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INTRODUCTION

The MISSOC-Info number 2/95 provides reports on the latest developments of social protection in the member states. This issue of the MISSOC-Info deliberately takes up subjects already dealt with in previous issues or in the individual member reports presented in the main publication „Social Protection in the Member States of the Union“. This is especially true for bills under discussion, the results of ordered reports of experts and the experience acquired following a reform of legislation. We thus try to ensure continued information so as to enable the reader to pursue the development of social protection in the member states.

We once again would like to point out that the office for publications at Luxembourg has taken over the responsi-

lity for the printing and distribution of the MISSOC publication „Social Protection in the Member States of the Union“ (Situation on July 1st, 1994). We therefore kindly ask you to address your orders directly to this office. The distribution of the MISSOC-Info continues to be the responsibility of the secretariat.

MISSOC-Info number 3/95 will appear in the autumn of this year. Changes to the comparative tables as per July 1st, 1995 will be published there in advance.

MISSOC-Secretariat
Dr. Wilhelm Breuer

NEWS AND TRENDS

BELGIUM

Global plan

The global governmental plan on employment, the competitiveness of companies, and social protection, which was adopted at the end of 1993, has since resulted in several concrete measures to achieve the three targets of the plan. These measures will be presented below.

First, to restore the competitiveness of companies, it should be mentioned:

- the freeze of remunerations in 1995 and 1996;
- the introduction of a new index (health index), retarding the indexation of remunerations;
- a further reduction of employers contributions in cases of the employment of manual workers (Operation MARIBEL), for companies being particularly exposed to international competition.

Secondly, an important programme of the reduction in employers contributions has been set up to encourage employment, favouring young people (plan on the employment of young people), „low earners“ and the recruitment of a first unemployed worker. On 1st January 1995, the plan on the employment of young people was replaced by a new employment plan, considering all persons excluded from the labour market irrespective of their age.

In addition, reduced contributions in relation to the adoption of a „company plan“ allowing a better distribution of the

work should be mentioned. A plan considering, for instance, a reduction in working hours, part-time work, a break in employment, or early retirement pensions and thus allowing a net increase in the company's staff, entitles the company to a lump-sum reduction in social protection charges for each worker taken on.

Finally, changes were introduced on the administrative level as well as with regard to income and expenditure in order to improve the social protection accounts.

Administration

- The global administration of social protection entered into force on 1st January 1995.

A general administration body was set up to ensure this global administration and to promote the financing of social protection being transparent and effective.

Most of the social protection income (contributions, subsidies, revenues of the financial adjustment fund) is collected by this body, which pools these funds and then distributes them among the different branches according to their needs.

The break with the principle of earmarking the income, which was formerly required by law, allows the financial means to be distributed more equitably, aiming at restoring the balance of deficit branches while taking the financing needs into account and avoiding multiple transfers.

- A system to transfer financial responsibility to the insurance bodies entered into force on 1st January 1995 (MISSOC-Info 1/1995). Before distributing the financial means among the insurance agencies, the risks of all persons insured with the individual insurance agencies should be known. University researchers have been charged with the determination of the risk factors in order to establish an impartial and standardized distribution key. A deadline was fixed for the completion of this study (1.7.1994 - 31.12.1998).

Income

Two new contributions were implemented, namely:

- a progressive solidarity contribution levied on all pension income (private pensions included), if the pension income exceeds a fixed ceiling.
- a special social protection contribution levied on all workers and persons affiliated with the social insurance scheme. The contribution rate depends on the level of progression considered and varies between BEF 350 and BEF 2000 per month. This compulsory contribution is collected in advance by the employer, while its definite amount is fixed with tax enrollment, subject to the household income.

The revenue arising from increases in excise duties, from the increase in value added tax (from 19.5 % to 20.5 %), from amendments to the tax system (income from property), from energy tax and from the complementary crisis contribution (additional 3 centimes) have been flowing into the financial adjustment fund since 1994 (act of March 30th, 1994). This is what we call „alternative financing“ but in the meantime, however, it has become of merely „historic“ significance, for the act of 21st December 1994 provides for the replacement of these different financing sources by a percentage of the value-added tax returns to be annually earmarked for social protection. In 1995, this percentage is at 11.72806 %.

Alternative financing is intended to compensate for the ever rising expenditure in social protection as well as for the losses in contribution income, arising out of the various plans to lessen social burdens.

Expenditure

The above mentioned act of 30th March 1994 provides the annual limitation of the real-term global increase in social protection spending by a legal norm as per 1996, taking into account the demographic development, the labour market situation, and the economic growth and ensuring the viability of the system over the middle and long term.

In addition to this general norm on the restriction in spending, a special norm was implemented to limit the increase in health care spending to a maximum of 1.5 % in 1995 and 1996 respectively.

Furthermore, and still on the subject of health care, a series of measures were introduced to limit the extent of prescribing, and especially:

- the introduction of an accrediting system for physicians (see MISSOC-Info 1/1995);

- the creation of an information network by means of which it is possible to evaluate the physicians' behaviour in prescribing medicaments and, in particular, the introduction of a new prescription model (with bar codes), the non-use of which is punished with a fine for every irregular prescription (MISSOC-Info 2/94).

Finally, various restrictive measures were implemented in the field of unemployment, above all aimed at young people having not yet worked and unemployed living in a community (MISSOC-Info 2/94).

Financing of health care and family benefits

The statement of reasons of the above mentioned act of 30th March 1994 provides a clearer separation of branches directly related to work and providing benefits to compensate for former earnings, from general branches such as, for instance, family allowances and health care. This aim shall be reached in the near future.

In the branches directly related to work, the link between the entitlement to benefits and labour must be reinforced, while branches covering general risks should be gradually harmonized with the aim to finally extend the coverage of these risks to the whole population.

This idea, which implies that taxes will be levied on health care and family allowances, was under debate at the National Council of Labour: the social partners have shown great doubts.

This is a sensitive issue, for levying certain benefits means a move towards federalization.

Following the debates of the National Council of Labour, no concrete continuation of this idea could have been observed.

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DENMARK

The unemployment and the effects of the Danish labour market reform (Jan. 1994-Mar. 1995)

In 1994 the rising curve of unemployment finally broke. An increase in economic growth - starting in 1993 - thus had an effect on private employment during 1994. This was had an impact on unemployment. In 1994, 817,000 persons or 29.1 per cent of the total labour force were affected by unemployment. This is 24,800 less than in 1993.

The average unemployment during 1994 was thus 343,000 persons or 12.2 per cent of the total labour force. This is 5,400 lower than the previous year.

The decrease in average unemployment and in the number of people affected by unemployment during the year is the result of lower unemployment as regards men as well as women in the age groups below 59 years.

The latest unemployment figures shows that the favourable development continues. In March the unemployment -

seasonally adjusted - was 291,000 persons or 10.4 per cent of the labour force. According to the latest estimates, the 1995 level of unemployment is expected to be around 285,000 persons corresponding to 10.0 per cent of the labour force.

The Danish labour market reform on an active labour market policy. The Act on an active labour market policy - that came into force on 1 January 1994 - introduced a system which is more decentralised and more flexible with activation offers being given at an early stage of the unemployment period and with more individual options for the unemployed and the main emphasis on training and job rotation. The offers to the unemployed are to a higher extent adapted to the *individual preferences* of the unemployed persons and to the *needs of the local labour market*. The administration of the initiatives has been delegated to regional labour market councils composed of representatives of the social partners, the counties and the municipal authorities.

The *individual action plans* are of central importance to the active labour market policy as none of the available measures can be offered to an unemployed person without being part of an action plan. The plan is to form the basis for measures in relation to the individual unemployed persons as well as for an evaluation of the consequences of a rejection of an offer in relation to continued payment of unemployment benefits. Originally, a person was entitled to an action plan after a minimum of three months unemployment. Later, this period was extended to six months - not least due to the increased economic growth.

In 1994, around 400,000 persons either already had been or experienced to be without a job for a period of three months. Of these 120,000 or 1/3 had an individual plan worked out. This corresponds to an average of 2,300 action plans per week and reflects certain problems with the running-in of the reform during the first six months. In 1995 (Jan. - Mar.), the weekly average is thus around 3,400 plans.

Of those who had a plan worked out, around 60 per cent started participation in a labour market offer during 1994. The intake to the various measures during the year is shown in the figure attached.

The table indicates the break-down on different types of measures. The different measures in 1994 and 1995 (Jan. - Mar.) - temporary break-down.

Measures	Number, 1994	Share, 1994	Share, 1995
Public job training	25,000	36 p.c.	29 p.c.
Private job training	8,000	11 p.c.	9 p.c.
Education	35,000	50 p.c.	60 p.c.
Enterprise allowance	2,000	3 p.c.	2 p.c.
Total	70,000	100 p.c.	100 p.c.

In accordance with the priorities of the labour market policy, the efforts within the *education* related area constitute a majority of the efforts in total. Compared to previous labour market policies, there has mainly been a change away from public job training. To this, one should add the increased use of training leave - by unemployed as well as employed people.

