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NOTE

From:	Social Protection Committee
To:	Permanent Representatives Committee
Subject:	Multilateral reviews on the implementation of the 2015 Council country-specific recommendations and review of the Country Reports: SPC Conclusions

Delegations will find attached the SPC conclusions on the multilateral reviews of the implementation of the 2015 CSRs and review of the 2016 Country Reports, as an addendum to the SPC assessment of the 2016 CSRs package and the implementation of the 2015 Council CSRs in the area of social protection and social inclusion.

Multilateral reviews on the implementation of the 2015 Council country-specific recommendations and review of the Country Reports

<u>11 April – Pensions</u>

Belgium

Belgium has made clear steps towards reforming its pension and old-age social security system to increase the effective retirement age. The projected rise in public spending on pensions has been significantly reduced, but pensions still require specific attention. Acknowledging the need for further action, the Belgium government has introduced an ambitious institutional setting aimed at monitoring the pension reform process and preparing future reforms. One promising reform announced in the government programme is the introduction of a credit-based pension system, allowing for automatic adjustment mechanisms in response to demographic and/or economic developments. The SPC welcomes this initiative but notes that discussions on this measure are still at an early stage.

Croatia

Croatia has made very limited progress in addressing the CSR. The SPC acknowledges that Croatia has responded to the recommendation to tighten the definition of arduous and hazardous professions. However, information on reforms has been limited, raising concerns about the extent to which the policy response will be able to improve the efficiency and adequacy of pension spending. In particular, more information should be given on the impact of the planned reduction in the list of occupations and workplaces benefitting from increased insurance periods. Questions remain about the rationale behind the 50% reduction of the list. Limiting the number of eligible occupations and workplaces is not equivalent to limiting the number of early retirees.

Regarding the reduction of access to early retirement, no action has been taken to accelerate the planned harmonisation of statutory retirement ages for men and women. Neither has progress been made on the planned increase of the statutory retirement age to 67 years.

Legislation aimed at improving incentives for police officers and military personnel to stay in employment after their pension rights mature remains pending and no steps have been taken in developing a comprehensive active ageing strategy.

Finland

Finland has made clear steps in adopting the pension reform and gradually eliminating early exit pathways. The pension reform was approved by the Finnish Parliament on 20 November 2015 and will be implemented from 2017 onwards.

The lowest eligibility age for old-age pension will rise to 65 years by 2025 and be linked to life expectancy as of 2027. The eligibility age for partial early pension will rise from 61 to 62 in 2026 and it will be linked to life expectancy after that. However, some early exit pathways still remain, such as partial early pensions and the extended unemployment benefits for older workers. Nevertheless, the reform has the potential to maintain the future adequacy of pension benefits.

France

France has made significant progress regarding the long-term sustainability of complementary pension schemes. The SPC welcomes the social partner agreement reached in October 2015 on complementary pension schemes, which also aims at increasing the effective retirement age. The agreement is expected to enhance the long-term sustainability of the complementary schemes as well as of the overall pension system while strengthening financial incentives to work.

Lithuania

Lithuania has made limited progress in addressing the CSR. The government has developed a legislative package amending the Law on State Social Insurance Pensions. These amendments include the introduction of a pension indexation mechanism and other provisions, such as linking the pensionable age with life expectancy after 2026, which should also lead to the improvement of pension adequacy. The SPC is however concerned that the legislation has not been adopted yet.

Luxembourg

Luxembourg has made limited progress towards closing the gap between the statutory and effective retirement age. A draft law was presented to the Parliament in July 2015, with the aim of modifying early retirement schemes. However, the impact of the law remains unclear, as one scheme has been abolished while accessibility conditions for other schemes have been eased. On 1 January 2016, a law on the reclassification of worker with working disabilities has come into action, which aims at increasing the possibilities for workers with working disabilities to remain in the labour market. Furthermore, the Luxembourgish government plans to bring forward to 2016 the monitoring and evaluation exercise on the sustainability of the pension system which was initially planned for 2017. No new measures were announced or adopted towards linking the statutory retirement age to life expectancy.

Malta

The SPC welcomes the steps taken by the Maltese government to address the CSR. The measures announced in the 2016 Budget with the aim to ensure the long-term sustainability and adequacy of the pension system go in the right direction, but more progress is still to be made regarding the implementation of these measures. Moreover, the impact of the measures remains to be seen and additional measures are necessary to ensure employability of older persons.

