

## Evolution of Social Protection in the Member States of the European Union, October 1995 - April 1996

*Belgium*

*Denmark*

*Germany*

*Greece*

*Spain*

*France*

*Ireland*

*Italy*

*Luxembourg*

*Netherlands*

*Austria*

*Portugal*

*Finland*

*Sweden*

*United-Kingdom*



MISSOC

Mutual Information System on Social Protection in the European Union  
Système d'information mutuelle sur la protection sociale dans l'Union européenne  
Gegenseitiges Informationssystem zur sozialen Sicherheit in der Europäischen Union

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## EDITORIAL

Dear Reader,

Within the framework of the MISSOC, the Mutual Information System on Social Protection in the European Union, a work meeting takes place twice yearly of the member state representatives who act as national MISSOC correspondents. This meeting centers around the exchange of information concerning the current social policy developments in each of the member states. On the occasion of the latest MISSOC meeting, which was held on the 17 and 18 May, 1996 in Turin, Italy, the correspondents prepared extensive

reports on the most recent developments in their countries. In hopes of providing our readers with first-source information, the secretariat has published an abridged version of the essential passages of these reports. With this we hope to approach our goal of presenting the most up-to-date information possible about the main developments in the area of social protection in each of the member states of the European Union.

MISSOC Secretariat

Dr. Wilhelm Breuer

## EVOLUTION OF SOCIAL PROTECTION

### BELGIUM

#### Maribel

At the end of March 1996 Belgium was called upon by the European Commission to adapt its system of public aid to the European rules of competition. Apparently the "extended MARIBEL formula", which is a flat-rate reduction of the employer's share of social security contributions to be paid for manual workers, does not comply with European legislation, since it only favours certain industries - namely those subject to international competition such as the textile, metalworking, automobile, food, chemical and printing industries, etc.). At present the government is seeking new solutions.

#### Pensions

We would like to draw attention to the fact that, since the VAN CANT decision of the European Court of Justice of 1 July 1993, Belgian courts have expressed different opinions regarding the interpretation of the concept of "pension age", which is used in the 1990 Act on the Introduction of Flexible Pension Age. In order to counteract this situation of legal uncertainty in

Belgian legislation, the government has elaborated a draft bill to interpret existing legislation, with the draft bill currently being discussed in Parliament.

When introducing the Act on Flexible Pension Age for Men and Women after the Age of 60, it was the legislator's aim to make it possible for men to retire before the age of 65; in that case the until then valid reduction coefficient of 5 % for each year of early retirement should no longer apply. It has never been a question of challenging the different pension ages for men and women.

Hence, the draft bill defines old-age pensions as income replacement which can be drawn upon of the legal retirement age; this is the age at which the entitled person is no longer regarded to be capable of work because of old-age. The legal retirement age has been fixed at 65 years for men and at 60 years for women. Moreover, it has been confirmed that the government has yet expressed its efforts to gradually realise, in the context of its statement to modernise social protection, equal treatment of men and women as regards pension age. The transitional period would then last until 2005.

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MISSOC is the Mutual Information System on Social Protection in the member states of the European Union and has been established upon the initiative of the European Commission, Directorate-General V. Its aim is to provide an exchange of information between the member states as well as to provide information for all relevant institutions responsible for the administration of social protection, the social partners and the interested public.

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Within the framework of this reform the government provides for the introduction of special measures which are intended to counteract the actual social inequalities between male and female employees which affect the entitlement to a pension.

### **Supplementary Pensions**

We would like to draw your attention to the Act of 6 April 1995 which regulates the supplementary pensions as „second column“ of social protection and which came into effect on 1 January 1996. The above mentioned act does not only contain provisions for the establishment, modification and cancellation of a supplementary pension system by the employer, but also provides for a system of employee participation via the introduction of the employer's obligation to provide information. Finally the act fixes the entitlements for which the employees are eligible already after one year of service.

The Royal Decree of 10 January 1996, which came into effect on 1 January 1996, stipulates the measures for the implementation of the above mentioned act. The Royal Decree obliges in particular the employers, first to inform each employee individually in the form of a written in-company communication until the 1 July 1996 about the law's effects on his or her entitlements, and second to carry out the formal modification of the pension provisions until 31 December 1998 at the latest.

### **Unemployment**

The system permitting the interruption of unemployment was improved. It enables an unemployed person to declare that he or she is not available on the labour market for a limited period of time in the case of family or socially certified reasons.

On the one hand the flat-rate benefit which is granted instead of unemployment benefit was increased, on the other hand measures which might lead to the exclusion of unemployment may not be pronounced during the period of interruption in the future.

### **Sickness**

Since 1 January 1996 the mutual benefit societies have been issued individual stamps. Each beneficiary receives his or her own stamps, which no longer bear the name of the entitled person, but are issued to the individual person. Thus not only the insured persons have their own stamps, but also each family member.

The Act of 20 December 1995 on Social Provisions provides for the King to rule out in total or in part the patient's contribution which the chronically ill have to pay for the provision of health care benefits. Chronic diseases have to be included in a list, whereas the health care treatments affected by the new law will be set out after the medical council will have delivered its opinion. So far the King has not taken any measures to implement these principles.

### **Persons with Disabilities**

Since a parity committee was established in 1992, dealing in particular with sheltered workshops, the application of the guaranteed minimum wage has become compulsory in this field. An interval of three years was agreed upon during which the provisions for the implementation of this measure were to be formulated. The deadline has been fixed for 28 June 1996.

So far there are two different points of view. On the one hand there is the employers' point of view, they consider it appropriate to take into account the "minimum wage", i.e. the wage plus the state supplement for invalid persons. On the other hand there is the trade unions' point of view, they intend to take into account only the "guaranteed minimum wage" to be paid by the employers.

### **Guaranteeing Sufficient Resources: „Minimex“**

The Act of 22 December 1995 on measures implementing the employment programme, which is to stretch over several years, introduced two changes in view of the subsistence level.

The fundamental Law on Public Centres for Social Assistance, Article 60, Para. 7, assigns the Centres for Social Assistance (*CPAS-Centres publiques d'aide sociale*) the general task to find work for the recipients of social assistance, thus themselves assuming the role of employers. In line with the provisions of this new law those *CPAS* which do additional job placements are totally exempt from paying social security contributions. The term "additional placement", which relates to the number of employees with whom the *CPAS* have concluded work contracts, yet has to be determined more closely by Royal Decree. This also applies to the provisions relating to the exemption.

The Act of 24 July 1987 (on work under fixed-term contracts, temporary work and hiring-out of labour) regulates the hiring-out of employees. This practice which consists in the employer's „lending“ of workers (for whom this employer is paying social security contributions) to another employer who in effect has the authority to issue directives and give instructions to these workers, is actually prohibited by law except for those cases which the labour supervisory authority officially approves of.

In contrast to the Act of 1987 the Act of 22 December 1995 provides for *CPAS* to hire out employees under work contract to communities, non-profit organisations with a social or cultural purpose or other *CPAS*.

However, the following conditions must be fulfilled:

- the conditions and the duration of the temporary work for another employer must be set out by the employer in a document signed both by the "borrower" and the worker;



- this document must be drawn up before the temporary work relationship commences and the Social Assistance Council must be informed thereof.



## DENMARK

### Amending Laws in the Period from 1 October 1995 to 1 May 1996

There have only been a few amending laws during this period; those which have been passed extended and revised existing laws on active labour market policy.

In unemployment insurance the support for young persons under the age of 25 has been extended, with the amending law creating both the basis for more possibilities of training and further training at the earliest possible time. Moreover, the duration of unemployment benefit has been reduced for all entitled persons, so that the unemployed will earlier reach phase 2 of unemployment, a phase in which a whole variety of incentive measures is made available to those out of work. The situation of unemployed persons who have been self-employed has been improved insofar as they will now receive unemployment assistance to the amount of 82 per cent of the highest rate of unemployment benefit compared to 70 per cent in the past. At the same time the minimum rate for unemployed employees in full-time employment has been set to 82 per cent of the maximum rate of unemployment benefit.

Parallel to the improvement of the support for young persons under the Unemployment Insurance Act, the support for young persons under the age of 25 has also been improved under the Law on local incentive measures and on local support for those unemployed persons who are not members of the statutory unemployment insurance scheme (in Denmark membership in the unemployment insurance scheme is optional). At the earliest possible time an action plan which is setting out the entry into a future job with particular emphasis on further training is to be drawn up for a jobless young person. The local communities are to revise this action plan every six months, so that they can deal with the ideas and capabilities of the unemployed person during the whole period.