Job training no longer has to be offered at a certain time during the period of unemployment. This has increased the flexibility in general and the possibilities of relating the offer to the individual person.

The table does not specify the number of persons attending *individual job training*. In 1994 these were very few. Being more flexible as regards subsidies and duration, this measure was primarily aimed at so-called part-period 2 unemployed (min. 4 years of unemployment). The low intake during 1994 has since led to amendments in the rules concerning this particular group. The effects of these changes, however, are yet to be seen.

Even though at present no exact measuring of the effects of the labour market measures exists, it is considered very probable that the employment effects are higher than in the previous labour market scheme. During 1995 when an increasing number of unemployed persons complete a labour market offer, evaluation of the effects of the individual offers will be made.

The leave schemes. Three kinds of leave have been introduced: training, parental, and sabbatical leave.

The aim of the leave schemes is to increase *job rotation schemes* under which continuing training of the employees is combined with job training of unemployed persons who are recruited as substitutes for those on (training) leave. The leave schemes have also made it possible to introduce *job sharing schemes* under which employees obtain more leisure time and make it possible to recruit unemployed persons. - Apart from thus contributing to maintaining and improving the skills and qualifications of the labour force, the reforms also has educational and family policy aspects. So far the number of people taking leave has exceeded all expectations. In 1994 around 120,000 persons took leave, appr. 50 per cent of these were unemployed. This corresponds to a little more than 4 percent of the labour force.

With a little less than 6,800 parental leaves granted per month, this was the most popular of the schemes. In comparison, around 4,000 educational leaves and 1,100 sabbatical leave were granted on average per months.

Due to a lowering of the leave benefit in connection with parental and sabbatical leave, the relative incentive to take educational leave has increased. During the first three months of 1995, appr. 18,700 persons has taken such leave - of these, more than 60 per cent came from unemployment.

An analysis during 1994 showed that a substitute was recruited in 73 per cent of the cases where an employed person took leave. This trend seems to continue in 1995. So far a substitute has been wished for in more than half of the cases where an employee took training leave.

Final observation. The combination of the increase in the number of unemployed persons taking training leave and the educational efforts within the active labour market policy means that during 1994 probably more unemployed people than ever before took part in some kind of education/training. The figures covering 1995 indicate that this trend continues.

With this strenghtening of the educational efforts, one of the most important objectives of the labour market reform has been achieved.

Finally, it should be noted that when the efforts within the active labour market policy are to be evaluated this should also take into account the relations to the other parts of labour market policy as well as the market trends in general.

On the whole, it is expected that a joint evaluation of the efforts - the ordinary job placement, leave schemes and job rotation, and the quality of the various offers - will show that the labour market efforts in general have become of a higher quality than previously.

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FEDERAL REPUBLIC OF GERMANY

New regulations by 1st January 1995

Several legal amendments came into force by 1st January 1995 in the social sector. The introduction of the compulsory nurse care insurance was among the most important ones. In addition, benefits were modified in different branches of the social protection and the contribution assessment ceilings were adjusted in line with the development in the general situation of income.

Besides the new contribution assessment ceilings within the social insurance scheme, contribution rates were adjusted in 1995 as well. The contribution rate to the pension scheme for workers and employees was reduced from 19.2 per cent to 18.6 per cent. The unemployment contribution rate remains at 6.5 per cent. The contribution rate for the nurse care insurance amounts to 1 per cent. (All contributions are equally divided between the employer and the employee. With regard to the nurse care insurance, the employee is charged for the total amount providing that in the Land of his workplace no public holiday is abolished).

Exemption from compulsory insurance in case of minor activities

In principal, minor activities are not subject to compulsory insurance if they are regularly practised less than 15 hours per week and if the regular remuneration per month in 1995 does not exceed DM 580 (old Länder) or DM 470 (new Länder). In 1994, these limits were fixed at DM 560 and DM 440 respectively. Nor is an activity subject to compulsory social insurance if, keeping with the limit of 15 hours per week, more than DM 580 and DM 470 respectively are earned, providing that this remuneration

does not exceed a sixth of the individual total income. Regardless of the income, an activity is exempted from insurance if it is annually limited to a maximum of two months or 50 working days and not practised as a profession.

If there are several minor activities at the same time, the working hours and the remunerations are totaled up. All these employments are subject to compulsory insurance if the fixed limits of working hours and/or remunerations are exceeded. In the case of being self-employed, these regulations are correspondingly applied.

In the new Länder, the so called low earnings ceiling was adjusted by 1st January 1995 as well. In case of remunerations up to DM 500 (hitherto DM 480), the employer has to take over all social security contributions. In the old Länder, this ceiling remains at DM 610.

The nurse care insurance came into effect

In order to cover the nursing risk, a nurse care insurance was created. This nurse care insurance is introduced in three steps as a social nurse care insurance, that is as a new independent branch of the social protection system, and as a private compulsory nurse care insurance:

1st January 1995: membership and contribution's collection

1st April 1995: domestic nurse care benefits

1st July 1996: benefits for in-patient nurse care

The social nurse care insurance is created under the roof of the statutory health insurance. All persons insured with the statutory health insurance scheme - approximately 90 per cent of the population - are also be insured with the social nurse care insurance, no matter if they are compulsory or voluntary members. Voluntary members were allowed to opt out of the compulsory insurance by 30th June 1995, if they can furnish proof of an adequate private insurance. There is a permanent regulation for those voluntarily insured with the statutory health insurance scheme, giving them the right to choose within three months in the case of having the possibility to opt out.

Under certain conditions, someone who already has taken out a private nurse care insurance before 23rd June 1993 may be allowed to opt out on application as well. The benefits of the private insurance company must be of the same standard than those offered by the social nurse care insurance scheme; if necessary, the extent of benefits must be adapted by 31st December 1995.

The social nurse care insurance scheme introduced a family insurance for the spouse and children. Jointly insured family members do not pay contributions for the nurse care insurance.

The following persons are insured with the private compulsory nurse care insurance:

- people insured with a private health insurance company and who are entitled to general hospital benefits.
- officials and people who, according to the same principles, are entitled to benefits if they are in need of care and who are not insured with the statutory health

insurance; they have to take out a proportionate (benefit conforming) insurance.

- people entitled to medical care and who are not compulsorily insured with the social nurse care insurance scheme (for instance soldiers, police officers, firemen).
- members of the health insurance fund for post-office clerks and members of the health care scheme of the Federal Railways.
- children are non-contributory jointly insured with a private compulsory nurse care insurance company under the same conditions as with the social nurse care insurance scheme. Although there is no non-contributory joint insurance for the spouse, the additional insurance premium is limited to a certain amount.

Contributions and public holiday regulation

The contribution rate for the social nurse care insurance is fixed by the legislation and is valid for all nurse care funds all over the Republic. From 1st January 1995, it amounts to 1 per cent of the gross income not exceeding the contribution assessment ceiling in the statutory health insurance scheme (1995: west: DM 5850, east: DM 4800). When the benefits for the in-patient nurse care are added on 1st July 1996, the rate will rise to 1.7 per cent. Contributions to be paid are always equally divided between the employee and the employer. In order to compensate for the employer's contribution charges in the first step, the Länder are required to abolish a legal public holiday which always falls on a working day. If there is no compensation by abolishing a public holiday, the employees have to pay the total contribution for the nurse care insurance.

For those who collect social benefits (for instance unemployment benefit, unemployment assistance, social assistance), the contributions are normally taken over by the respective social protection body. The pensioner's contributions are - as it is the case in the statutory health insurance scheme for pensioners - paid respectively half by the pension insurance body and half by the pensioners themselves. Here, the abolition of a public holiday does not play a role.

The contribution rates for the private compulsory nurse care insurance do not depend on the income. They depend on the age at the time of taking out the insurance. The maximum contribution rate is fixed by the legislation. It must not exceed the maximum contribution rate for the social nurse care insurance (1995: west: DM 58.50, east: DM 48.00). Officers, who in case of needing care are also entitled to assistance benefits, do not pay more than the half of the maximum contribution rate.

There are no differences between the level of contribution rates for men and those for women. With regard to married couples where only one spouse is employed or where one spouse in paid employment does not exceed the low earnings ceiling, the total contribution for the private nurse care insurance must not exceed 150 per cent of the maximum contribution rate for the social nurse care insurance.

Persons entitled to benefits

The benefits of the social nurse care insurance scheme depend on the level of the nursing need and on whether a domestic or an in-patient nurse care is necessary. An element to assess the nursing level is the level of help needed with the personal hygiene, with taking nourishment, moving, and the level of support needed in the household. The nurse care insurance act (Pflege-Versicherungsgesetz) contains a concluding list, indicating the activities with which a need of help must exist.