The SPC takes note of the attempt of the Maltese authorities to ensure a balance between the contribution period and the period of the pension's entitlements in the new legislation, but the link to life expectancy and the impact on the sustainability requires further assessment.

The Netherlands

The SPC notes that the Netherlands has made limited progress regarding the specific recommendation, while recognising that there are other possible ways to address this issue. The government announced on 6 July 2015 that it aims to substantially reform the second pillar of the pension system in order to create a fairer and more transparent system, but no concrete legislative proposals have been made yet. The SPC acknowledges that the Dutch pension system performs well with regard to quality and adequacy, but issues concerning the inter-generational fairness, flexibility and transparency, specifically for those in the early years of working life, should be further elaborated.

Poland

The SPC notes that the Polish government has not taken any specific steps toward aligning the pension arrangements for farmers and miners with those of other workers. However, the SPC recognises that Poland has taken various social security and other policy measures to facilitate transition from agriculture to other sectors.

Portugal

Portugal has made considerable progress in improving its pension system. Recent reforms have linked the pensionable age and pension benefits with life expectancy with the aim of increasing labour market participation. The SPC welcomes the recent reforms and expects the pension system to be able to cope with medium and long-term demographic trends, while ensuring adequate pensions in old age.

Slovenia

The SPC notes that the Slovenian authorities have made only limited progress in undertaking the long-term reform of the pension system. The sustainability of the current system is ensured until 2020 but Slovenia is expected to experience one of the most significant increases in public pension expenditure in the EU afterwards. This puts considerable pressure on the long-term sustainability of Slovenian public finances. Additionally, the adequacy of pensions for workers with short or incomplete working careers is at risk. The Slovenian government launches a public debate on the future of pension reform, but concrete reforms are not to be expected in the near future, as an extended public consultation will take place.

<u>12 April – Health</u>

Bulgaria

Bulgaria has undertaken a number of reforms addressing some of the main issues in the healthcare sector, in particular improving the functioning of the hospital sector and strengthening the outpatient and primary care. Targeted measures taken by the Bulgarian government include actions to improve the cost-effectiveness of the healthcare system as well as the efficiency of the provided services and public spending.

However, despite recent progress, concerns remain and further action is still needed to meet the challenges by implementing the reforms and ensuring they are adequately financed.

Finland

With the main outline of an ambitious reform of the social and healthcare services, Finland has made an important step in addressing the CSR. The reform will play a significant role in bridging the sustainability gap in public finances if the estimated savings materialise. A legislative proposal is to be expected in 2016. Before the implementation can start, some issues of the plan require further elaboration, including the framework for financing the services and incentives for regions to rationalise their spending. Due to the size and tight schedule of the reform, timely implementation will pose a challenge.

Therefore, the SPC and the WPPHSL believe that if the reform is implemented according to plan, Finland's policy response is likely to meet the challenges outlined in the CSR.

Ireland

Ireland has made some positive progress in addressing the CSR. Improvements have been made in cost-effectiveness of the healthcare system, although concerns remain regarding the renewed expenditure overruns in 2015. Spending on pharmaceuticals has been reduced through increased use of internal reference prices and lists of interchangeable medicines as well as increased recourse to generics, but still weighs on the cost-effectiveness of the health system. Negotiations with the pharmaceutical industry on a new agreement on the supply and price of medicines have started. An Activity-Based Funding Implementation Plan 2015-2017 was published in May 2015. From January 2016 the allocations of the 38 largest hospitals have been separated into ABF and non-ABF budgets and activity targets for the first time.

Croatia

Croatia has made limited progress in tackling the fiscal risks in healthcare, as the reduction in arrears in the health care system is not proceeding according to plan. The implementation of the reform of the health care system is ongoing but faces delays. A number of measures envisaged in the National Development Plan for Hospitals have been postponed, such as the adoption of the Law on the Quality of Health and Social Care. Even if some initial steps have been taken towards the functional integration of hospitals, the implementation of the reform aimed at improving the financing of public hospitals has slowed down. The financial situation of the hospital sector seems to be improving overall.