Under the Social Assistance Act the age limit for the application of the lowest rate for young people has been raised from the age of 23 to the age of 25 to create an incentive for young persons to look for an apprenticeship or a job instead of living on social welfare.

In order to increase the importance of supplementary pensions (ATP) the respective act has been amended

insofar as contributions will also be paid into this purely contribution-financed fund for persons receiving social assistance, undergoing rehabilitation measures or having taken advantage of an offer under the Actions Law. For persons receiving benefits because they are unemployed or ill, on maternity or parental leave, the contributions will be paid in advance. Persons receiving transitional allowances, early retirement pensions or early pensions will now have the option to pay voluntary contributions into the supplementary pension fund (ATP). Thus, the insured persons will now avoid "gaps" in the insurance periods.

### Reports presented by the established committees

The committee on early retirement submitted its first partial report in January 1996. The committee was established in order to consider the possibilities for local and regional authorities to adopt the same line of action concerning the assessment criteria for early retirement. The committee also had to draw up a framework for an intensified action to avoid the multiplication of early retirement claims. It is also to counteract unintended consequences which can occur when the duration of benefit payments is limited in the case of sickness. The committee's first report deals with the latter issues of the above described field of work. The report resulted in the amendment of the law, with the amendment extending the duration of benefits payments in cases where an application for early retirement has been filed. Moreover, in its report the committee submitted a proposal to simplify the procedure for the application for social benefits and assistance. The committee recommended to introduce a streamlined system at the level of local communities where the global situation of the applicant can be assessed and where it can be decided as to which form of support should be granted on the spot. For this reason the local communities should also assume the responsibility for the procedure.

Hereby the committee also delivered its opinion on the division of the fields of work between the local communities and the regional authorities. It has been concluded that most of the social tasks have to be fulfilled close to the citizen, i.e. solutions have to be found at the local level. The regional authorities are to focus on those tasks which require both specific knowledge so that high-quality solutions for a large part of the population can be found, as for the management of a hospital for example.

Under existing law the local communities can only decide upon the general entitlement to early retirement, whereas the regional authorities, for legal reasons, decides upon the form of early retirement. Early retirement is possible in cases where earning capacity is less than 50 per cent. Over the past few years some local communities have gained the permission to decide upon all procedures in the field of early retirement under the condition, that the communities established a

"coordination committee" in which, inter alia, the "Association of General Practitioners" and the employment office are represented.



## GERMANY

### **Amendments concerning the compensation of family expenses (family benefits)**

As a result of the Annual Tax Act 1996 (Jahressteuergesetz/JStG 1996), the compensation of family expenses for persons who, in Germany, are fully liable to income tax or treated as such by the fiscal authorities will be regulated by the Income Tax Law (Einkommensteuergesetz / EStG). According to this law, a monthly family allowance is paid as a refund for payable taxes. It amounts to:

- DM 200 per month for the first and second child each
- DM 300 for the third child
- DM 360 for each subsequent child.

### **Amendments concerning pension insurance are planned.**

A fundamental reform of occupational and disability pensions, which will be implemented during the current legislative period, aims at reducing the pension scheme's labour market risks, thus allowing a proper assignment of responsibilities.

With regard to new entrants into the pension scheme, periods of education/training will only be taken into account from the age of 17 years onwards and for a maximum period of 3 years. In addition, the assessment basis for pension payments will not exceed 75 % of the average remuneration. In order to compensate for the periods of education/training which, contrary to the present regulation, will no longer count for pension rights, there will be a new possibility of paying voluntary contributions.

The pension scheme's expenditure for health cures will be cut by DM 1.8 billion, compared to this year's expenditure. This ceiling must not be exceeded in the coming years either. In particular, this may be achieved by generally limiting cures to a maximum period of 3 weeks and by providing for a general minimum interval of 4 years between two cures. During the course of the treatment, two days a week will be deducted from the leave days to which the concerned person is entitled. Within the pension and health insurance schemes, the daily participation in the costs will be increased.

The progressive increase of the pensionable age for women up to 65 years, provided for in the Pension Reform Law 1992 (Rentenreformgesetz 1992; planned to become effective in 2001) will be advanced to 2000 and will be finalised by the year 2004. The pensionable age for persons having been insured for many years will also be raised progressively from the year 2000 on. As soon as the process of raising the pensionable age is completed, a premature claim of these old-age pensions will result in a reduction of 3.6 per cent for each year the claimant retires earlier.

### **Reform of social assistance planned**

The federal government's bill on a reform of the social assistance legislation is currently under discussion. The reform project aims at stabilising the social assistance scheme by avoiding the need for social assistance and mobilising savings reserves. The following priorities have been set up:

Improved entry of social assistance recipients into employment, limitation of expenditure increase, discharge of the social assistance offices by reducing bureaucracy, and improvement of the legal status of handicapped persons in workshops.

The amendments shall bring about cost savings of approximately 2.3 billion DM per year and additional costs of about 100 million per year in the field of assistance for the employment in sheltered workshops.



## GREECE

### **Development of Social Protection after June 1995**

During the reporting period between June 1995 and today there have been no major changes in the area of social protection in Greece.

In the field of social insurance continuous efforts have been undertaken to promote the economic recovery of the funds in deficit, inter alia the merger of the insurance fund for employees of the fertilizer industry with the insurance fund of employees (IKA-TEAM), (Act 2335/95).

The same act amending the Act 2224/1994, which introduced two new contributions for the branch of unemployment, the ELKEPE contribution - a programme for vocational training - and the EKLA contribution - a special account for unemployment - provides for the introduction of a new contribution rate to be paid into the EKLA special account: 0.26 % for the employer and 0.10 % for the employee. The contributions are calculated on the basis of the minimum daily wage. Those funds are destined to combat long-term unemployment.

The Act 2235/1995 also provides for measures which are aimed at improving the functioning of the social insurance funds.

In the field of unemployment a new draft bill will soon be discussed in the house of representatives. The draft bill envisages a series of measures which are to reduce the unemployment rate of 10 % to 8 % and which will in particular regulate the status of illegal workers from third countries by the issuing of green cards.

In the field of health care a draft bill on the reorganisation of the public health care system (ESY), which has been in force since 1983, will be submitted to the two sides of industries, so that they can deliver their opinion before the bill will be discussed in the national assembly.

In the field of family policy the final recommendations of a legislative committee responsible for amending legislation on adoption and guardianship have already been submitted to the competent ministers (Justice, Health). They will soon be discussed in the national assembly.



## SPAIN

### **The Implementation of the "Toledo Agreement"**

The "Toledo Agreement" which was approved of by the Spanish Parliament on 6 April 1995 has already been the subject of previous reports published in MISSOC-Info, with the reports also including the analysis of the structural problems of the social protection system and the essential reforms to be undertaken.

The recommendations which have been concluded by Parliament still have to be legally developed. However, the political parties still support the principles enshrined in the "Toledo Agreement" concerning both the viability of the current public system and the necessity to carry out reforms in line with the above mentioned recommendations. It can be assumed that the new government which resulted from the general elections on 3 March 1996 will soon implement the necessary adaptations.

In the media, in the different sectors of science and business life there are still vivid discussions about the problems of social protection and the possible solutions. Two reports dealing with this subject-matter are of particular interest: the actuarial and financial study "Social Protection at the Beginning of the 21st Century" drawn up by the Secretariat-general for Social Security and the study on "Pensions and Unemploy-

ment Benefits" presented by the Foundation of the *Banco Bilbao Vizcaya* (BBV Foundation).

The first study comes to the conclusion that the viability of the current pension scheme is possible above all in the medium and long-term. However, it will be indispensable to carry out adaptations which are to reinforce the fundamental principles of contribution, proportion and solidarity. Moreover, the development of the scheme in line with the economic development should be facilitated. The temptation, however, to confine social security to the payment of minimums should be ruled out in any case.