Persons in need of care are classified into three nursing levels. In the nursing level I - considerably in need of care - help must be needed at least once a day in at least two of the above mentioned activities, in the nursing level II - severely in need of care - at least three times a day at different hours of the day, and in the nursing level III - extremely in need of care - for 24 hours every day, that is during the night as well. Furthermore, persons in need of care of all three levels are supposed to need help with the household several times during the week. The need of care assessed by the Medical Service of the health insurance fund in the individual case is decisive to the classification into one of the three levels.

The benefits of the private compulsory nurse care insurance depend on the same criteria as those of the social nurse care insurance scheme. Experts charged by the private insurance companies carry out examinations to assess the need of care and to classify the persons concerned into the nursing levels I - III.

Domestic nurse care benefits

The level of the domestic nurse care benefits granted from 1st April 1995 on depends on the individual nursing level. In the social nurse care insurance scheme, the person in need of care has the right to choose between benefits in kind (nursing service through a contracting party of the nurse care fund, for instance through a „Sozialstation“, i.d. a social care centre) or cash benefits (if domestic nurse care is not ensured by professional providers, but for instance, by the relatives). A combination of both benefits in kind and cash benefits is also possible.

The private compulsory nurse care insurance does not provide benefits in kind but only cash benefits. A reimbursement of costs corresponding to the amount of the benefits granted by the social nurse care insurance scheme compensates for the benefits in kind.

Further benefits of the nurse care insurance are the following:

- nursing aids (for example wheel chair, lifter, nursing bed).
- in the case of no other financing possibilities being available, subsidies up to DM 5000 per measure are allowed for a flat alteration due to nursing reasons, providing that an appropriate part is taken over by the person in need of care himself.
- nursing courses free of charge for the relatives and for honorary nursing persons.

Insured persons who, according to the civil service law regulations or principles, are entitled to allowances or medical care in case of illness and of needing care, receive only half of the corresponding benefits if they are insured with the social nurse care insurance scheme. This is the reason why they only have to pay half of the contribution rate. Officials being covered by a private nurse care insurance receive all the above mentioned benefits from their private compulsory nurse care insurance company proportionate to the level of assistance to which they are entitled.

Nursing persons are socially covered

Non-professional nursing persons (for instance the relatives and neighbours) are socially covered: the nurse care insurance body pays contributions to the pension scheme for domestic nursing persons who offer care for at least 14 hours per week. Depending on the nursing level and the extent of the nursing activities, the contributions vary between DM 200 and DM 600 per month. These amounts correspond to an earned income varying between DM 1045 and DM 3136. During the time of nursing, the nursing persons are moreover non-contributory covered by the statutory accident insurance scheme. These efforts are contributing to the fact that non-professional nursing persons are covered by the social protection system as if they were in paid employment.

Persons insured under the statutory health insurance who on 31st March 1995 draw benefits from the statutory health insurance scheme because of being severely in need of care (nursing allowance of DM 400 per month, or benefits in kind up to the value of DM 750), are classified without any special request into the nursing level II. They receive from 1st April 1995 on benefits in kind up to a total amount of DM 1800 per month or a nursing allowance of DM 800. If there is evidence of being totally in need of care, they are classified on application into the nursing level III and may receive nursing services of a total value of up to DM 2800 per month (up to DM 3750 in extreme cases) or a nursing allowance amounting to DM 1300.

In-patient nurse care benefits

From 1st July 1996, the nurse care insurance scheme is also taking over the benefits for the in-patient nurse care. The person in need of care is entitled to these benefits if the domestic nurse care or a partial in-patient nurse care are not possible, or if they are unsuitable because of the special characteristics of the person concerned. The nurse care insurance scheme will then bear the expenses for the care not exceeding the amount of DM 2800 per month (in the average DM 2500 per month). For those extremely in need of care, up to DM 3300 per month are available in order to prevent special hardship cases. The costs of board and lodging are to be borne by the person in need of care himself, as it is the case in the domestic nurse care.

The Länder are responsible for the financing of the investment costs (production costs, purchase costs, maintenance costs). In the future, persons in need of care are

not supposed to be burdened with these costs which are still included in the current contribution rates.

Adjustments within the pension scheme

By 1st January 1995, the adaptable amounts of the pensions of the pension scheme as well as those of the accident insurance scheme have risen in the new Länder to 2.78 per cent. The benefits for war victims are also to be increased. Due to the introduction of the nurse care insurance by 1st January 1995, the pensions of the pension scheme effectively rise to 2.23 per cent.

The basic pension (45 insurance years with average earnings) in the new Länder reaches 77.2 per cent of the basic pension in the west because of the adjustment of pensions since 1st January. It rises from approximately DM 1451 per month to about DM 1484 per month. The average contributory pension has risen to DM 1236, which implies an increase of 160 per cent in comparison to 30th June 1990, the day before the Economic, Monetary and Social Union came into effect.

In correspondence to the adjustment of pensions, the pension income resulting from paid periods to educate a child was adjusted in the new Länder from 1st January 1995 on. A child education year leads to an increase of DM 26.59 (hitherto DM 25.87) in the pension rate. In West Germany, it leads to an increase of DM 34.50.

In addition, free allowances in case of counting a widow's or widower's income towards the survivor's pension within the pension and accident insurance scheme were increased in the new Länder from 1st January 1995. The basic free allowance raised from DM 910.54 to DM 935.88. This free allowance increases by DM 198.52 per month (hitherto DM 193.14) for each child being entitled to orphan's pension. In West Germany the basic free allowance amounts to DM 1214.40 per month, the free allowance per child amounts to DM 257.60.

Extension of short-timer pay

According to an ordinance presented by the Federal Ministry of Labour on 30th November 1994, the drawing deadlines for the short-timer pay are being extended. The ordinance provides for companies forced to short-time work because of economic reasons having the right to claim benefits for their employees according to the legislation on work promotion. This has to be done within the limits stated below:

- From 1st January 1995 to 30th June 1995 for a period of up to 24 months.
- From 1st July 1995 to 31st December 1995 for a period up to 18 months.
- From 1st January 1996 to 30th June 1996 for a period of up to 12 months.

This regulation is limited to 30th June 1996. Companies which are forced to short-time work due to structural reasons have still the possibility to claim short-timer pay for their employees up to the legal delay of 24 months. This regulation is limited to the end of 1997.

Work creation measures

The general basis to calculate the subsidies related to work creation measures is proposed to amount to 90 per cent of the income from non-promoted work as per 1st July 1995. This regulation, which has been included into the legislation on work promotion (Arbeitsförderungsgesetz/AFG) through the legislation on employment promotion (Beschäftigungsförderungsgesetz) takes the particularity into consideration that the majority of the employments within the work creation measures are financed from public funds. And it provides a greater incentive for employees to change from the promoted work into non-promoted work.

The adjusted calculation basis also applies to the „Productive Work Promotion Measures West“ under section 242s of the AFG and, from 1st January 1996, also to the „Work Promotion Measures East“ under section 249h of the AFG.

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GREECE

Expert committees

The work of the special expert committees set up to reexamine the Greek system of social protection (effective as from the implementation of Act 2084/92) has resulted in definite conclusions.

The prevailing intention during the work of the above mentioned expert committees was to eliminate the inequalities and/or inequities caused by Act 2084/92, while avoiding repercussions on the budgeting of social protection.

At present, the expert committees' final proposals for the necessary reforms are at the disposal of the competent government authorities.

Long-term insured persons and new entrants after the first of January 1993

Greece is provided with an uncountable number of basic and supplementary insurance organizations. Every insurance institution is subject to a different legislation.

The structure of the insurance system renders every reform effort extremely difficult.

This may be justified by the fact that any proposal for an amendment of the existing legislation jeopardizes the acquired rights of the long-term insured, i.e. of those persons having participated in the process of production for a long time.

Since they have been informed about their rights and obligations, these persons have moreover made plans for the

rest of their lives and want to avail of their rights at a certain point of time when they satisfy the qualifying conditions.

These are the reasons why it was considered advisable that any reform of the system exclusively should aim at the young insured who are informed about the existing insurance scheme in advance.

The legislation reform implemented in 1992 (Act 2084/92) should not only rationalize the conditions for long-term insured to qualify for pension payments but also aimed at balancing the accounts of the deficitary funds.

At the same time, the scheme implemented for new entrants after the first of January 1993 contributed to the fact that the following goals could be achieved:

- to introduce common principles,
- to create the same conditions for all when putting forward their pension rights and establishing the amount of benefits,
- to normalize the financing of the system by introducing a three-party system of finance (insured, employer, state).

It is true that every system has its imperfections and comprises problems that could occur when putting it into practice.

The above mentioned regulations came into force on the first of January 1993. Given the fact that a comparatively short period of time has passed since the above mentioned Act has come into force, we are not yet able to appropriately evaluate the obtained results in comparison with the set goals.

Certainly some inequalities could be observed during the application period of the mentioned act and these were the subject of long discussions within the expert committees set up to reexamine the existing system (see above).