Latvia

The Latvian government has taken a number of positive actions towards improving the functioning of the healthcare system. It has abolished co-payments for certain diseases (e.g. HIV and hepatitis), increased wages for the healthcare staff and invested EUR 272 million of European structural funds (ESIF, 2014-2020)in health care . Moreover, there are plans to introduce a quality assurance system. However, the SPC and the WPPHSL remain concerned that the current policy response will not be sufficient for addressing in a timely manner the various challenges identified in the recommendation.

Lithuania

The SPC and the WPPHSL welcome the intention of the Lithuanian government to strengthen health promotion and disease prevention, consolidate the hospital network, tackle informal payments and improve access to the health sector in general. The intended measures are clearly aimed at improving the quality and effectiveness of healthcare services, and therefore address the issues of the CSR.

The Committees remain concerned however that the healthcare system continues to be focused too much on curative and hospital care. The steps taken by the Lithuanian government go into the right direction, but more has to be done on policies related to prevention, primary care and outpatient practices.

Romania

The SPC and the WPPHSL note with concern that the implementation of the 2014-2020 national health strategy has stalled. Even if some limited progress has been made towards improving the efficiency of the financial resources, the system remains underfunded. Plans to streamline the hospital sector and switch from in-patient to out-patient care face delay due to a shortage of administrative capacity.

Furthermore, the lack of a mapping of investment needs may lead to delays in accessing much needed funds to foster the reforms including for building community centres in rural areas. Access to health continues to be problematic due to the unavailability of health professionals. Despite these issues, the Romanian government lacks a formal strategy on healthcare human resources. The SPC and the WPPHSL encourage the Romanian authorities to further work on measures tackling these issues.

Slovakia

The Slovak authorities have taken first steps towards increasing the cost-effectiveness of the healthcare sector. A number of measures are at different stages of implementation, such as an integrated care model as well as efforts to strengthen the role of general practitioners. As concerns in-patient care, steps have been taken to prevent a further build-up of debt, including plans to improve budgeting and spending processes. Further action is still required to contain the negative health expenditure trends. In this regard, the reimbursement system for hospital care, planned to be implemented in 2017, will be essential.

Slovenia

The SPC and the WPPHSL welcome the recent steps taken by Slovenia and its significant efforts to further improve the efficiency of its healthcare system.

The National Healthcare Resolution, based on a comprehensive review of the health care system, was adopted by Parliament on 29 March 2016. Moreover, the Health Care and Health Insurance Act, which represents a key priority of the Slovenian government, is to be discussed in the Parliament in the first months of 2017.

The Committees thus consider that the next important steps will be the full and timely adoption of the Act and its implementation.

Spain

The SPC and the WPPHSL note that Spain has made some progress in improving the cost-effectiveness of the healthcare sector. Several initiatives have been taken, such as the introduction of a voluntary fiscal rule on regional healthcare spending and the publication of data on regional spending on health and pharmaceuticals. Moreover, the Spanish authorities recently reached an agreement with the pharmaceutical industry, which aims to limit growth in expenditure on original non-generic prescription drugs.

The Committees welcome these measures, stressing the importance of effective implementation. At this stage, it remains unclear if these measures will be sufficient in addressing the CSR and therefore more actions might be necessary in the future to ensure the medium and long-term fiscal sustainability of the health care system.

12 April – Long-term care

Slovenia
The Slovenian government has recently made positive steps toward addressing the CSR, primarily by adopting the Resolution on Health Care, which includes long-term care, on 29 March 2016. As the Resolution only presents a general outline of the proposed reforms, it will now be important that the measures announced in the Resolution, including the Act on Long-term care, are adopted and implemented.

13 April – Social protection and social inclusion

Bulgaria
Bulgaria has made limited progress in developing a transparent mechanism for setting minimum social security contributions, which is one of the tools for reducing in-work poverty. However, despite this recent progress, further efforts need to be made in order to enable a more transparent setting of social security thresholds.

Estonia
Estonia has made clear steps towards addressing the CSR, adopting the new Social Welfare Act and setting minimum quality requirements for social services in local governments that entered into force at the start of 2016. The actual impact of these measures is however dependent on the degree of cooperation between local authorities and broader reform of local governments.
Other actions that have been taken include the establishment of a high-level task force to identify integrated solutions to care responsibilities within two years and the inclusion of strategic aims for employment, social protection, gender equality and equal treatment policies in the draft Welfare Plan 2016-2023.