The report produced by the BBV Foundation admits that, independent of the opinion on capital adequacy system, the abrupt and immediate transition from the current pay-as-you-go system is impossible in view of the financial burdens involved which are estimated at 2.5 times of the gross national product. Nevertheless, the report emphasises that both the strict application of the proportion criterion, in particular the proportion between contributions and benefits and between contributory schemes, and the reduction of fraud are essential for the viability of the public scheme and the current pay-as-you-go system after the year 2000. These criteria are to be implemented by means of reforms which are to be carried out in line with the aspect of urgency and the pragmatic and factual points of view. In this context one is to keep in mind that the reforms are part of the general policies to restore the balance of the Spanish economy.

### **Changes in the Administration of Social Protection**

The fact, that the fundamental system reforms have not yet been implemented, has had no negative effects -in the contrary- on the adoption of important measures to improve the administration. Hence, in the course of 1995 and during the last few months measures have been carried out to increase the high degree of development and to introduce technology into the administration of social security.

MISSOC-Info 1/ 1996 included comments on important provisions which have been issued for this purpose, inter alia the increase of pensions by 3.5% with effect from 1 January 1996, the new procedure for evaluating permanent invalidity, the Regulation on the financial management, the participation in the administration of the Mutual Insurance Companies for employment injuries and occupational diseases and the new Regulation on the collection of the system's resources. The following other provisions are particularly important:

- **Royal Decree 397/ 1996 on the Establishment of a Register for Public Social Benefits.**

Under this decree the Instituto nacional de la Seguridad social (INSS) is charged with the administration and management of a register for all social benefits, which are financed in full or in part with public funds,

whatever organisation or company grants these benefits. The register has been designed as a fundamental instrument for the administration of social security which will not only enable the administration to become more efficient and flexible, but which will also constitute a means of constant control in the battle against fraud and the abuse of social protection.

• **Order of 18 November 1995.**

This order fixes the ceiling for expenditure on administrative purposes for the respective public bodies of social protection. The expenses may not exceed 1 % of the revenue which constitutes the consolidated budget for social protection. At present this regulation has already been complied with. (The INSS in particular has spent less than 0.86% of its funds on administration).

• **Resolution of 17 January 1996**

This regulation encourages the implementation of new measures to improve both the management of social protection and the reception and information of the citizens; the quality of services has been increased with the help of new information technologies and the costs have been reduced at the same time. Inter alia, the following measures are to be mentioned:

- \* Connecting the general committees (Parliament) to the integrated accounting system of social protection, in order to be able to have spot checks and to dispose of real time data when the social security budget is enacted.
- \* Annual distribution of individual data concerning the basis of the contributions made in the previous year to the registered employees, so that they are able to have an overview of their contributions and their rights in the future.
- \* The introduction of a personal microchip card which will not only enable the user to prove his status of registration, but also obtain personal and confidential information. The user can also carry out more frequent operations at automatic information and management terminals (TAIG).
- \* The introduction of the RED system for the electronic transmission of data from the employers concerning registration, membership, work interruptions and other relevant data about the workers, as well as data about contributions and the collection of these contributions.
- \* Information for the users on the INTERNET site "WWW.SEG-SOCIAL.ES".

## FRANCE

**Correction:** an error has occurred in number 1/96 of MISSOC-Info. In the article on France, the sums indicated did not amount to millions of francs but rather to billions of francs.

*As part of the reform on social protection introduced in November 1995, the Government has adopted a number of regulations which were the subject of an article in the MISSOC-Info 1/96. Since this time further regulations have arisen which will be presented to you in the following lines.*

**Ordinance of 24 April 1996 concerning the control of expenditure for health care**

The ordinance includes five essential parts. They refer to (a) the national and regional health conferences, (b) the adaptation of health care provision and information systems, (c) the coordination of health care, medical supervision, distribution of cost and (d) the renewal of collective agreements.

a) The national and regional health conferences have the aim to define the priorities of health care in the debate preceding the vote on the social protection funding act in parliament. The national conference includes representatives of the medical professions, either self-employed or salaried employees, and representatives of the regional conferences. Members of the regional conferences are representatives of the public sector, the bodies of social protection, the health care establishments, the medical professions and the users.

b) The adaptation of health care provision concerns measures guaranteeing to better regulate the different forms of training of doctors and the reorientation of general practitioners (creation of a reorientation funds and modernisation of the liberal medicine to finance in particular the early retirement benefits, the retraining of doctors and the equipment of their surgeries with information technology). In order to improve the quality of health care, self-employed or employed medical doctors are committed to undergo further training in the course of their careers.

The implementation of data exchange between the health insurance funds and the medical professionals with effect from 31 December 1998 will improve the information systems. Then, all insured individuals will have their own microchip cards.

c) As regards the coordination of health care, experiments will be made over a period of 5 years with the aim to promote, on the one hand, the creation of a health care network around the general practitioner and, on the other hand, the health care networks coordinating the treatments in town and hospitals. Health records will be generalised for the whole population in order to make it easier to follow the progress of the patients and their reorientation within the health care system. The insured will be required to present these



health records each time they consult a doctor. The health record will be transferred to the health insurance beneficiary's electronic card.

The powers of the medical supervisory authorities have been specified to improve the efficiency of the medical council's intervention, set up by the health insurance funds. Moreover, the admission procedures for the reimbursement of medicines have been simplified.

(d) The collective agreements have been renewed. Following the health conferences and parliament's vote on the social protection funding act, the State authorities and the national health insurance funds will determine the reciprocal commitments by agreement (annual amendment to the agreement on objectives and management, commitments contributing to the implementation of the tendencies set by parliament. On the basis of this clearly defined framework, the national funds and the medical associations will set (in an annual annex to the medical agreement) in particular an objective regarding the reimbursable expenses, fees and a potential provision regarding their adjustment. In those cases where the various partners do not reach an agreement, the State authorities have the right to stand in. Moreover, the National Agency for the Accreditation and Evaluation in the Health Care Sector (see below) and the Agency for Medical Products have created comparable medical references and recommendations for good practice.

#### **Ordinance of 24 April 1996 reforming public and private hospitals**

Reforms have to be undertaken in the following four areas:

- Conclusion of agreements and evaluation of health care institutions.

The regional hospital agencies are to conclude contracts with the health care institutions, with the contracts determining the objectives (quality and safety of care and means (funding, number of beds, material). The National Agency for the Accreditation and Evaluation in the Health Care Sector (ANAES - *Agence nationale d'accréditation et d'évaluation en santé*) has been established to assess the quality of the institutions' activities, to set standards of good practice in hospitals and to draw up medical references for hospitals and ambulatory care.

- Creation of regional hospital agencies with far-reaching competences.

Regional hospital agencies will be created in each region until 31 December 1996. It will be their task to represent the national services and the health insurance as one decision-making entity in the negotiations with the health care institutions on structures, equipment and allocation of funds.

- Promotion of the quality of health care.

This promotion will become prominent in particular at the level of accreditation. Several provisions on the

patients' rights (admission to hospital, medical record of the patient in hospital) have been included.

- Responsibilities of the players in internal organisation and formulas for co-operation.

Medical and paramedical teams are allowed to constitute, upon their own initiative, responsibility centres. It will be possible for the public and private health care institutions to establish sanitary units in order to share medico-technical means available. Health care networks will be encouraged.

#### **Ordinance of 24 April 1996 on measures regarding the organisation of social protection.**

The provisions of this ordinance reinforce the essential characteristics of the French system of social protection; on the one hand, the system is decentralised with a whole network of institutions under private law, each of them having to fulfil a task within the public sector, and on the other hand, the system is self-governing, with the responsibilities being shared by the two sides of industry.

The ordinance on the organisation of social protection includes a series of provisions which essentially refer to the organisation of the general social protection system.

It is intended that the State authorities and the national bodies of the general system (CNAM - National Sickness Fund for Employees, CNAV - National Old-age Insurance Fund, CNAF - National Family Allowance Fund, ACOSS - Central Office of the Social Security Organisations, CANAM - National Sickness and Maternity Insurance Fund for non-salaried workers in the non-farming sector, CCMISA - Central Fund for Farmers and CANCAVA and ORGANIC - Independent Old-age Insurance Fund for non-salaried workers in crafts and commerce) conclude agreements on objectives and management, complying with the laws on social protection funding.

These agreements will be applicable as of 1 January 1997 and are intended to increase the funds' autonomy regarding the management. This will also contribute to more responsibility and stronger relations between the concluding parties.