SPAIN

Plenary session of the parliament: approval of a text based on the report of a working group to analyze the structural problems of the social protection system and fundamental reforms to be implemented, following its approval by the budget committee.

During the plenary session of 6th April 1995, the „Congreso de los Diputados“ (Parliament) approved without amendments a text based on the report of a working group set up within the budget committee to analyse the structural problems of the social protection system and the basic reforms to be implemented (file number: 154/4). This text, which will be followed by more details, was previously approved by the budget committee on 30th March 1995. The particular votes have also been published.

Guidelines and necessary reforms

With the next generations approaching pensionable age, the pension scheme should be prepared to face increased obligations, particularly over the long term. It is the whole nation's binding duty to guarantee that expectations are fully met and therefore the financial feasibility must be ensured.

The future has to be planned; compliance of the commitments and principles of the solidarity between generations and within each generation shall be made possible.

Theoretic demands to replace the present system based on redistribution and the solidarity between generations by a new system based on the capitalization of the public pension scheme and individual provision must be refused for social reasons and because of the fact that this is technically unfeasible. On the other hand, the limitation of the present public pension scheme in Spain to simply providing minimum pensions is also to be rejected. Hypothetic plans on a fundamental transformation of the current system by reforms going as far as to make it completely unrecognizable must be rejected as well, for this would result in an unfairness under which today's working population would suffer. The public system must guarantee sufficient pensions.

If we want to follow the way predetermined by logic and reason, we will have to consolidate and improve the current system by measures which are necessary to be able to increase spending in line with the growth of the national economy and to guarantee that profits within the system are made under fair conditions and used to meet the future needs of a society where requirements will be subject to fundamental changes.

These considerations should result in the implementation of concrete measures to improve social protection and to adapt it to the present situation. We therefore need a political agreement which should be as extensive as possible. It would be moreover desirable that this agreement is supported by the social partners.

To sum up, it can be said that the working group advocates the current social protection system be made financially workable as well as the advancement of its perfection and consolidation, by setting up a public system of cash benefits, which should include the following types of protection:

a) a public and compulsory cash benefit scheme based on contributions and considered as the fundamental basis of the overall system.

This scheme provides pensions proportionate to the contributions paid, to compensate for old-age, incapacity or death. It considers the implementation of minimum pensions exceeding the levels of non contributions-related pensions for pensioners who do not have sufficient income nor sufficient resources.

Basically, this scheme should be based on contributions and on redistribution.

b) a non-contributory scheme, which should give support to people who are in financial difficulties because of their age,

sickness or family burdens. It is intended to offer a compensation for a lack in income, to cushion the consequences of such difficult situations.

The state should be exclusively responsible for the financing of this scheme and is expected to transfer financial means from the state budget to the budget of the social protection scheme.

This public system of cash benefits is intended to be complemented by technical health care and social services made available to the whole population and financed from taxation in view of their universal character.

And finally, the provision model should be completed by supplementary benefits on a voluntary and private basis that shall allow beneficiaries to complement the benefits they collect from the public system. There are many reasons for strengthening such methods of individual or collective provision, but it should be guaranteed that they always remain supplementary and never replace or weaken the pensions of the public system. Furthermore, not only the voluntary principle has to be ensured, but also solvability, an efficient administration, transparency and the consideration of people's individual targets.

The working group's plans on a reform of the social protection system thus reflect once more the wish to guarantee in future a public system of pensions which are based on fairness, adequacy and solidarity. This corresponds to the principles defined in article number 41 of the Spanish constitution.

Recommendations

1. Separation and clarification of the sources of financing

The financing of benefits related to contributions will basically depend on social contributions, the financing of the benefits which are not related to contributions and universally granted (health care and social services among others) will depend exclusively on general taxation.

The working group recommends the implementation of measures which will be necessary for a gradual separation of the sources of finance according to the method of protection. This process of separation was already started in 1989 and should be completed as soon as possible, so as to finally make sure that the contributory scheme and the non-contributory scheme will be clearly separated from one another within the overall system.

Social contributions should then be sufficient to cover the costs of contribution-related benefits; necessary arrangements to ensure the financial balance of this part of the system today and in the future are being considered.

The financial means of the state budget appropriated for social protection will have to be sufficient to guarantee non contribution-related benefits, health care, social services and family allowances. General taxation has not only to compensate for reduced contributions in case of recruiting persons having difficulties in finding a job but also for measures in the field of early retirement and to support the manufacturing branches, for these measures could result in a distortion of the normal balance within the system. Should it

become evident that the adaptation of the current tax system is necessary to keep to these goals, priority would be given to tax aspects with few consequences for economic competitiveness and the creation of jobs, but nevertheless where the implementation of a global contribution on all incomes could be possible.

2. Building up reserve funds

The contributory system should take care to keep the budget in balance. The pension scheme should build up reserves to cushion the effects of fluctuations in economic activity. Therefore possible budget surpluses yielded in times of prosperity should be used together with public shares purchased on the official market in order to build up adjustment funds, which will ensure the system's functioning in times of economic recession without having to raise contribution rates.

3. Higher contribution bases

Contribution bases should be in line with real wages. This should be ensured by gradually introducing a global contribution ceiling for all occupational categories, which would determine the insurance limit within the public social system.

4. Financing of special schemes

The present situation should be improved and protection be considered as a criterium which is as important as the criterium of contribution income.

5. Improving mechanisms to collect contributions and combatting irregular economic activities

The working group recommends the efforts to improve the mechanisms of collecting contributions be continued so as to make sure that delays in payment will decrease.

The working group is of the opinion that regular employment needs to be encouraged and illicit work should be decidedly combatted by bringing to light the hidden employment within Spanish society.

6. Simplification and integration of special schemes

We have learned by experience that some imperfections in the functioning of special schemes have resulted in the fact that they increasingly deviate from the targets for which they had been set up.

In addition to the fact that legislation provides for the structural standardization of the current system, these imperfections and deviations are the reason why the working group recommends the process of restructuring to be continued by gradually amalgamating the existing schemes and completely standardizing the public pension scheme, so that over the long and middle term all workers and employees are covered either by the system for wage and salary earners or by the system for the self-employed. However, the specific characteristics and objectives of persons employed in navigation and fishing or in coal mining as well as those of the seasonal workers in agriculture should continue to be taken into account.

7. Integration of the administration

The administrative efficiency of the system should be strengthened through a better integration of registration and collection procedures and the administration of benefits. This will facilitate further improvements within this field.

8. Trends concerning contributions

The recommendations on a reduction of social contributions contained in the „White Paper of Delors“ as an element of employment promotion, are taken over by the working group, concentrating primarily on less qualified activities in economic branches characterized by a large number of workers. As regards this, the working group is of the opinion that a pre-condition to implement these recommendations is the maintenance of the financial balance of the contributory system and the avoidance of additional difficulties in balancing public accounts.

9. Concerning fairness and the contributory character of the system

It is recommended that these principles be gradually strengthened, so as to make sure that from 1996 onwards and under consideration of the solidarity principle, benefits will be adjusted as far as possible to the contributions paid and situations will be avoided where benefits are allotted in an unfair way. Techniques of calculating pensions on the basis of contributions should be gradually updated so as to make sure that future claimants can draw pensions according to the level of their contributions.

According to the working group the public social protection system should have to maintain a pension formula which allows, as already mentioned, the benefits to be paid in line with the corresponding contributions.

10. Pension ages

Pension ages should be flexible, gradual, and progressive. Moreover, the collection of old-age pension benefits should not render the beneficiary unable to actively take part in social life. In this sense and provided that the statutory pension age of 65 is maintained, it is financially and socially recommendable to facilitate the continued participation in working life on a voluntary basis. This requires legal provisions so as to exempt persons who have decided to continue employment and to accept a corresponding suspension of pension payments partly or totally from their compulsory contribution.

In the same way, early retirement schemes related to subsequent or replacement contracts already considered in current legislation, will be maintained.

11. Maintaining the purchasing power of pensions

According to the working group the purchasing power of pensions should be maintained and a guaranty should be given that these benefits are automatically revaluated in line with the development of the consumer price index. This is to be effected on the basis of fixed formulae similar to the formula applied in the course of this year.

12. Strengthening the solidarity principle

The principles of solidarity and of guaranteeing the minimum income are to be strengthened according to the possibilities offered by the given financial situation. Therefore, measures should be implemented such as, for instance, a higher age limit to qualify for orphan's pension or a higher level of survivor's pension in case of low income.

The working group has proposed arrangements for ensuring that the responsibilities for benefits correspond to the present situation and the specific character of the current social protection model.

13. Improving the administration

The working group is of the opinion that measures to improve the administration of public benefits for temporary incapacity and invalidity are necessary in order to reduce fraud on claims and duration of these benefits within the public system. The most important measures in this field will be the drawing-up of a timetable and the employment of persons to control this insufficiency by the system itself, as well as more participation and social responsabilization in the administration, control and surveillance of these benefits.

