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from:	The Social Protection Committee
to:	Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject:	Examination of the National Reform Programmes (2013) and the implementation of the 2012 Country-Specific Recommendations - *Opinion of the Social Protection Committee*

Delegations will find attached the above mentioned Opinion of the Social Protection Committee for endorsement by the Council (EPSCO) at its session on 20 June 2013.

The more in-depth multilateral analysis prepared by the SPC can be found in doc. 10222/13 ADD 1.

The Social Protection Committee

Examination of the National Reform Programmes (2013) and the implementation of the 2012 Council recommendations

(social protection and inclusion policies)

Opinion to the Council

The analysis of the implementation of the 2012 Council recommendations draws from the SPC reviews on the implementation of the 2012 Council recommendations carried out over the period January-May 2013 and from the analysis of the National Reform Programmes 2013[1].

1. In 2012-2013, Member States undertook major efforts to respond to the priorities of the Annual Growth Survey and to the 2012 Council Recommendations in the areas of social protection and inclusion. Although Member States are using different modalities to reach the policy goals, **the most striking point of the on going structural social policy reforms is their scale**. Such reforms are undertaken by virtually all Member States irrespective of whether they received a Council recommendation in the area of social protection and inclusion.

2. CY, IE, EL and PT - which are committed to economic adjustment programmes - are implementing deep reforms of their social protection systems in order to comply with the conditions of the economic adjustment programmes. IT, which in 2012 did not receive a pension recommendation, implemented an important overall pension reform.

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[1] The full SPC analysis on the implementation of the 2012 Council recommendations is contained in document 10222/13 ADD 1.

Improving the functioning of social protection systems and reducing poverty

3. The Union is facing a substantial increase of poverty compromising not only the achievement of the EU poverty and social inclusion target but also the capacity of some Member States to maintain good outcomes in containing poverty and social exclusion. **In 2011, there were 4 million more people at risk of poverty or social exclusion in the EU.**

4. This rise of poverty calls for urgent political attention as the deepening of poverty and social exclusion, including in good performing Member States, erodes public confidence in ongoing reforms. The Commission package on social investment highlights the rationale of social investments as a growth friendly factor.

5. Improving the functioning of social protection systems and reducing poverty was part of the 2012 Council recommendations issued to BG, EE, ES, HU, LT, LV, NL, SK, PL and the UK.

   - BG adopted the **National Strategy for reducing poverty and promoting social inclusion 2020** combining measures such as income support, access to services and active labour market measures. ES adopted the second **National Strategic Plan for children and adolescents** (2013-2016), announced the approval of a National Action Plan on social inclusion 2013-2016 and took measures against **home evictions**. The UK implements a **major welfare reform centred on the Universal Credit** focussing on extension of childcare use by disadvantaged families and elimination of financial disincentives to work. PL raised enrolment rates of **children in both early childcare** and pre-school education by **ensuring stable funding and investment in public infrastructure**, the provision of qualified staff and by ensuring and **ensuring affordable access.**

   - BG, HU and SK put in place **policy measures fostering Roma inclusion**: National strategies for Roma inclusion were developed in BG and HU to achieve policy co-ordination. SK focuses its efforts on improving the access to and the quality of education.

- **To reduce in-work poverty** PL uses general and more specific measures such as the recent increase of the minimum monthly wage with 6.6%. LT adopted a law on cash social assistance with the view to **strengthen the links between social assistance and activation measures and to better target assistance to those in need.** LV decreased personal income tax from 25% to 24%, terminated a co-funding to local governments for the Guaranteed Minimum Income (GMI) and housing benefit payments, and reduced the GMI level. EE undertook preparatory work for a reform to tackle **the incapacity for work insurance** scheme and introduced extra measures for **families living in poverty**. NL introduced **income-dependent rent increases aligning rents with household incomes in the social housing sector** to improve sustainability and improve targeting of the social housing sector.

Pension reforms

6. The Council addressed pension recommendations to 17 Member States in July 2012[1]. New reforms of the pension systems were launched, though the level of ambition varies.

    - AT, BE, BG, CZ, DK and SI reformed the **eligibility criteria for disability pensions and/or tightened the channels to early retirement**. CY and ES extended the penalties for early exit. ES also increased the **number of years of contributions required for early retirement.** FI **raised the minimum age for partial early pension** and abolished some early pension benefits.