The field of application for agreements on objectives and management is very wide. Hence, they determine for each branch the multi-annual objectives for management, in particular those objectives related to risk management and the quality of service provided. They stipulate not only in detail the development of the funds' budgets, but also the principles for the potential development of the legislative framework.

The agreements on objectives and management are implemented at the local level by multi-annual contracts between the national and local funds, with the exception of the scheme for farmers, due to its particularities.



For the three important schemes in health care, the agreements on objectives and management mention in particular the multi-annual approximate figures of the public sector for health care, medical demography and medication. An annual amendment to these agreements fixes the potential objective for cost development of health care in towns, determined each year in relation to the national objective which is adopted by parliament for the development of costs for health insurance.

The new contract logic is supported by the establishment of supervisory councils, which are independent bodies within each national fund. They have been created to assess the implementation of the agreements on objectives and management.

The administrative councils of the bodies in the general protection scheme have been renewed, which reinforced the structures of equal representation.

In the field of health insurance the ordinance stipulates the development of structures in order to improve them and to implement the reforms laid down in the ordinances on the control of expenditure for ambulatory care and on hospitals. Before 1 January 1998 a regional union of health insurance funds (*URCAM - union régionale des caisses d'assurance maladie*) is to be created in each administrative region. The union will comprise the basic bodies of the different compulsory health insurance schemes which are represented in the region.

In essence this new structure has the task to elaborate at the regional level common policies for risk management, in particular in the field of ambulatory care, to supervise their implementation in line with the local action plans for risk management and to coordinate the activities of the medical supervisory services of the different schemes. The regional union could be charged with the implementation of the provisions in the regulation on ambulatory care at the regional level.

Moreover, the network of local funds has been improved in order to facilitate relations with the most important partners, such as the medical professions, the local authorities and to improve the quality of the social services rendered to the insured at the same time. The necessary synergy between the funds and the medical supervisory services have been reinforced, considering the autonomy of the latter.

Finally, the modalities for the nomination of the directors and their competences within the social protection bodies of the general scheme have been revised in the sense that they have been given more responsibility.

## IRELAND

### Developments

The objectives of the Programme for Government 1993 to 1997 continue to shape trends in social welfare policy. In line with the Programme's commitment to maintain the real value of social welfare payments, all weekly social welfare payments and adult dependent allowances will be increased by 3 % from mid June 1996, bringing widows, widowers and deserted wives up to the target rate recommended by the Commission on Social Welfare in 1986 for the first time. (Inflation is expected to increase by 2.25 % in 1996).

The Economic and Research Institute of Ireland (ESRI) has been commissioned to review the minimum adequate income rates recommended by the Commission on Social Welfare to determine whether they should be updated.

Further recommendations of the Expert Working Group on the integration of the Tax and Social Welfare Codes relating to work incentives will be implemented in 1996.

A Commission on the Family was set up by the Government in October 1995 to examine the needs and priorities of families today and to recommend how they can be strengthened and supported for the future. The Commission aims to:

- Seek views on a wide range of issues such as child care, financial support for families, education and health, marriage breakdown and its effects, the effect of poverty on family life.
- Bring about a more informed public debate on the impact of social and economic changes on family life.
- Formulate recommendations to Government on the future direction of family policies.

The inter-Departmental Committee charged with drawing up the National Anti-Poverty Strategy in 1995, published an overview statement on poverty, social exclusion and inequality in Ireland in December 1995. The final report of the inter-Departmental Committee is expected to issue by the end of 1996.

A Task Force on Security for the Elderly was established in January 1996 to make recommendations on how the security needs of the Elderly could be most urgently and effectively addressed. Following the recent publication of the Task Force report, the Minister for Social Welfare received Government approval for a IRL £ 6.5 m package of new measures to improve security for the elderly which include:

- The extension of the Budget tax relief measure to include relatives who install security systems in the homes of elderly people living alone.
- IRL £ 2 m in grants to be made available this year by the Department of Social Welfare to voluntary



groups to support the installation of security equipment.

- Local voluntary and community groups to be encouraged, when planning for this year's Students Summer Jobs scheme, to consider projects which provide greater security for elderly people living alone.
- Measures to be finalised with Telecom Eireann, the semi-state telecommunications body, to provide for a substantial reduction in the cost of installing telephones in the homes of elderly people.

The report of the Group of inter-Departmental Secretaries on the Strategic Management Initiative in the Civil Service, entitled Delivering Better Government was launched in May 1996. It sets down a framework for change and identifies new ways of responding to issues such as poverty and unemployment across departments. One of the priority areas for action highlighted in the Strategic Management Initiatives is customer service. Initiatives in the area of customer service already underway in this Department, include measures to get better feedback from people using the Department's services through customer surveys etc. and improved training programmes to equip staff to meet the new demands of a quality service.

The Supplementary Allowance Scheme which is administered by the eight health boards under the general direction of the Minister for Social Welfare, does not, at present, have a statutory appeal system. In future, the Social Welfare Appeals Office will have responsibility for Supplementary Welfare Allowance appeals. Phase 2 of the development of the Department computer system ISTS (Integrated Short-Term Systems) is currently being implemented. Phase 1 catered for the integration of the Unemployment Benefit and Assistance based schemes. Phase 2 will further expand the capacity of ISTS, through the introduction of a new system which will integrate the short-term schemes in a manner which will allow for a much better client service. This new system will bring together the unemployment and disability systems, and for the first time, supplementary welfare allowances. The computerisation of supplementary welfare allowance cases will be implemented on a phased basis from June 1996 onwards. The conversion of the general benefit (disability, maternity, occupational injuries) schemes from the current computer system to the new system will take place in October 1996.

The Department of Social Welfare has established a Web site which will be linked to the central Government site on the Internet. General information on Social Welfare services will be available immediately and, over time, specific applications and information to a range of customers will be included. The launch of the Government site will take place on 16 May 1996.

## **Pensions**

From mid May 1996, the first IRL £ 34.10 per week of earnings from employment of a rehabilitative nature will be exempt in the assessment of means for the Blind Person's Pension.

From mid May 1996, new regulations will allow persons who qualify for a pro-rata Old Age (Contributory) or Retirement Pension and an EU Pension or a Pension under a Reciprocal Agreement, to qualify for whichever pension is the higher.

From July 1996, the free scheme of Electricity Allowance, Telephone Rental Allowance and Colour Television Licence are being extended to low income pensioners who do not qualify at present because they do not get a social welfare pension.

## **Pro-employment measures**

Arising from interim recommendations by the Expert Working Group on the integration of the Tax and Social Welfare Codes, a number of measures have been devised which aim to remove obstacles within the social welfare system which militate against unemployed people who look for work. People unemployed for at least 12 months will, in future, retain child dependent allowance for 13 weeks, if they take up employment which is expected to last at least four weeks. The qualifying period in employment for entitlement to Family Income Supplement (FIS) will be reduced from six to three months, to enable an unemployed parent who benefits from the retention of Child Dependent Allowances for 13 weeks to qualify for FIS, when payment of the Allowances ceases. From October 1996, the method of assessing earnings in the means test for Unemployment Assistance is to be simplified to enable people to retain more if they take up part-time or casual work. At present, a person must be unemployed on the day in question in order to get Unemployment Assistance for that day. A week of unemployment will be defined as any 3 days of unemployment in a period of 6 consecutive days. Unemployment Assistance will be payable at the weekly rate (i.e., it will be paid in respect of both days of employment and unemployment) with earnings being assessed at 60 % for claimants with children. In the case of claimants without children, a daily disregard of IRL £ 10 for each day worked will be applied with the balance of earnings being assessed at 60 %.

Other measures introduced to maintain/stimulate employment include the reduction of the social insurance contribution rates for employers from 12.2 % to 12 % in the case of the standard rate, and from 9 % to 8.5 % in respect of the reduced rate. The earnings ceiling for the reduced rate of employer contribution has been increased from IRL £ 231 to IRL £ 250 per week. The standard 12 % rate applies in any week that earnings exceed IRL £ 250. The number of participants on the Back-to-Work Allowance Scheme has been increased

from 10,000 to 15,000. (This allowance enables qualified people to retain 75 % of their social welfare payment for the first year, reducing to 50 % and 25 % respectively over the second and third year).

### Family policies

As part of the strategy towards a basic income for children outlined in the Programme for Government, child benefit is to increase by IRL £ 2 per child per month from September 1996. The rate per month for the first two children will be IRL £ 29 per month, and IRL £ 34 per month for the third and subsequent children.