14. Complementary system

The public social protection system may be complemented by individual and collective saving schemes and social protection schemes outside the public system. The exclusive aim of such schemes is considered to be the improvement of the level of benefits granted by the public system.

For this reason recommendations are made on the legal organization of complementary social provision schemes, which should be tackled by strengthening them as an element to consolidate the social protection model outlined in article number 41 of the Spanish constitution. Furthermore, the updating and improvement of existing tax reliefs are proposed in order to stimulate the development of this complementary system, while priority is given to collective schemes. As regards the legal organization, we should not forget that these mechanisms offer over the long run an important source of savings, not only on an individual but also on a collective level.

15. Analyzing and observing the trends within the system

Present expectations may change fundamentally over the next decades. It is therefore very important that the devices to estimate the probable future trends and to regularly evaluate the quantities which exert an influence on the financial balance of the system are used by the government as well as by the parliament in order to decide on the appropriate available measure for each contingency. The information will also be transferred to the social partners.

It is recommended that the government sets up a working group every five years to examine the present and future situation of the social protection system in order to guarantee its continued functioning.

Possible consequences of the latest reform in labour legislation on the financing of social protection and on the benefit structure will be observed.

Appendix I

- The proposition of the Catalan parliamentary group (Convergència i Unió), a proposition which is not regarded as a bill and has given rise to a working group set up within the budget committee to elaborate a report on the economic reform of the social protection system with several recommendations to be presented to government (file number: 162/000019), was published in the „Official Gazette of Parliament“, series D, number 8 of 17th September 1993.
- The different parliamentary groups presented amendments to the bill. These were published in the „Official Gazette of Parliament“, series D, number 57 of 21st February 1994.
- The proposition not considered to be a bill was approved during the plenary session on 15th February 1994 and its approval was announced in number 46 of the „Journal on Parliamentary Sessions“.

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FRANCE

Developments in unemployment / report on 1994 and trends for 1995

After a slump in 1993, 1994 saw an economic growth of 2.7 %. Present estimations for 1995 vary between 2.8 % and 3.5 %.

In this context, a clear upward trend in the level of employment could be observed in 1994 (+1.1 %) with 230.000 new created jobs all sectors taken into account. The rise in unemployment has slowed down significantly (+27,000 in 1994 compared with 310,000 in 1993) and the number of registered jobseekers amounted to 3,287,800 in March 1995. Thus the rate of unemployment, which has been falling slightly for one year, now is at 12.2 %.

After a steady rise over several years, the number of long-term unemployed has been falling since the beginning of 1995 (-14,400 from January to March). Over a period of one year, this means that the number of unemployed being without a job for more than one year is falling by 0.7 %. However, at 1,224,000 it is still rather high.

This temporary calm has a positive effect on youth unemployment with the rate of unemployment amongst young men (-9.7 %) falling more significantly than amongst young women (-5.3 %). Nevertheless, unemployment amongst young people under 25 is still more than two times higher than the average unemployment rate of all age groups combined (29 % by the end of December 1994 in terms of ILO).

Orientations in labour market policy

The five-year act on employment of 20th December 1993 forms the basis of the orientations in labour market policy from 1993 to 1995.

There are following orientations:

Lower wage costs to favour job creation and the recruitment of unemployed persons:

- The development of part-time employment is encouraged by the fact that employers are exempted from social security contributions for part-time workers.
- The promotion of employment in services is intensified by the creation of a so-called „chèque emploi-service“, which simplifies the administrative formalities employers have to cope with if they want to recruit homeworkers, and thus encourages employment within the family.
- More support is given to unemployed persons who intend to establish their own companies.
- In addition, temporary measures to promote the recruitment of new employees (premiums and the employer's exemption from social security contributions) are planned to encourage the integration of certain groups having difficulties in finding new jobs and in particular of young people and the long-term unemployed. These measures are intended to compensate for their handicaps and shall enable them to profit from the upward trend in employment, which now is beginning to show on the labour market.
- Furthermore, long-term unemployed can benefit from state-sponsored employment contracts within the non-commercial sector (so-called „contrat emploi-solidarité“ and „contrat emploi-consolidé“).

Integration of the young people into working life

Special measures to promote the integration of young people into working life were implemented by public institutions:

- introduction of a lump-sum assistance for employment (aide au premier emploi des jeunes: APJ, which means „assistance for the first employment of young persons)
- development of apprenticeship contracts and contracts on combined on-the-job/off-the-job training.

Activation of expenditure on unemployment benefits

Finally, the social partners decided to introduce, on a pilot basis, a new scheme to activate the expenses on unemployment benefits. Thus, the agreement of 8th June 1994 allows companies an assistance for up to six months, if they recruit jobseekers who have collected benefits from the unemployment insurance scheme for more than eight months. This will be possible on the basis of cooperative arrangements made at local level and the amount of the assistance granted will be equal to the amount of unemployment benefits the persons in question would have collected in case of continued unemployment.

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IRELAND

Employment support services

The establishment of an Employment Support Service (ESS) at the Irish Department of Social Welfare (DSW) in July 1993 was a pragmatic response to the political and social imperative of addressing our number one national problem in Ireland- unemployment. It represents an emergent strategy which complements the employment programmes and initiatives being pursued in other Government Departments and Agencies and builds upon the particular strengths and experience of DSW. It marks a significant change in the Department's manner of doing business with the unemployed - a move from a passive to a pro-active and supportive relationship to facilitate and ease the transition back to work by putting these people in contact with an enhanced range of work, training, development and education opportunities.

A national Director and eight regional co-ordinators of the new service were appointed - one co-ordinator in each of the Department's eight regions. Job Facilitators were appointed in a phased manner at many of the Department's local offices - by August 1994, thirty were in place so that ESS was based in the Department's local offices in twenty-two of the larger cities and towns. Fifty facilitators, working closely with staff at most of the main local offices, are planned to provide basic coverage nationally. The facilitation approach adopted by the Department has proved over the past two years to be flexible, innovative and practical. It builds on existing strengths at local level, readily incorporates fresh initiatives taken by any other agencies or organisations and is the most sensible and appropriate basis for future progress.

ESS, is proving to be a powerful means of encouraging those likely to remain on the Live Register to get back to work, particularly to self-employment. BWA allowed long-term unemployed to retain 75 %, 50 % and 25 % respectively of their existing social welfare payments over the first three years if they undertook either employment in small indigenous enterprises or self-employment of any kind. They also retained their existing secondary benefits (eg medical card) for this first three year period.

In partnership with a voluntary organisation (First Steps) which enjoys widespread support from the business community, DSW has set up a joint fund from which self-employed recipients of the BWA can, as a last resort, obtain small interest free loans to help them survive at the early stages of their enterprise or to expand the enterprise. A condition of the loan is the involvement of an experienced business person as a voluntary mentor. In addition, Job Facilitators have a small budget which allows them to purchase technical assistance for BWA recipients to fill gaps in provision at local level. More than 8,500 long-term unemployed have already availed of it since October 1993 and almost two thirds of these have taken up self-employment.

A Students Summer Job Scheme was first implemented in 1993 and further improved in 1994 and 1995 to provide

third-level students with access to an alternative source of income (to Unemployment Assistance for which they are no longer eligible). In 1994, over 2,300 sponsors were identified by the Department offering 11,250 summer jobs and about 9,000 of the 12,000 approved students participated in the scheme. In 1995 just over 15,000 students took part in the scheme.

Several employment-related measures also complement the work of ESS, which include as follows:

- Employers PRSI Exemption which exempts employers for a two year period from their Pay-Related Social Insurance (PRSI) contribution for each unemployed person (for more than 13 weeks) taken on in an additional job by the employer - over 3,000 employers availed of this incentive in the 1994/95 tax year;
- Family Income Supplement: which is payable to those on low incomes who are supporting children; take-up was increased by 30 % but remains at a relatively low level of 10,000 families;
- Second Chance Education: about 1,200 Third Level Allowances were in payment during 1994/95 to unemployed people who took up third-level education as mature students while all of the available Vocational Training Opportunities (VTOS) were taken up by over 5,000 people who returned as adults to second level education.

Survivor's pension

In October 1994, a Survivor's Pension was introduced, encompassing both the existing Widow's Contributory Pension and the new Widower's Contributory Pension. Cover applies to both widows and widowers on the same terms and conditions.

Entitlement is established on the basis of Pay-Related Social Insurance (PRSI) contributions paid either by the widowed person or his/her late spouse. It is expected that up to 10,000 widowed men throughout the country will qualify for an average payment of IR£72 per week. A feature of the scheme provides for cover for self-employed people brought into social insurance since 1988; the new pension also applies not only to those paying full rate PRSI but will also include other categories, such as public servants, self-employed contributors and people in receipt of credited contributions who satisfy the minimum qualifying contribution conditions.

Family policies

In June 1994, new Regulations were introduced to improve access to pension cover in the future for women working full-time in the home. In accordance with the new provisions, time spent rearing children up to six years of age or providing full-time care and attention to an incapacitated person will be disregarded in the calculation of entitlement to pension. The new rules will apply to parents, adoptive parents, foster parents and any person who takes time off to look after a dependent person as well as all full-time carers.

