allowed access to incapacity benefit without having to satisfy the incapacity benefit contribution conditions. Existing severe disablement allowance claimants will continue to receive the benefit. Recipients aged under 20 at the point of change will become entitled to long-term incapacity benefit a year later.

A new disability income guarantee will be introduced which will give single, severely disabled recipients a guaranteed income.

It is intended that those claiming incapacity benefits will be required to take part in a ONE personal advisor interview, to ensure that they receive help to plan a route back to work and get the benefits to which they are entitled (see Section 9 below).

6. Old-age pensions

A Green Paper on Pensions was published on 15 December 1998.

A new system of old-age pensions will provide a public-private partnership, building on the best features of State and private provision. The basic State retirement pension is to stay, and it will not be means-tested.

All eligible pensioners are guaranteed a minimum income in retirement through the minimum income guarantee (MIG). From April 1999 this was GBP 75 a week for single pensioners and GBP 116.60 for couples, with increased amounts for older pensioners. The minimum income guarantee will be increased in line with earnings during the lifetime of this parliament. In the longer term, the government's policy is to increase the MIG in line

with prices as resources permit. From April 2000, pensioners can expect to receive GBP 78 as a single pensioner and GBP 121 a week as a pensioner couple.

The State earnings-related pension scheme (SERPS) will be reformed through the introduction of a new State second pension. It will cut the numbers who need to rely on the minimum income guarantee. In stage 1, there will be a dramatic boost for those earning below GBP 9 500 a year by more than doubling the value of the second pension. There will be more help for those earning between GBP 9 500 and GBP 21 600 through higher rebates. In stage 2, when stakeholder pensions have established themselves, the State second pension will become flat rate. The aim is for middle and high earners to have private-funded pension schemes.

The new scheme will also credit carers, some disabled people with broken work records and mothers with young children into the new second State pension. They will receive flat-rate credits for the new pension. Legislation is currently before parliament to provide for the introduction of stage 1 of the State second pension in April 2002.

Stakeholder pensions

The Welfare Reform and Pensions Act 1999 sets standards for flexible, secure, low-cost stakeholder pensions schemes. These will be open to everyone, including the self-employed, and targeted at people earning GBP 9 500 to GBP 21 600 a year and who are not in an occupational pension scheme. The introduction of stakeholder pensions is planned for April 2000.

Pension sharing on divorce

The Welfare Reform and Pensions Act contains provisions on pension sharing which are designed to allow couples to reach a fairer financial settlement on divorce or nullity of marriage and will:

- allow pension rights to be treated like other assets and the whole, or a proportion of their value, to be transferred from one spouse to the other as part of the financial settlement;
- not be compulsory — it will still be possible to offset pension rights against other assets or to use the current earmarking and attachment arrangements.

In the light of comments made during the consultation process, pension sharing will be available only to those who begin divorce proceedings or nullity after the legislation has been brought into force. The act includes changes to improve the current legislation on attachment and earmarking.

Other measures

In future, an annual pension statement will be issued to everyone. The aim is to provide clear and reliable information which will allow people to make informed choices about their pension.

Free TV licences will be available to those aged 75 and over. Over 3 million households will benefit from this measure in autumn 2000. In addition, all pensioners will benefit from free eye tests and concessionary travel.

There is also an annual winter fuel payment of GBP 100 for all eligible pensioner households which will be a permanent feature of the benefit system from next winter.

The Department of Social Security is piloting ways of ensuring that the poorest pensioners get the money to which they are entitled. There are nine projects across the country using modern technology and personal advisors to assist pensioners in making claims. The results from these pilot areas are currently being evaluated.

7. Survivors

The Welfare Reform and Pensions Act contains provisions for the replacement of the existing widows' benefits with bereavement benefits which will be available to both men and women. Bereavement payment — a lump sum of GBP 2 000 — will be paid to widows and widowers who satisfy the qualifying conditions. Widowed parent's allowance will be payable to widowed mothers and fathers until the youngest child ceases full-time further education. Widows and widowers aged 45 and over without any dependent children may receive a weekly bereavement allowance for twelve months following bereavement.

These benefits will be introduced from April 2001.

8. Family benefits

Working families

From October 1999, family credit (a cash benefit) was replaced by the working families tax credit (WFTC). The WFTC is payable as a 'tax credit' and will provide GBP 5 billion a year of help to 1.4 million working families. It is administered by the Inland Revenue, and from April 2000 it will be payable through the employee's wages. Until then, it will be payable as a weekly benefit.