In January 1996, the grant of IRL £ 200 payable on the birth of twins was increased to IRL £ 500. A new grant of IRL £ 500 is being introduced which will be payable when the twins reach the age of 4 and again at age 12.

In April 1996, the qualifying contribution conditions for Treatment (Optical and Dental) Benefits were eased for recipients of Carer's Allowance, so that they no longer require 13 paid social insurance contributions in the governing contribution year in order to qualify. A widow or widower who at the date of death of their spouse was entitled to Treatment Benefits at the date of death, now entitled to Treatment Benefits for life, irrespective of the age of their deceased spouse at the date of death.

From January 1997, the Lone Parent's Allowance and Deserted Wife's Benefit Schemes is to be replaced with a new One-Parent Family Payment. The new arrangements will ensure equality of treatment as between men and women in the area of lone parenthood and will also remove the existing conditions in relation to Deserted Wife's Benefit requiring that desertion be proved.

### Financing social insurance

In April 1996, workers placed on Community Employment Programmes since 6 April 1996, became liable for full social insurance cover. Workers placed on Community Employment Programmes prior to 6 April 1996 are now entitled to opt for full social insurance cover. (Community Employment Programmes are operated by FAS, the State training and placement agency).

The exemption from social insurance deductions granted to employees in industrial, commercial and service type employment under a contract of service and new entrants to the Public Service from 6 April 1995 was increased from IRL £ 50 to IRL £ 80 per week. The exemption applicable to Civil Servants recruited prior to 6 April 1995, Ministers of Religion and the self-employed who pay reduced rates of social insurance contributions, was increased from IRL £ 10 to IRL £ 20 per week.. The income ceiling on social insurance contributions was increased to IRL £ 22,300

per annum for employees, and to IRL £ 26,800 per annum for employers.



## ITALY

During the last 9 months, few social security developments have taken place in Italy due to the implementation of the August 1995 pension reform. The main developments involve the implementation of this reform, and can be summarised as follows:

*1) Adoption of a decree which specifies an increase to 32% in the contribution rate in order to finance the Pension Scheme for employed workers administered by INPS.*

On the 1st January 1996 the contribution rate for employed workers increased from 27.57% to 32.70%, an increase of 4.43 points. This was a potential increase, as it simply involved a transfer of part of the contributions meant for financing payment of temporary benefits, and for which there was a surplus administrative budget. The increase was paid entirely by employers, and the benefits in question are family, maternity and tuberculosis allowances.

In order to compensate for this increase of 4.43 points:  
3.72 of the family allowance contribution  
.14% of the tuberculosis contribution  
.57% of the maternity contribution  
have been transferred.

As not all categories of workers are affected, the contribution increase will be applied progressively.

*2) Adoption of a legislative decree which stipulates that professionals for whom there is no specific scheme may join a retirement scheme with identical rules to those governing the scheme for traders.*

The parties concerned would be certain categories of professionals and all those working independently, even if not exclusively so; the following rules would apply:

a) People who are usually self-employed and have regular business dealings including door-to-door salespersons, would have to become members of the self-employed traders scheme through INPS. The contribution rate is set up to 10 % of yearly taxable income, 1/3 of which is the workers contribution, the remaining 2/3 being paid for by the employer. Calculation of benefits would be as for a contributory-based system.

b) Professionals may:

-be members of a similar provident fund already in operation

-set up, in accordance with rules laid down in the decree, a new provident fund for one or several categories;

-subscribe to INPS (see point a. above).

### 3) Adoption of a decree on the increase of family allowances in 1996.

The decree modifies the income brackets, increasing the range of eligible beneficiaries.

In conclusion, one must note that a re-examination of the existing special schemes has begun, as part of the harmonisation process. The first scheme to be considered was that of workers in the transport sector, which was abolished. Staff of this sector were absorbed into the general scheme for employees, disregarding the existence of a transitional scheme.



## LUXEMBOURG

### Main legislative measure

The main legislative measure taken relates to pensions. The implementation of the convergence policy consists in minimising differences between the contributory scheme in the private sector and the non-contributory scheme in the public sector. The first phase was completed by the adoption of a law of 8 January 1996 introducing the two following measures:

- The present uprating mechanism in public sector schemes (i.e. automatic adjustment of pensions linked to civil servants wage evolution) will be replaced by an adjustment mechanism based on contributions. The change will adapt pensions, taking into account wage evolution over the past years.
- The contribution of public sector workers to the financing of their pensions will increase progressively from 3% to 8% (which is the rate for employees in the contributory system). The increase of the contribution rate will be compensated for by a parallel increase in the index point which is the calculation basis for wages. A transition period will be in force until 1999.

### Medium term draft bill

The introduction of dependency insurance remains a priority. The consultations with interested parties have been completed, a synthesis report has been published by the Government who intend to propose a draft bill in the coming months. German legislation has served as a model for the Luxembourg project, which has the following main principles:

- priority of rehabilitation measures before acceptance of dependency costs
- priority of home care over institutional care

- priority of benefits in services rather than cash benefits
- continuity of care
- definition of three categories of dependency
- adjustment of benefit according to the degree of dependency, with a possible combination of benefits in kind or in cash
- contracting professional health care providers
- adequate social protection for members of the family providing care
- joint financing by contributors and the state

### Financing of social protection

There are a few issues to be considered on various facets of social security.

In the case of *medical insurance*, the recent reform which introduced a system of spreading costs over a yearly period of cover and state involvement in contributions (involvement in benefits has ceased) yielded positive results. Negotiations with different benefit recipients have led to results based on economic mediation. The introduction of a budgeting system has created a base for financial management of the health sector. A healthy financial status has been re-established and no contribution increase was necessary with the exception of the contribution for high-risk cash sickness benefit. ( At the end of the period starting from the month of illness and the three subsequent months); in this case the rate increased from .15% to .20%

Regarding *pensions*, recent actuarial studies of the scheme showed a stable financial situation. However the same studies revealed problems which may arise towards year 2006 even if employment continues to rise.

Employer contributions for *family benefits* are paid by the State, which was already responsible for more than 50% of financing. Even so, as financial resources became insufficient, the State undertook to pay, in addition, the difference between expenditure and income.



## NETHERLANDS

### Old Age Pension

Under the General Old Age Pensions Act married and unmarried persons aged 65 and over receive an individual old age pension amounting to 50% of the statutory minimum wage. The level of the old age pension for single persons amount to 70% of the statutory minimum wage. Brothers and sisters living together were treated as single persons and thus each of them received a monthly old age pension amounting to 70 % of the minimum wage. Since 1 January 1996 kinsmen



to the second degree (mostly brothers and sisters) sharing a household are treated as other (un)married couples living together. As a consequence this category of persons who reach retirement age after 1 January 1996 will only receive 50% of the minimum wage each. The situation for persons already receiving old age pension at a level of 70% of the minimum wage will remain unchanged.

### **Social Assistance Act**

On 1 January 1996 a new Social Assistance Act (nABW) has been introduced, replacing the existing Social Assistance Act (ABW). Under the nABW the municipalities will have more responsibility regarding the implementation of social assistance.

Three basic amounts are provided: 50% of the statutory net minimum wage for single persons; 70% for lone parents and 100% for married couples and for unmarried couples living together. In respect of single persons and lone parents the municipalities can supplement the uniform basic amount with 20% at a maximum, if the basic amount is insufficient to provide for the necessary means of living. The policy on the supplementary assistance has to be laid down in municipal regulations, to be approved by the municipal council.

With the nABW it is recognised that it is impossible to fix the (maximum) level of assistance exclusively on a central, uniform level. For this reason the municipalities obtain a more important role by means of inter alia the payment of supplementary assistance. The procedures concerning the claims for assistance will be more stringent; the municipalities are obliged to verify the information received with other bodies, such as the Inland Revenue Services, social security institutions (professional associations) etc. Also a new definition of "people living together/partnership" has been introduced in the nABW.

Finally the nABW emphasises the duty of people to be more active in their behaviour. The distinction between the so-called State Group Regulation of Unemployed under which it was required to look actively for work on the one hand and the general ABW regulation which did not provide for such a requirement, has been abolished. With the exception of lone parents with children under 5 years, every recipient of social assistance are put on a par under the nABW in the sense that they are obliged to look actively for work and to accept any suitable work offered.