ITALY

News

During the first six months in 1995, social debate was focused on the pension reform and on measures to promote employment.

The government recently presented bills on both issues and currently, these are in the parliament for discussion. A survey of the bills will be given below, but it should be noted that the parliamentary discussion certainly will lead to amendments.

Bill on pensions reform

The bill providing a reform of the Italian pension scheme, presented by the government with the trade unions' consent, contains the following issues:

- harmonization of the various retirement pension schemes
- definition of new calculation bases (passage from the earnings-related system to a system based on contributions)
- flexibility of the retirement age
- development of complementary schemes
- adjustment of spending for welfare in line with the GNP

1. Harmonization of the various retirement pension schemes

The reform bill provides for the harmonization of the various schemes according to the rules of the system based on contributions. Benefits are to be calculated on the basis of common parameters in order to ensure the equal treatment of all workers irrespective of the scheme with which they are affiliated (public sector, agriculture, etc.).

As concerns the self-employed, who do not have their own special pension scheme, it is proposed that a pension scheme be created in line with the rules of the general system. This new scheme shall be financed by contributions amounting to 10 % of the annual earned income, while 1/3 is to be paid by the insured person and 2/3 by the customer.

Furthermore, the reform bill recommends the implementation of special regulations to organize a voluntary scheme for housewives, to be worked out by the government.

2. Definition of new calculation bases to assess the level of pensions

The new scheme provides pension amounts to be assessed on the basis of contributions paid, while the formula of the current scheme is based on a percentage of the average earnings during the whole working life.

The amount of contributions paid is multiplied by an individual coefficient depending on the age of the insured person at the moment of retirement.

The contribution rate to be applied to workers in paid employment amounts to 33 % of the taxable income, to self-employed to 20 % of the annual income. The annual amount of contributions is adjusted at the end of every year in line with the quinquennial variations of the GNP.

The coefficient of revaluation may be adjusted after a period of 10 years according to the demographic and economic development (GNP variations).

Persons starting working life on 1st January 1996 or afterwards, will be exclusively treated according to the new system. Workers who on 31st December 1995 will have paid contributions over a period of 18 years will continue to be treated in line with the current pension formula, while a mixed system will be applied to those who, on 31st December 1995, will have paid contributions for less than 18 years: the pension for employment periods up to 31st December 1995 will be calculated with the formula of the earnings-related system, and pension rights with regard to employment periods after this date will be assessed on the basis of the contributions paid.

„Heavy workers“ are proposed to go into early retirement; the calculation coefficient increases by one year for every six-years period of heavy work.

The pensions formulae will also be valid for the calculation of benefit rates in case of invalidity allowances. If an invalid has not yet reached the age of 57, however, the benefit to which he is entitled will be calculated subject to the coefficient corresponding to the minimum retirement age (57 years).

3. Flexibility of the retirement age

The new system allows old-age pensions subject to following conditions:

- no age condition if contributions have been paid over a period of 40 years;
- persons aged between 57 and 65: the rate of benefits on the one hand depends on the age itself, and on the other hand on following conditions:
- termination of employment;
- five effective contribution years;
- amount of pension 1.2 times above the social assistance: this last condition does not apply for workers over 57.

By 2008, all these new regulations will be in force; until this date a temporary scheme is planned to gradually introduce the new qualifying conditions.

4. Accumulation of pension income and earned income

Pensioners up to the age of 63 are not allowed to combine pension income with other income from dependent employment. However, a partial accumulation (50 % of the amount exceeding the minimum salary) is possible in case of independent work. From age 65 onwards, partial accumulation also is possible in case of dependent employment.

With regard to invalidity pensions, earned income is allowed within the limits below:

- a) 25 % if income quadruples the minimum pension;
- b) 50 % if income quadruples the minimum pension.

The same criteria will be valid for civil invalidity pension.

With regard to survivors pensions, earned income is allowed within the limits below:

- a) 75 % if income triples the minimum pension;
- b) 60 % if income quadruples the minimum pension;
- c) 50 % if income quintuples the minimum pension.

5. Insurance periods for child care and the assistance to handicapped persons

For the assessment of pensions rights, fictive contribution periods may be taken into account subject to the conditions stated below:

- break in employment to educate children up to the age of 6: 6 months per child with a maximum of 24 months;
- break in employment to support handicapped family members: one month for each year with a maximum of 18 months;
- break in employment in case of maternity: pensionable age reduced by 4 months per child with a maximum of 12 months, or a more favourable actuarial coefficient to be used for the assessment of pension rates.

6. Social allowance

In the field of social pensions, a new social allowance was introduced for Italian nationals residing in Italy and having reached the age of 65.

In 1996, the amount of this allowance will amount to LIT 6,240,000 and entitlement will depend on the income situation:

Single persons without any income will be granted the full amount, single persons with an income below the ceiling of LIT 6,240,000 will be entitled to a reduced allowance. If the annual income exceeds LIT 6,240,000, the person concerned will not qualify for the social assistance. If the person entitled is married, the income limits will double.

Employment programme

The labour market novelties are compiled in a series of measures under the title „employment programme“.

The aim of this programme is to improve the coordination between labour demand and labour offer. Two aspects are taken into account:

1. a better access to labour with the help of labour contracts being as flexible as possible. Therefore, the programme provides for the following kinds of contracts:

- temporary employment: through the intermediary of a corporation authorized by the Ministry of Labour, companies may recruit workers for a very short period of time. Such contracts are not allowed to compensate for staff on strike or if mass dismissals took place in the previous year.
- job-sharing: two workers share one working place; of course, „sharing“ in this case refers to the working hours as well as to the remuneration. If one of the two workers is dismissed, this will automatically result in the dismissal of the other one.
- part-time: the costs of part-time work will be lowered, for social contributions shall be paid proportionate to the working hours.

- fixed-term contracts: the use of these contracts primarily aims at facilitating the reintegration of weak workers. However, a ceiling was fixed up to which such contracts may be applied: up to 6 per cent of a company's whole staff, and up to 10 per cent in the south.

2. the reorganization and creation of employment services. It is proposed to create a national employment service, which will be responsible for the drawing up of an annual plan on labour policy, the coordination of the regional employment services' activities as well as for promoting the exchange of information on the European level.

The regional employment services will transform their technical services into centres of labour policy decision-making, having budgetary autonomy and being provided with governing boards:

On a more operational level, the principle of the public employment service's monopoly was abandoned by authorizing private intermediate agents under the control of the Ministry of Labour.

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LUXEMBOURG

A new system of hospital financing

Up to the reform implemented in 1992, hospitals were compensated for their services:

- 1) by payment per treatment (with the exception of doctors, whose fees were paid separately);
- 2) by a standardized daily rate which was equal for all hospitals irrespective of their structure and activity;
- 3) by fees paid for special services;
- 4) and by lump-sum payments for surgical operations.

Evidently, the hospital care could not be financed from the daily rate. In fact, hospitals had to create special units and to increase the production of their laboratories in order to keep the balance of their accounts. The methods of remuneration thus encouraged unnecessary spending and a distorted development of the hospital structure.

The reform of 1992 put an end to this system of financing the activities of a hospital, for it has provided the existing system to be replaced by a new one with individual budgets negotiated between each hospital and the union of health insurance funds from the beginning of 1995 onwards. Every new agreement resulting from collective bargaining between the overall hospital management and hospital staff's trade unions (for instance concerning wage increases) must be taken into account when setting up hospital budgets.

Three types of expenses can be covered by the budget of a hospital:

- Expenditure occurring in relation with the hospital's intake capacity, which depends on the individual

hospital structure. When setting up the budget by mutual agreement, these costs are taken into account in the form of monthly payments.

- The costs of the activities within a hospital. Payment is effected on the basis of a unit price fixed for each activity. In order to negotiate the budget, the hospital concerned has to establish a projection on the probable level of its activities for the coming business year. This level must be divided into a certain number of units, for instance days of hospitalization, surgical operations, and biological examinations. In order to calculate a price, the total budget for a given activity is divided by the estimated extent of this activity. The hospital has to set up an invoice for every patient, stating the number of units of every type of activity in order to be paid by the health insurance scheme.
- Hospital care may be remunerated on the basis of a lump sum. This formula is already applied for obstetrical care (in case of non-pathological pregnancies) and could consequently enable the setting up of homogeneous diagnostic groups.

Within the new financing system for hospitals, the payment of hospital physicians continues to be effected separately. In fact, they are paid per treatment, and consequently there is the risk of incoherence between the budget of the hospital and the development of medical activities within the hospital in question.

The most important problem when applying the present system for hospitals is related to the planning and financing of the infrastructure of hospitals. Important hospital investments must be authorized by the Ministry of Health. If the proposed investments are permitted, the hospital concerned may be granted a state subsidy, which covers a part of the costs. The amortization of the non-subsidized part has to be covered by the budget negotiated with the health insurance fund. Therefore, there is a dual financing system where one of the financial backers decides on the amount to be paid by the other one.