France
France has made some progress in improving the efficiency of the spending review. This exercise has the potential to become an important tool in identifying efficiency gains in public expenditure. However, it is indicative rather than binding, while its in-year execution is still to be monitored. Regular reviews of social security schemes could be envisaged.

Ireland

Ireland has made clear steps towards addressing the CSR. A number of measures were introduced to increase the work-intensity of households and the reforms of the One Parent Family Payment (OFP) are continuing. Moreover, the Irish government launched a new Social Inclusion and Community Activation Programme in April 2015, aimed at individuals who are further from the labour market. Target groups include individuals from disadvantaged areas, lone parents and other vulnerable groups. Some progress has also been made in tapering benefits, with a planned reform to increase the number of eligible families for the Family Income Supplement. The Housing Assistance Payment continues to be rolled-out.

However, comprehensive monitoring of the implementation of these measures and an assessment of their impact on reducing household joblessness and poverty are needed.

Latvia

Latvia has made limited progress in addressing the CSR. Although the Latvian government has undertaken a lot of planning and analysis, no concrete reforms have been implemented. A policy document "Concept on Minimum Income" was published, proposing the introduction of a minimum income level and the linkage of other benefits to this level. Moreover, a social reintegration measure for the long-term unemployed, including social assistance beneficiaries, was developed. However, the main social assistance benefit (GMI) has not been raised since 2009 and implementation of the reforms proposed in the "Concept on Minimum Income" policy document remains uncertain.

Lithuania

Lithuania has taken steps towards addressing the CSR. A number of actions aimed at improving the coverage and adequacy of unemployment insurance benefit and cash social assistance have been initiated. These actions are envisaged in the draft Law amending the Law on the Unemployment Social Insurance and the draft Law amending the Law on Cash Social Assistance for Poor Residents. Moreover, Lithuania is stepping up efforts to improve monitoring of the flows of the cash social assistance recipients. The SPC takes note of these steps, but some concerns remain about the adoption and implementation of the relevant legislation.

The Netherlands

The Netherlands has made clear steps in further relating rents to household income. The measure relating rents to household income has been extended and the Housing Act entered into force in July 2015. The Rental Market Mobility Act, which includes the 'Rental Sum Approach' and further extends the system of income related rent increases, was adopted recently and is expected to enter into force in July 2016. The Rental Sum Approach is expected to enter into force in January 2017. As the measures are at an early stage or have not yet entered into force, it is necessary to monitor the success of its implementation.

Portugal

Portugal has made clear steps towards addressing the CSR. Measures have been taken to improve adequate coverage of social assistance, particularly through the minimum income scheme. Alterations have been made to the eligibility criteria of the minimum income scheme which could extend its coverage and address adequacy. Additional measures on this issue concern a raise in child benefits, including for single parent households as well as changes in solidarity supplement scheme for the elderly to protect older people from the risk of poverty. Moderate steps have been taken for improving the coordination between employment and social services.
As the measures are new or recently developed, it is necessary to monitor the success of their implementation.

Romania

Steps have been made towards the adoption of a law on a minimum inclusion income, with a draft law having been sent to Parliament. This is expected to increase the low coverage of means-tested benefits, streamline the existing benefit system, improve the adequacy of transfers while making it more targeted to those in need, and improve the labour market activation of recipients. Nonetheless, coverage and adequacy problems may persist, as the law is expected to enter into force in 2018. The upcoming general elections and the required time to establish an implementation system have made swift adoption of the law an urgent matter.

Spain

Spain has made limited progress in streamlining minimum income support schemes. Income support schemes and social services remain scattered across several levels of government and institutions, restraining the transferability of rights and mobility of beneficiaries. Likewise, the delivery of family support schemes could be improved. Although a comprehensive analysis has been undertaken, concrete proposals to streamline minimum income support schemes have not been made yet.

The cooperation between the existing regional minimum income schemes, as well as with the employment and social services is weak. Moreover, the minimum income benefits are increasingly framed within an activation and personalised support perspective, with recipients of minimum income schemes being obliged to sign up and follow personalised integration plans.