### **Privatisation - Sickness Benefits Act**

Per 1 March 1996 the Sickness Benefits Act has been privatised in the sense that from this date on employers have the legal obligation to continue the payment of wages during a period of 52 weeks in the case of sickness of their employees. The starting point in the coalition agreement was that with the introduction of the measure the Sickness Benefit Act was to be abolished.

Under the present regulation the act will remain to exist as a safety-net for certain categories of workers who do not or no longer have a labour contract, such as temporary workers, sick unemployed employees and in the case of insolvency of the employer. Also maternity benefits will be paid out under the act. In the case of a dispute between the employer and employee in respect of the question whether or not the employee is ill, a "second opinion" must be given by the professional association.

Under the new system the employers have the possibility to re-insure their risk with private insurers. The latter should accept all collectivities, irrespective the size of the company and without selection regarding the individual employees. Full acceptance to the insurance is offered during the first six months after introduction of the act and thereafter for new starting companies.

### **Survivors pension**

The Upper Chamber of Parliament has approved to the bill providing for the introduction of a new general survivors' scheme. The new General Survivors Act providing for meanstested benefits will enter into force on 1 July 1996. The number of people who can claim a survivors' pension will be restrictive. Only people born before 1950 and persons who become widow(er) after 1 July 1996 having children under 18 years are entitled to benefits. The survivors' benefit amounts to 70 % of the statutory minimum wage and is subject to other income out or in connection with work. The benefit for survivors with children under 18 is supplemented by 20 % of the minimum wage. This supplement is not meanstested. Married and unmarried couples are treated on a par.

By applying the meanstest an amount of HFL 1200 (= 50 % of the minimum wage) and 1/3 of the further income is disregarded. If the income amounts to HFL 3800 (gross) the benefit is entirely suspended. According to a transitional measure persons who already receive a survivors benefit will be confronted with the meanstest as per 1 January 1998. In respect of survivors who are born before 1 January 1941 a special provision applies, in the sense that the meanstest will only apply partly. In all cases this category of persons may keep 30 % of the minimum wage without a meanstest.

### **Organisation**

The introduction of a new Organisation Act on Social Security (nOSV) on 1 January 1995 means on the longer term a fundamental change in the organisation structure of the social security system, in particular where the employee insurance schemes are concerned. The main changes are the following:

1. Abolishment (in 1995) of the Joint Medical Service, which function was the medical and ergonomistic guidance and employment mediation of disabled per-

sons. For the major part these tasks have been taken over by the Professional Associations, which institutions are, up till now also responsible for the implementation of the employee insurance scheme.

2. The replacement of the Federation of Professional Associations by the Temporary Institute for Coordination and Cooperation (Tica). The latter institution is the treasurer of funds and has as a main task the coordination and tuning of the activities of the various institutions implementing the employee insurance schemes. The board of the Tica is composed of representatives of employers' and employees' organisations and an independent chairman, appointed by the Ministry of Social Affairs and Employment.

3. Abolishment of the Supervising body, the Social Insurance Council, in which the social partners were represented and the creation of a new supervising body, the Board of Supervision of social insurances (Ctsv) consisting of three independent persons, nominated by the Secretary of State for Social Affairs and appointed by Royal Degree.

4. Social partners will no longer have any influence on the implementation of the employee insurance schemes.

5. The introduction of a budgeting system and competition between the implementing institutions (market forcing).

The organisation structure in respect of the employee insurance schemes will be in the near future as follows:

- One central board will be created, which will be responsible for the coordination and the managing of the implementing bodies, the fixation of contribution rates, the budgeting of implementation costs and the administration of the funds. In this board employers and employees will be represented.
- the professional associations will be split up in sectorial commissions on the one hand and in implementing bodies on the other hand. The sectorial commissions will have an advising function. The board contracts, upon advice of the sectorial commissions, an (independent) implementing body to carry out the activities of the public schemes.
- the implementing bodies should have a legal entity (foundation, corporation or company) and can also be a daughter of a holding company. The holding company may have other daughters who carry out supplementary activities, such as supplementary pensions and lending services in the field of occupational health and safety.



## AUSTRIA

### Reform of Social Protection

In order to reduce the budgetary deficit - and in particular to comply with the criteria set at Maastricht - Austria recently adopted a far-reaching set of reforms, which includes among other things important measures with regard to social protection. The most essential issues are illustrated in the following, but the partly planned transitional rules aimed at protecting acquired rights, however, are not described in detail.

### Early retirement pensions

In Austria, women having reached the age of 55 and men having reached the age of 60 are entitled to an early retirement pension, provided that they have been insured for a long period. This pensionable age will be maintained, whereas the qualifying conditions will be amended. As of 1 January 1997, 450 months of insurance (instead of 420 at present) will be required for the entitlement to an early retirement pension. As before, the alternative of only 420 contribution months (35 years of actual work) of compulsory insurance will continue to be sufficient.

A second possibility of drawing an early retirement pension is given in the case of unemployment. In this case as well, the required insurance periods will be extended from 1 September 1996 on. Until now, it was necessary to acquire 180 months of insurance (15 years) within the last 360 calendar months (30 years). The number of the insurance months required during this period will now be raised to 240 (i.e. 20 years during the last 30 years). In addition, 180 contribution months must be made (if a person has made at least 10 contribution years, child care periods are taken into account). As an alternative, a person is entitled to early retirement pension if he/she has fulfilled an „eternal qualifying period“, i.e. if 240 contribution months (20 years) of compulsory insurance can be proved, irrespective of the time at which these contribution months have been acquired.

Finally, there is a third possibility of drawing an early retirement pension, namely in the case of a reduced capacity of work. As of 1 September 1996, the pensionable age for men applicable in this case will be raised to the age of 57, while the age for women will be maintained at 55 years. Here as well, the conditions with regard to the qualifying period will be amended. While hitherto 120 months of insurance during the last 240 calendar months have been sufficient, 180 contribution months during the last 360 calendar months will be required in the future. As an alternative to this regulation, it will be sufficient to fulfil the „eternal qualifying period“, i.e. 240 contribution months within the compulsory insurance scheme, irrespective of the time at which the contributions were paid.

## **Invalidity pension**

In future, the principle of „rehabilitation prior to pension“ will be strengthened. As of 1 July 1996, every entitlement to invalidity pension generally ends after two years at the latest. The pension is only payable if the vocational reintegration through reasonable rehabilitation measures has proved to be impossible. There is the possibility of referring the insured person to those activities for which he/she has been rehabilitated. Hitherto, claimants of invalidity pension were not required to give up employment in order to be entitled to a pension. In future, a person who carries out the activity which has caused his/her invalidity or occupational disability will no longer be eligible for an invalidity pension.

## **Periods of school attendance and studies**

For these periods to be effective not only with regard to the pension entitlement, but also to the calculation of pension, it is now necessary to pay contributions (hitherto, such a retrospective purchase was only necessary for the calculation of the pension). In addition, the level of contributions required for a retrospective purchase was increased considerably.

## **Calculation of pension**

From 1 September 1996 on, a new model of pension calculation („percentage table“) shall favour longer insurance periods. Until now, an increase amounting to 1.9 per cent was acquired for the first 30 years, and an increase of 1.5 per cent from the 31st year onwards. In future, a reduced rate of increase is applicable for the first 30 years of insurance (1.830 per cent) and an increased rate from the 31st year onwards (1.675 per cent, up to the ceiling of 80 % of the assessment basis). Additional allowances and reductions shall provide an incentive in favour of a later entry into retirement after the age of 55 or 60 years.

## **Pension insurance of the self-employed**

As far as the financing of the pension insurance of self-employed persons and farmers is concerned, the over-proportional federal grant shall be reduced. The present contribution rate of 12.5 per cent for self-employed persons will be raised by one per cent each on 1 April 1996 and on 1 January 1997, thus amounting finally to a contribution of 14.5 per cent. The contribution rate within the social insurance scheme for farmers, which presently also amounts to 12.5 per cent, will be raised to 13.5 per cent as of 1 April 1996.

## **Unemployment insurance**

### *Measures in favour of older workers*

Within the unemployment insurance scheme, the recruitment of older workers will be favoured by means of a system of extra benefits and charges (*Bonus-Malus-System*) from 1 April 1996. This system will lower the non-wage labour costs, while on the other hand, the dismissal of older workers will be more expensive.