The WFTC is aimed at making work pay for families with children. It will improve work incentives, encouraging people without work to move into employment, and will help people in relatively low paid jobs move up the earnings ladder. The WFTC makes 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 claiming WFTC;
- 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 they effectively begin to pay income tax;
- reducing the stigma associated with in-work support and demonstrating the rewards of work.

Child support

A new White Paper, 'A new contract for welfare: children's rights and parent's responsibilities' was published on 1 July 1999 setting out the government's agenda for reform of the current child support system. The Child Support, Pensions and Social Security Bill is currently before Parliament.

The proposals for reform are:

A simple system

Maintenance liability will be based on a simple slice of the non-resident parent's income — 15 per cent of their net income for one child, 20 per cent for two children and 25 per cent for three or

more children. This will create a service which supports children and good responsible parents.

More help for children

For the first time, all children will see an immediate financial advantage where maintenance is paid.

Tougher enforcement

The government plans to introduce criminal sanctions (with a fine of up to GBP 1 000) for anyone who lies or refuses to provide information to the Child Support Agency. It will also consider if other sanctions, which have worked well in other countries (such as withdrawing driving licences), can help to ensure that maintenance is paid.

Introducing the new system

When the reform scheme starts running, it will deal with new applications first. Existing cases will be transferred at a later date, once we are sure that the system is operating properly.

9. Unemployment (and non-employment)

The Welfare Reform and Pensions Act contains measures to keep people in touch with the labour market. It supports the introduction of a work-focused interview into the benefit system. The new system, named ONE, brings together the Employment Service, Benefits Agency, Local Authority, and other welfare providers at a single point of contact. The ONE service is being piloted in twelve different areas of the country. The first four pilots began in June 1999.

New claimants of working age who are not required to actively look for work to be entitled to benefits (e.g. lone parents and disabled people) will have access to a personal advisor who will work with them to assess their potential for employment and help them plan a route to independence. The new arrangements are designed to provide a more streamlined service by providing claimants with a single point of contact for all of their benefit requirements, and for advice and support in finding work. From April 2000, anyone in the pilot areas making a new or repeat claim for benefit will be required to have a work-

focused interview with a personal advisor in order to gain entitlement to benefit.

The act included provisions to introduce employment zones, which are designed to provide the opportunity to offer flexible support to a number of long-term jobseeker's allowance claimants in areas of greatest need. Personal job accounts will bring together money currently attributable to benefit, training and other programmes and enable these to be used more flexibly to help clients back to work. Fully-fledged employment zones will be tested in fifteen areas in the two years from April 2000.

The act also includes provisions for joint claims for jobseeker's allowance from couples — the new deal for partners of unemployed people. The main purpose of this is to give both partners in a couple the same opportunity to receive help and guidance to return to work and go on to employment. In addition, partners of unemployed people who do not have children will be able to go onto the new deal for unemployed young people. The requirement for couples to make joint claims for jobseekers allowance will be implemented in October 2000 at the earliest.

10. Miscellaneous measures

Fraud

The government published a fraud strategy document, 'A new contract for welfare: safeguarding social security' on 23 March 1999. The document set out the government's strategy for improving the security and accuracy of the benefits system.

The strategy focuses on delivering a reduction of the amount of fraud and error, and will achieve this by ensuring that benefit claims are made correctly and adjusted as circumstances change. When fraud and error does enter the system, prompt action will be taken to correct them, with appropriate penalties to prevent recurrence.

The Welfare Reform and Pensions Act gives local authorities and central government further powers to collect and share information relating to benefit claims. At present, local authorities may only deal with claims for housing benefit and council tax benefit. However, since they will be

key players in the delivery of the ONE pilots (see above), they will need to be able to handle claims and information relating to a wider range of social security benefits. The act also ensures that there is no doubt about the ability of other partners in joint working arrangements with local authorities — for example the Benefits Agency and the Employment Service — to provide the same level of service in respect of claims for housing benefit and council tax benefit.

The act will facilitate cross-government working in a number of social security and employment-related areas. It provides the powers to use and supply information which is needed to deliver the ONE pilots and the employment zones, and will ensure that the information can be used to best effect in the new deal for lone parents, new deal for disabled people, new deal for partners of unemployed people and the new personal capacity assessment. ■

The contents of this publication do not necessarily reflect the opinion or position of the European Commission, Directorate-General for Employment and Social Affairs.

If you are interested in receiving the electronic newsletter 'ESmail' from the European Commission's Directorate-General for Employment and Social Affairs, please send an e-mail to: emplesmail@cec.eu.int. The newsletter is published on a regular basis in English, French and German.

A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (<http://europa.eu.int>).

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