[1] These are the following: AT, BE, BG, CZ, CY, DK, ES, FI, FR, LT, LU, LV, MT, NL, PL, SI and SK.

- BG announced further measures following the legislated in 2011 **increase of the statutory retirement age** from 63 to 65 for men by 2017 and from 60 to 63 for women by 2020. ES also **increased the statutory retirement age** to 65 from 2013 with a gradual increase to 67 in 2027. CY **linked the pensionable age to life expectancy** in 2012 while SK decided to **establish this link** in 2017. LT legislated the **increase of the retirement age** that should reach 65 years for women and men in 2026. LU introduced a **link between working time and longevity** sanctioning pension adequacy in case of early retirement. NL legislated **a gradual increase of retirement age** from 65 in 2012 to 67 in 2023 and created **incentives for employers to retain and hire older workers**. PL legislated **the gradual increase and equalisation of the retirement age** for men from 65 to 67 by 2020 and from 60 to 67 for women by 2040. SI decided to **equalise and raise the pensionable age** to 65 by 2020.

- FR laid the ground through a consultative process for a **new pension reform planned for 2013** and reintroduced **the possibility of retirement at 60 for a limited number of people with full contributory period**.

- CZ revised, temporarily, **the pension indexation mechanism downwards.** SK decided to use an **inflation-based indexation of pension** as of 2018**.** LU introduced new **adjustment mechanism of pensions**. LV is gradually **restoring the contribution into the statutory funded pillar** at the level of 6% by 2016. SI introduced **a bonus/malus rule in case of shortened or prolonged work careers**. MT has not implemented new pension policy measures following the recommendation issued in July 2012, however **further work on the pension reform process is ongoing**.

7. A big majority of pension reforms is undertaken with the view to improve the sustainability of the pension systems and reduce public deficit. While running unsustainable pension systems compromises future adequacy, a pension system providing inadequate pension benefits with regard to previous income and contributions compromises its legitimacy and attractiveness. Therefore, pension reforms need to include a smart mix of measures reinforcing the adequacy of the system and improving its sustainability. Reducing youth unemployment today is crucial for the future sustainability and adequacy of pension benefits. Closing the pension gender gap requires actions to ensure equal opportunities in the labour market taking into account the career breaks of women.

8. Different policy options can be envisaged for ensuring the sustainability of public finances in the context of ageing populations. Some Member States are considering or have put in place reforms linking the pensionable age to life expectancy where it increases and/or other incentives for prolonging working careers. However, linking the pensionable age to life expectancy requires broad political and public support which is not always within reach particularly in cases where the implementation of pension reforms overlaps with other structural reforms affecting welfare policies. In a context of an overall recession in the Euro area and beyond, the mere increase of the statutory age does not automatically lead to better sustainability of the pension system because of the subdue labour markets and the ensuing difficulties for older works to remain in employment. Incentives need to be put in place to stimulate employers to hire and retain older workers and barriers restricting their employment must be removed. Working conditions must enable older workers to stay in employment longer and to provide equal opportunities for women and men at all ages.

Health and long-term care reforms

9. AT, BG, BE, CY, DE and NL received recommendations in health and long-term care policies.

- AT implements a comprehensive health care reform based on **health care management by objectives** and **a health expenditure containment path**. BE introduced **a cap on the increase of the health care insurance budget**, **de-linked doctors' fees** from the consumer price index and introduced a **mandatory substitution of the most prescribed drugs** with generics. CY **delayed the full implementation of the National Health System** because of new condition stemming from **the new economic adjustment programme**. DE **abolished the co-payments** for health care services and put a **legal cap on the increase of the income-related health contribution**.

- BG prepared a draft **National Strategy for Long-term Care** and pursued its efforts to improve the **provision of community-based social services for children and the elderly**. NL **increased extramural care and the funding** asked from beneficiaries.

Reviewing the implementation of the Council recommendations from 2012 proved to be a valuable contribution of the SPC to the Council as it deepens the multilateral examination of the progress made by Member States in structural social policy reforms. The Committee will continue with this work in subsequent semesters.