If a company takes on a person aged between 50 and 55 years, the employer's contribution to unemployment insurance will be reduced by 50 per cent, thus from 3 per cent to 1.5 per cent of the calculation basis. If a company takes on a person aged over 55, the employer is exempted from paying any contribution to unemployment insurance at all.

If a worker aged over 50 is dismissed, the employer has to pay a one-off special contribution to the unemployment insurance scheme, provided that this worker has been employed by the company for more than 10 years. The one-off contribution will be equal to the basic amount which varies, depending on the worker's age, between 0.1 % of the gross pay up to the maximum of 3 % of the social insurance contribution basis and is multiplied by the number of months the dismissed worker lacks for the statutory pensionable age for early retirement after a long insurance period.

### *Extension of the assessment period*

As of 1 July 1996, the period taken into account for the assessment of unemployment benefit will be extended from presently 6 to 12 contribution months, in order to take into account the new regulations on annual working time models for the seasonal branches.

### *Unemployed persons shall be available for work*

In future, more attention shall be paid to the criterion of unemployed persons being only eligible for benefits if they are actually available for work. Some new regulations entering into force on 1 May 1996, shall prevent self-employed persons working below the „insignificant income ceiling“ whose independent activity is time-consuming to such a degree that the entry into employment is impossible as well as foreigners without a residence permit allowing them to take up employment, from drawing unemployment benefit. Similarly, an employee who within the same company switches over from an employment being fully subject to insurance to a „marginal“ (non-insurable) part-time employment will no longer be entitled to unemployment benefit.

### *Tightening of sanctions*

On 1 May 1996, the sanctions imposed for the refusal of reasonable work, a vocational retraining or an integration measure were tightened. In the case of the 1st refusal, benefit payments will cease for a period of 6 weeks (previously, for a period of 4 weeks); the second and every further refusal within one year will result in the loss of entitlement for a period of 8 (previously 6) weeks.

### **Care allowance**

On 1 May 1996, some new regulations entered into force, aimed at guaranteeing the financing of the care allowance while considering the budgetary situation and avoiding social hardship cases. To avoid double benefits, the care allowance will cease on the second day in the case of hospitalisation, instead of being paid

until the beginning of the 5th week of a hospital stay, as was the case so far. Moreover, the allowance paid during a stay in a nursing home will be reduced from the amount of 20 per cent to the amount of 10 per cent of category 3.

Concerning new claimants, the care allowance in category 1 will be reduced from presently S 2,635 per month to S 2,000.

In the case of special hardship, persons are now entitled to a care allowance even before they have reached the age of 3 years.

### **Family benefits**

#### *Parental leave*

The new provisions aim at involving men in child education and thus increasing women's chances on the labour market. In future, payment of the parental leave allowance until the child has reached the age of two years requires that the other parent takes a six months' parental leave. Otherwise, the entitlement to parental leave allowance will cease 18 months after the child's birth.

#### *Family allowance*

The age up to which family allowances are granted will be reduced from 27 to 26 years (exceptions: considerably handicapped persons, conscientious objectors doing their alternative national service, and persons doing their national service).

At the same time, the duration of eligibility will be made subject to the duration of school attendance in the case of pupils and of studies in the case of students. The birth grant/special payment will not be granted after the end of 1996. A „Young child allowance“ will be introduced as a „parental leave replacement allowance“. If no parental leave allowance or maternity allowance etc. is paid, twelve times S 1,000 are granted in the first year after the birth of the child.



## **PORTUGAL**

### **Development in Social Protection after June 1995**

There has not been much development in social protection in Portugal in the relevant period. The reasons for this situation are above all of political nature. Since June 1995 the legislative outcome has been reduced to the indispensable due to the general elections which took place in October 1995. Most of the time was taken up by the formation of the new government and the approval of the Agreement on Social Conciliation, the State Budget and the Budget of the Social Security.

Of course, the benefits have been adjusted by a percentage which is higher than the inflation rate, with the exception of the highest pensions; these have been subject to flat-rate increases.

At present important studies are being carried out. For example, a provision fixing a general minimum income allowance for persons available for work has been under preparation. At the same time there are serious considerations for a reform of the social security system. For this purpose a Commission has been created which is to prepare a WHITE PAPER on the measures considered to be appropriate for the reform of social protection. The fundamental aspects which have to be taken account of are financing, the interrelation between basic protection and supplementary protection and the demographic problem.

This situation has determined the suspension of legislative measures which will of course be taken after the government will have decided on the conclusions of the WHITE PAPER.



## **FINLAND**

### **Evolution of Social Protection**

The new Finnish government, which came into office in March 1995, entered into several social security reforms. As its main objectives for the coming period the government set up reducing unemployment and stabilising the state budget. Due to the deep recession of the early 90's, there is very little room for manoeuvre in the Finnish economy. Thus there has also been a need for saving in the social security costs.

The government put forth as main guidelines for the reforms that they

- shall reduce total costs, especially in the long run
- that the structure of benefits shall be such that it is always more favourable to take up work than to rely on benefits.

The restructuring of benefits comprises changes in the pension scheme, changes in the rules for daily allowances under the sickness insurance scheme and a reform of unemployment insurance. Also the financing of benefits has been slightly changed.

The government draw up the basic guidelines for the changes and their estimated financial impact. The major part of the reforms entered into force on January 1st, 1996. However, the form of the reform of the unemployment insurance scheme is still being negotiated.



## 1. Revision of the pension schemes

Statutory pensions in Finland comprise earnings-related employment pensions and residence-based national pensions. In December 1995 the Finnish Parliament passed a number of legislative amendments concerning both schemes - the National Pension Scheme and the Employment Pension Scheme.

### National pension to be paid to guarantee a minimum pension level

The intention is to make the role of the schemes clearer. The amendments to the National Pension Scheme are to strengthen the nature of the scheme as a scheme providing a minimum pension to all residents in Finland, while the Employment Pension Scheme is aimed at maintaining the standard of living unchanged. To this end, a national pension will be paid, if there is no entitlement to an earnings-related employment pension at all, or if the amount of the employment pension is very small.

In 1996 the national pension still consists of a basic amount and a basic amount addition. According to the revised legislation there is no entitlement to the basic amount if the amount of the employment pension of a recipient living alone exceeds FIM 5,188 or FIM 4,937 a month and of a married person FIM 4,564 or FIM 4,380 a month, the amounts varying according to regional differentiation.

If the pension was granted prior to 1 January 1996, the amount of the pension remains the same when both parts of the pension are paid. If only the basic amount is paid the pension is reduced by FIM 59 a month in 1996. For those who under the new rules would not at all be entitled to a national pension, further reductions of 20 % will be done in the following years and as a result of it the basic amount will be abolished by the year 2001. From the beginning of 1997 the basic amount and the basic amount addition are combined to a single national pension.

### Changes in National Pension special supplements

In addition to the basic amount and the basic amount addition the national pension has consisted of various components: child increase, spouse increase, pensioners' care allowance and housing allowance. Also death grant has been payable. From the beginning of 1996 no child increases, spouse increases and death grants will be awarded. From the beginning of 1997 the amount of the payable spouse increase will be decreased by 20% a year, and by the year 2001 no spouse increase will be paid at all. The child increase will be decreased as from the beginning of 1998 and abolished by the year 2002.

The index adjustment to national pensions will be made also in the future as from 1 January, and it will follow the changes in the cost-of living index. In 1996 the index increase is 0.3%.

## Changes in the Employment Pension Scheme to promote longer working career

Amendments to the legislation on employment pensions were also made by the Finnish Parliament in December 1995 and came into force from 1 January 1996. This reform entails savings for the Employment Pension Scheme. At the same time the changes aim at prompting employees to work longer since today only approximately 10% of the employees work until the retirement age of 65.

Firstly, the reform includes new rules determining the pensionable salary. Instead of the previous four-year-rule the pensionable salary will be determined taking into account the earnings of the last ten years of employment, each employment period being calculated separately. Since the ten-year period may include years with exceptionally low salary due to sickness, studies or for similar reasons, the years in which the earnings are less than half of the average earnings of that employment will be left out. It is, however, allowed to leave out at most one third of the years. The new rule is gradually introduced from the beginning of 1996, and it will be fully applied during the next century.