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NETHERLANDS

40,000 jobs-plan (so-called „Melkert“-jobs)

In order to combat unemployment the cabinet aims at the creation of at least 40,000 jobs for long-term unemployed during the period 1995 - 1998. To this end an amount of HFL 200 million has been made available in 1995 up to HFL 1.6 billion in 1998. In 1995 2,500 jobs will be created in the care sector and another 2,500 jobs in public safety, supervision and child care. Of these so-called "Melkert jobs" (named after the Minister of Social Affairs and Employment, Mr. A.P.W. Melkert), 70 %, will be created in 19 larger cities and 30 % in smaller municipalities. With the selection of larger cities a direct link is laid with the "big-

city policy": the creation of the extra jobs will contribute to pushing back long-term unemployment as well as to improving the living-climate. The jobs which may in principle not supersede 32 hours per week are intended for long-term unemployed receiving a social assistance allowance. The remuneration of the jobs starts at a level of the minimum wage and may, after some years increase to 120 % of the minimum wage, calculated per hourly basis. Since it is aimed to reach the most vulnerable groups of unemployed persons, the jobs will be simple for which no special re-education is necessary. The new employees will, however, in most cases receive a short training. In order to participate in the project municipalities must formally apply and send in a fixed plan. Nomination of the unemployed persons concerned can for instance be made by the unemployment agencies. Every job which is created will be paid out in fixed amounts. During the first year of employment, the institution or organisation will receive HFL 35,500 per 32-hour job annually (inclusive education and guidance). If the same person is still working in the job during the following years, the institution will receive respectively HFL 37,000, HFL 38,500 and HFL 40,000, the latter amount being the maximum. The expenditure of the financial means by the institutions participating in the project will be annually checked through audit certificates.

Next to the creation of 40,000 'Melkert' jobs in the coming four year period, the cabinet also decided to make the experimental implementation of unemployment projects possible. To this end a subsidy-arrangement has been created providing for a financial contribution to projects aiming at the reintegration of 7,000 long-term unemployed into the labourmarket by offering them a labourcontract. The conditions put forward in respect of inter alia wage and working-time are comparable with those in the „Melkert“-jobs. In principle, the four main municipalities Amsterdam, Rotterdam, The Hague and Utrecht have priority with the implementation of the projects. Contrary to the „Melkert“-jobs the regulation is not restricted to the public and collective sector. The subsidy fixed at a lumpsum amounting to HFL 18,000 per annum for each unemployed person who is taken into service. It is not intended that extra financial means are made available; in principle the savings on benefits are used for financing the regulation. The subsidy-regulation will run for a period of 4 years until the end of 1998. Eventual new jobs can therefore be created within the framework of this regulation until 1 January 1997 at the latest.

Sickness and Invalidity - privatisation/ opting-out

As mentioned in the latest edition of MISSOC-Info (1/95) the cabinet intends in accordance with the agreements made in the Coalition Agreement to introduce a system of free market forces in respect of the Sickness Benefits Act (ZWI) and the Disablement Benefits Act (WAO) as per January 1996. According to the proposals the ZW will be privatised to a large extent. Employers will have the legal obligation to continue the payment of wages. The amount and the duration of the payment will remain unchanged at a level of 70 % of the previous wages during a period of one year. In

the WAO a differentiation of the contributions will be realised, meaning that the level of the contributions will be made subject to the Invalidity-risk within the company. For employers the possibility will be created to step out of the public system and to have the risk insured with a private insurer. This so-called „opting-out“ should result in the creation of free market forces. Privatisation, differentiation of contributions and free market forces fit in the policy which is aimed at the reduction of the number of persons claiming a social security benefit and at a change in behaviour patterns. Undertakings and administrations will obtain a financial interest by an optimal use of the possibilities to reduce the number of beneficiaries.

An important condition for all measures is that all disabled employees have an income guarantee and that employers can take out an insurance policy for all their employees (without selection) at a reasonable price. With regard to the sickness-risk employers may decide to bare the financial risk themselves or to have the risk re-insured with a private insurer. With regard to the fixation of the contributions the private insurers take the stand that in practice the level of contributions will never exceed 2.5 times of the average contribution in the relevant branch of industry. For some situations, such as insolvency pregnancy, temporary contracts/workers, who cannot lay claim on the continuation of wage-payment, the Sickness Benefits Act will remain to exist as a safety-net. In respect of differentiation of contributions several possibilities can be distinguished. The Cabinet thinks however a differentiation at the level of each branch of industry will be a primary possibility. In this case each branch of industry will bare its own burden of disability and will thus be stimulated to keep the disability costs as low as possible. Further incentives for the individual undertakings are possible by introducing various classes of contributions, for instance a low, middle and a high class. Starting from the average basic contribution fixed at the level of branch of industry an undertaking can thus be confronted with a reduction or a raise of contribution on the basis of its individual risk.

Other possibilities of differentiation are conceivable: differentiation at risk-group level, where the various branches of industries are further subdivided into undertakings with the same activities or differentiation at a nationwide level where equalisation takes place on the level of branches of industry. In the latter option the one branch of industry contributes to the other branch of industry. The conditions under which the employer can step out of the public system of disability (WAO) are statutory fixed. When opting-out the employer must produce an insurance contract or pension arrangement providing for at least the same protection as the statutory WAO-system. It is to be expected that in the initial phase of opting-out the contributions for a private insurance will be much higher than those for the public system, taking into account the funding system. The public system WAO is financed on the principle that each year the current costs have to be covered by current revenue from contributions (the so-called pay-as-you-go-system), whereas the private insurers operate on the basis of capital-funding. Since the private insurers will have to build up at

first reserves for the coverage of future payments, it is not to be expected that within the coming years the private system will be cheaper than the public system. Nevertheless the cabinet expects that the possibility of opting-out might still be attractive to certain employers and that the mere existence of competition will stimulate the social security administrations to a more market effective implementation of the public system.

With the introduction of the WAO-measures the General Disablement Insurance Act (AAW) covering all residents in the Netherlands and providing for protection in the case of invalidity at a social minimum level, will be abolished. In respect of certain risk groups, such as self-employed persons, early handicapped and students it is intended to introduce a separate compulsory disability insurance. According to estimations the introduction of free market forces and differentiation of contributions in the WAO-system will lead to savings of about HFL 750 million in 1998. Privatisation of the ZW will result in savings of HFL 600 million in 1998, whereas administration-costs will decrease with about HFL 300 million.

Introduction of a new survivors act

The introduction of the new General Survivors Act replacing the existing General Widows' and Orphans Act has been delayed from 1 January 1996 to 1 April 1996. A bill concerning the new scheme was recently accepted by the Lower Chamber of Parliament.

The bill provided for pension only for surviving spouses with children under 18 years and surviving spouses without children born before 1945. The bill also provided for a pension for full orphans. The pension would be subject to other income out or in connection of work, whereby 15 % and 1/3 of further income was disregarded. The underlying thought to restrict the entitlement to pension to only these categories of persons is, that because of the changing social situation people are the more and more able to provide themselves in the costs of living and that accordingly there is no of less financial dependancy if the other spouse dies. Furthermore people can insure themselves privately against the risk of death. According to a transitional measure the meanstest will only come into force on 1 January 1998 in respect of widow's/widower's who are already receiving a survivors' pension. During the discussion in the Lower Chamber, however, several amendments were accepted to the bill, such as

- a shift of the date of birth; survivors without children born before 1950 will be entitled to survivors pension;
- equal treatment of married and unmarried couples;
- with regard to the meanstest a free amount of 50 % of the minimum wage and 1/3 of the further income out of work is respected;
- introduction of an orphans' pension for children who loose one of their parents. The orphans pension is not meanstested.

The bill is now transmitted to the Upper Chamber for approval.

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PORTUGAL

Financing of social protection

According to recent comments in some sectors concerned with the financing of social protection, wage-based contributions cause higher wage costs and therefore have an important influence on the rise in unemployment.

This assertion calls upon the persons responsible for financing to search for other sources of finance to keep wage costs as low as possible.

Portugal, with its social system financed from employer and employee contributions, gradually implemented a series of amendments. It is true that the new arrangements have not yet changed the financing rule, but they have nevertheless formed the basis of important reductions in wage costs.

In fact, the costs of health care, of the non-contributory system and also those of social assistance are now financed from the state budget.

This year another important step was made. Given the economic and demographic crises and the smaller amount of contribution payments resulting from these, it was decided by the law on the 1995 state budget to increase the value-added tax by one per cent. This additional income shall be transferred to the social security budget.

On the other hand, this raise in taxes has enabled contribution rates for employers to be reduced by 0.75 %.

Thus, the state has increased the revenue of the social system and at the same time has lowered wage costs for companies.