Secondly, there are cuts in the post-contingency accrual rate for disability and early retirement pensions. Whereas employment pension has so far continued to accrue at the rate of 1.5% for the credited period, the rate of accrual will be reduced to 1.2 % between the age of 50 and 60 and to 0.8 % from the age of 60. There is also a change concerning the entitlement to the post-contingency accrual. From now on it is required that the beneficiary has been employed or self-employed in Finnish private or public sector for at least one year during the period of ten years immediately preceding his or her pension contingency. This 12-month employment period need not to be unbroken. Before, only one month's employment was needed for the entitlement to the post-contingency accrual. These two changes only concern persons whose pension contingency will appear after 1995.

Thirdly, also the index system was reformed in the Employment Pension Scheme. Whereas national pensions are indexed according to the cost-of living index, employment pensions have been adjusted according to the average of price and wage changes, the *TEL-index*. From the beginning of 1996, another index is introduced for pensions in payment to beneficiaries above 65 years. The old *TEL-index* (*employees TEL-index*) is still applied for adjusting salaries of the active period of service and pensions paid to persons below 65 years (e.g. invalidity pensions). The new *pensioners TEL index* is thus applied to old-age pensions. Here the weight of the price change is raised to 80 % and the weight of changes in the earnings-level is reduced to 20% while in the employees *TEL-index* weights remain 50 % - 50%.

### Rehabilitation benefit instead of temporary disability pension

In both the National and Employment Pension Scheme, no more temporary disability pensions will be awarded, but instead, a rehabilitation benefit is introduced by the reform from the beginning of 1996. The aim of this new rehabilitation benefit is to support employees to return back to the working career and to find ways to secure and improve their working ability. The benefit may be awarded only when a rehabilitation plan is made for the employee, and it may be awarded for the course of medical treatment and rehabilitation.

The rehabilitation benefit is similar to the disability pension, but it will be awarded only to a person whose ability to work is assessed to be restorable by treatment or rehabilitation. The benefit may only be awarded on a temporary basis. If a person's disability is still after the rehabilitation programme considered permanent, the benefit will be converted into a permanent disability pension.

When the rehabilitation is organised under the Employment Pension Scheme a rehabilitation increase will be paid in addition. The increase is 33 % of the amount of the rehabilitation benefit.

### 2. Changes in sickness insurance

The main character of the daily allowance of sickness insurance was changed in 1996. From 1.1.1996 The allowance is paid only if the applicant's yearly income is at least FIM 5,000. Those whose income is less or who do not have any income may receive a means-tested allowance if the disability or illness lasts more than 60 days. This means-tested allowance is FIM 60/day. Before this reform everyone resident in Finland received after the waiting period (nine working days) at least a minimum daily allowance irrespective of his/her income.

Applicants with income FIM 5,000/year or more receive an income-related sickness, maternity, paternity or parent's allowance as before.

The minimum of maternity, paternity and parents' allowances is however FIM 60/day, but this allowance is paid even in that case that the mother/father does not have previous income without any means-test.

### Reduction of child home care allowance

Parents who prefer to take care of their children (under 3 years old) in home after the parental leave receive a child home care allowance. This allowance consists of three parts: a basic amount, a sibling increase and a means-tested additional amount. In 1996 all these parts were reduced remarkably: the basic amount to FIM 1,500/month (in 1995 FIM 1,908), the sibling increase to FIM 300/month (in 1995 FIM 382) and the additional amount to FIM 1,200/month (in 1995 FIM 1,527).

### 3. Changes in the financing of social security

Financing of social security is divided between employers and employees/insured and general revenue. In the last years the part paid by the employees/insured has been increased and the part of employers reduced. The general trend is to increase the connection between premiums paid and benefits received and to increase the role of the insured directly especially in earnings-related benefits. Instead minimum security is increasingly financed by general taxation.

Accordingly the premium for national pension was abolished for the insured at the beginning of 1996. The employment pension premium was slightly increased for both employers and employees, whereas the premium for unemployment insurance was reduced. The employer premium for unemployment insurance is graded according to payroll size to reduce overall labour costs for SME companies. This structure was further emphasised by reducing the basic part of the premium more than the part for exceeding payroll.

Premium	1995	1996
<i>Employers/private sector</i>		
National pension	2,40-4,90	2,40-4,90
Sickness insurance	1,60	1,60
Employment pension (average)	16,20	16,90
Unemployment insurance (payroll max FIM million 5/exceeding part)	2,00/6,10	1,00/4,00
<i>Employees/in-sured</i>		
National pension (taxable income)	0,55	
(increase for pension income)	(1,00)	
Sickness insurance (taxable income)	1,90	1,90
-above income FIM 80000/year	3,80	3,35
(increase for pension income)	(3,00)	(3,00)
Employment pension (salary)	4,00	4,30
Unemployment insurance (salary)	1,87	1,87



## SWEDEN

### **Sickness and employment injury insurance to be reconstructed**

A commission has presented a green paper with proposals to cut the costs for the sickness and work injury insurance. The directives to the commission from the Government were to create a new insurance including short and long term benefits due to sickness and to consider the administration of the work injury insurance.

The first step has been to present a more coherent system which objectives are to replace a loss of income due to sickness and to work actively with rehabilitation measures and prevention. The benefits should be granted on purely medical reasons by better targeting on benefits for those who are genuinely incapable of work because of their medical condition. Some more technical regulations have already been introduced, for instance should a more detailed doctors certificate be presented to the insurance office after 28 days of sickness. Regarding disability pensions, restrictions are gradually introduced. For instance, the more favourable rules for persons over 60 years of age who have difficulties to stay on the labour market will be abolished from January 1997.



## UNITED KINGDOM

### **Measures to combat fraud.**

Measures brought in during the latter half of 1995 included extra checks on benefit claims, data-matching to detect anomalies between parallel sets of computer records, the piloting of a free telephone service for the public to report fraud, more secure instruments of payment and rewards for post office staff who stop fraudulent encashment of instruments. Housing Benefit fraud is being tackled with financial incentives for local authorities to detect fraud, support for local authority investigations and work to tighten their control procedures, and the establishment of a national Housing Benefit register to track multiple claims. Stricter procedures for allocating National Insurance numbers and registering contributions were introduced in November, and work on further measures to strengthen and control related procedures is in hand.

### **Limits on Housing Benefit**

With effect from January 1996, Housing Benefit for accommodation in the privately rented sector was limited to cover in full only rents at or below the general level of rents in a given locality. It is proposed, from

October 1996, to restrict Housing Benefit for some people aged less than under 25 to the average local rent for non self-contained accommodation. Local authorities, who administer the Housing Benefit scheme, have some discretion to pay above this level in individual cases of exceptional need. The new age-based limits will not apply to lone parents and certain others broadly those living in certain types of accommodation for people with special needs.

### **Benefits uprating and new National Insurance (NI) rates**

With effect from April 1996 cash benefits were increased with regard to movements in prices, and NI contribution rates were adjusted with some restructuring: Class 4 contributions for self-employed people were reduced by 1.3 per cent, the main rate of employers' Class 1 contributions by 0.2 percent. A further decrease in non-wage costs was introduced by offering employers a one year remission from NI contributions for each person they take on who has been out of work for two years or more.

### **Changes to benefits for families**

The rates of One Parent Benefit and the lone parent premiums in income related benefits were not uprated with other benefits in April 1996. This was an initial step in a proposed restructuring of benefit help for lone parents with to narrow the gap between lone parent benefits and those which go to two-parent households. These changes were accompanied by further measures designed to help lone parents into work: the amount of earnings which can be disregarded in respect of child care costs when calculating entitlement to Family Credit was increased from £40 to £60 per week, the minimum maintenance payment under the Child Support Act from £2.35 to £4.80. A pilot scheme to provide help with job search and skills training for lone parents is planned to start in April 1997.

### **Administration**

In February the Secretary of State for Social Security announced a radical reform of the administration of social security with the aim of achieving efficiencies savings of 25 per cent over the next 3 years (current annual running costs exceed £3000m). A review of the legal basis of decision making and appeal will be fundamental this reform; processes will be re-examined and rules will be reviewed to see if administration can be simplified; and the way in which the provision of services is organised and the scope for their more efficient delivery by involving the non-state sector will be considered. The elimination of fraud continues to be a fundamental objective. Steps in the Department's programme such as those to simplify entitlement, improve accuracy and integrate information, should make fraud more difficult to commit and easier to detect.