Employment promoting measures within social protection

Given the fact that the rate of unemployment in Portugal has been significantly rising over the last years, a series of measures were taken to encourage companies to take on new staff, to improve the professional qualifications of the workforce so as to make better skilled workers available, and to create possibilities of self-employment and the recruitment of subsidized unemployed.

This report does not deal with programmes on vocational training or with other plans drawn up by employment services alone to promote unemployed or professional beginners, for this information is available through the publications of the individual services. It rather will refer to the measures which in some way or other are related to social security.

In this context, a document was approved containing amendments to the present legislation on exemptions from contributions for companies taking on professional beginners who are seeking a job or long-term unemployed, with the aim to make these regulations more attractive in the future.

Following aspects should be pointed out:

- a) target
creation of jobs

b) target groups/scope
companies which take on professional beginners and long-term unemployed

c) benefits
exemption from employer contributions over a period of 36 months.

In case of permanent employment contracts, the exemption will be up to 100 %, in case of fixed-term contracts, it will be equal to 50 %. Financial support to companies - 12 rates of the earned income.

d) conditions
The situation with regard to contribution payments must be arranged with the social security body; creation of at least one new job to be entitled to the exemption as well as to the financial support for 10 % of a company's total staff.

Another measure, which has been already implemented, concerns the payment of an additional allowance to unemployed workers who are collecting benefits and have been recruited for public welfare activities.

The recently approved measures allow to maintain the possibility of paying out the total amount of benefits to which an unemployed person is entitled, under the condition that the beneficiary can present a reliable job creating project.

National Plan on Reintegration

Last year, a Commission was set up to elaborate and accompany an action plan on reintegration until the year 2000.

The Commission is composed of representatives of the areas „Labour“, „Social Protection“, „Health“ and „Education“ as well as „Civil Engineering“, „Transportation“ and „Communication“.

The content of the above mentioned aim of reintegration is to reevaluate policies and plans, to introduce new steps and to create mechanisms allowing a better intersectoral cooperation.

In order to reach this aim, the Commission decided to prepare and develop three documents, namely:

1. A basic document with the major results of a study on the present situation, referring to problems, existent needs and the priorities the planners responsible for this area should bear in mind.

2. The second document is the proposal of a plan, containing the targets to be realized, the orientations in planning and the major measures and activities as well as the most important projects.

In general, this proposal of a plan will identify the responsibilities for execution, the target groups to be considered and the strategy to be observed when allocating the means and moreover, it will contain a provisional financing plan.

3. The third document is a proposal of an accompanying device, stating forms of organization, mechanisms for a permanent observation and all indicators to be respected for the realization.

In addition, it is planned to set up user software to accompany the plan.

The first document will be elaborated in cooperation with a university, which is going to start its work soon in order to present it within eight months.

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UNITED KINGDOM

Pension Reform

The Pensions Act 1995 became law on 19 July. This will provide a more secure, equal and sustainable footing for pensions in future, and will have a wide effect on both state and non-state pensions. A common state pension age of 65 for men and women will be introduced in phases between 2010 and 2020, and measures will be introduced to improve the security, flexibility and attractiveness of non-state pensions, which provide an increasing share of retirement income.

Unemployment, Sickness and Invalidity Benefits

The Jobseeker's Bill received Royal Assent 28 June. This new Act will, from October 1996, simplify the benefit system by replacing Unemployment Benefit and Income Support for the unemployed with the new Jobseeker's Allowance (JSA). People will be able to qualify for JSA on contributory or income grounds: but there will generally be one set of benefit rates and rules. The aims of JSA are to improve the operation of the labour market, secure improved administration and better value for money, and improve the service to unemployed people. It will emphasise the responsibilities of unemployed people who receive unemployment benefits, and will offer them improved help to get back to work.

On 11 October the Government announced proposals to simplify the rules for Statutory Sick Pay (SSP). Subject to Parliamentary approval, from April 1996 administrative easements will reduce the amount of record keeping required of employers, introduce more flexible time limits in the scheme, and end the exclusion from SSP of employees who are outside the EEA at the time sickness begins. This latter improvement will also apply to Statutory Maternity Pay (SMP). Further proposals, to be implemented in April 1991, will allow employers exemption from operating SSP rules if they pay wages or occupational sick pay at or above the SSP rate. This will allow greater flexibility to employers and cut back on administration. Workers' underlying entitlement to SSP will not be affected. These changes are part of an ongoing deregulation programme to reduce administrative burdens on business, and follow consultation with industry. Further consultation will focus on the detail of the proposals.

In April 1995 National Insurance Sickness Benefit and Invalidity Benefit were replaced by the new Incapacity Benefit (for details see MISSOC-Info 1/94). The system of medical control is strengthened by a new all work test which provides a more objective assessment of incapacity and ensures that benefit is paid only to those genuinely incapable of work because of their medical condition.

Other Benefits

Changes have been announced to benefits for housing costs - an important area of growth in social security spending. Limits have been placed on the help with mortgage interest charges available in Income Support: such payments will not be made for the first nine months of a claim in the case of loans taken out after 1 October 1995, and the help available with loans taken out before then is reduced during the first six months of a claim. The Government believes that this change will encourage reliance on private mortgage insurance to cover short-term breaks in employment. From January 1996 local authorities, which administer the Housing Benefit scheme, will be obliged to ensure that the levels of benefit for private tenants are related to the general level of local rents, rather than to the rent for a particular property. There will be scope for flexibility in cases of exceptional hardship.

Further proposals to be implemented in January 1996 will limit entitlement to non-contributory benefits for certain persons from abroad. This reflects the Government's concern to safeguard taxpayer's money and to prevent abuse of the benefit system. People who claim asylum on entry to the UK will cease to receive benefit should their application for asylum be turned down: those who claim asylum after entry will not be entitled to benefits from the outset, with limited exceptions. Access to benefits will be tightened for those who enter the UK on the basis that they will not resort to public funds: benefit will be withdrawn from sponsored immigrants, unless the sponsor dies; and, subject to treaty commitments, non-contributory benefits will be denied to those granted limited leave to remain in the UK (and who are already ineligible for Income Support, Housing Benefit and Council Tax Benefit.)

Disability Discrimination Act

The Disability Discrimination Bill received Royal Assent passed on 8 November makes it unlawful for employers to discriminate against people on the grounds of disability. It also gives disabled people a new right of access to goods and services and establishes a National Disability Council to advise the Government on the elimination of discrimination against disabled people. The White Paper "Ending Discrimination Against Disabled People" published at the same time as the Bill sets out in full the Government's policies for tackling discrimination across the board, including in education and public transport.

Child Support Act

The Child Support Act was passed on 20 July. The Act is part of a series of measures, some already introduced, to

improve and strengthen the Child Support system and encourage absent parents to comply with its requirements for supporting their children.

Financing

The 1993 discussion document "The Growth of Social Security" projected that benefit expenditure would continue rising by an average of 3.3 per cent per year (excluding the effects of unemployment) until the end of the century. However, changes to the social security programme announced in recent budgets have reduced this projected growth. The real growth until 1997-98 is expected to average 1.3 per cent per year. Thereafter the underlying growth is expected to re-emerge. For 1997-98 to 2001-01 real terms growth is expected to be 2.1 per cent per year. Expenditure in 2000-01 is now expected to be £8.1 billion less than forecast (at 1994-95 prices) in the *Growth of Social Security*. Over half of this is as a result of policy changes recently announced or implemented.

The annual uprating of benefit and National Insurance Contribution (NIC) rates took place in April. The uprating had regard to an historic movement in retail prices of 2.2 per cent; the index for income related benefits was 1.8 per cent. The lower earnings limit for NICs increased from £57 to £58 weekly, the upper limit from £430 to £440. Employers' NICs reduced by 0.6 per cent for low earners, there were small increases to the fixed contributions for self-employed and voluntary contributors.

Administration

As part of a wide-ranging strategy to combat benefit fraud, a pilot programme of special telephone "hotlines" was launched in September to make it easier for members of the public to provide information on suspected benefit fraud to Benefits Agency investigators in their local area. The service is being tested in four areas, and lines are open 24 hours a day and are confidential and toll free. Monitoring of the pilot will examine its effect on quality of information, detection rates and outcomes. Another focal pilot project has led to national implementation in October of a scheme to stop instrument of payment fraud. The scheme covers all social security instruments encashable at post offices, and allows for the payment of a cash reward to any Post Office clerk who impounds a fraudulent or manipulated payment.

New measures to reduce the burden on business of collecting tax and National Insurance were announced in September. The three revenue collecting agencies, Inland Revenue (IR), Customs and Excise (C&E) and the Department of Social Security's Contributions Agency (CA) have developed joint programmes to improve the quality of their service and ease the administrative burdens on businesses. Specific measures include: piloting of common education, information and enquiry services; combined auditing of employers; and closer working links between the departments. Further work will be aimed at closer alignment between the tax and National Insurance systems, and improved information exchange between IR and the CA.

