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NOTE

from: The Social Protection Committee
to: Delegations

Subject: Implementation of the 2012 Council recommendations on the National Reform Programmes: Multilateral opinions on the social protection and inclusion policies

Delegations will find attached the analysis on horizontal issues such as pensions, health, long term care, social housing, functioning of social protection systems, poverty and social inclusion, as prepared by the Social Protection Committee in a multilateral exercise.



The Social Protection Committee

Implementation of the 2012 Council recommendations on the National Reform Programmes:

Multilateral opinions on the social protection and inclusion policies

This report presents the SPC final multilateral conclusions on the implementation of the Council recommendations on the National Reform Programmes 2012. It was adopted by the SPC on 21st – 22nd of May 2013.

This report is prepared with the view to inform the work of delegations in the framework of the European Semester and in particular in preparing the Council decision on the 2013 Council recommendations on the National Reform Programmes.

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Austria (reviewed by Greece and the Commission)

- 2012 Council Recommendation 2 (parts in bold):

Take further steps to strengthen the national budgetary framework by aligning responsibilities across the federal, regional and local levels of government, in particular by **implementing concrete reforms aimed at improving the organisation, financing and efficiency of healthcare** and education.

SPC conclusion on implementation of recommendation 2 : (in May 2013)

Austria shows progressive compliance with recommendation 2 on implementing concrete reforms aimed at improving the organisation, financing and efficiency of healthcare.

The SPC notes that the on-going health care reform aims to overcome the institutional fragmentation of health care services in order to achieve better coordination in the planning, governance and financing of the inpatient and outpatient services with the view to control the growth of health care expenditure.

The main policy measures implemented so far include:

- a. health care management by objectives transposed in federal law currently in Parliament;
- b. two framework agreements in December 2012 between the Federal Government and the Länder which include a 'health expenditure containment path' intended to align public health expenditure with the medium-term forecast for nominal GDP growth;
- c. electronic health record act passed by Parliament in November 2012 in order to improve the continuum of care and information flow between health care providers with expected improvements of patient safety.

The SPC also takes note of the AT intention to strengthen outpatient health care, to reduce the number of hospital inpatient admissions and to limit the high number of hospital beds.

The SPC invites AT to reflect on simplifying where possible the governance arrangements and to balance the current structural reforms with more attention to prevention and monitoring the quality of services.

- 2012 Council Recommendation 3 (in extenso):

Bring forward the harmonisation of the statutory retirement age between men and women; enhance older workers' employability and monitor closely the implementation of the recent reforms restricting access to early exit channels in order to ensure that the effective retirement age is rising including through linking the statutory retirement age to life expectancy.

SPC conclusion on the implementation of recommendation 3:

In light of the reported actions by Austria and the assessment presented by Greece and the Commission, the SPC concludes:

Austria has taken some measures to implement Council recommendation 3 on pensions.

Overall, recent reforms go into the right direction and could be further enhanced in the future to fully address demographic challenges.

Some channels to early retirement were tightened, but not abolished. Measures to facilitate the reintegration of older workers into the labour market were improved. The invalidity pension was reformed in order to facilitate return to the labour market for able workers.

The SPC invites Austria to monitor both the sustainability and the adequacy of pensions with the view to take timely actions in case of need. Depending on the concrete circumstances, this could include harmonization of statutory retirement age for men and women, further increasing of effective exit age and reducing the poverty risk for the elderly, in particular women.

Total : 2 Recommendations

Belgium (reviewed by the UK and the Commission)

- 2012 Council Recommendation 2 (in extenso) :

Continue to improve the long-term sustainability of public finances by curbing age-related expenditure, including health expenditure. In particular, implement the reform of pre-retirement and pension schemes and take further steps to ensure an increase in the effective retirement age, including through linking the statutory retirement age to life expectancy

SPC conclusion on implementation of recommendation 2 :

In light of the reported actions by Belgium and the assessment presented by the United Kingdom and the Commission, the SPC concludes:

Pension part

Belgium shows progress in responding to the 2012 Council recommendation. The reform of the old-age social security system is well under way. First positive results have been recorded with regard to the sustainability of public finances and the employment of older workers.

Early-retirement channels are being phased out, while the eligibility criteria for normal and pre-retirement ages are being gradually increased. Pension rights accrued during inactivity periods are gradually reduced.

The labour market for the elderly was rendered more flexible by reducing earning restrictions. At the same time, the hiring and retention of older workers was made more attractive while the shedding of older workers became more costly for companies.

The SPC invites Belgium to ensure that these reforms are underpinned by concrete active ageing measures and to help close the gap between the pensionable and the effective retirement age, including continuing aligning retirement age with the growth in life expectancy in the medium term.

Health part

Belgium complied constructively with recommendation 2 on curbing health expenditure. The measures taken by Belgium to control the growth of health expenditure are relevant and adequate.

The following measures allowed the BE health care systems to limit expenditure growth in 2013:

- a. cap on the increase of the health care insurance budget to 2% in real terms in 2013, respectively 3% in 2014. From 2015 onwards this will be fixed by law;
- b. partial de-linking of doctors' fees from the consumer price index and reduction of fees charged by certain medical specialties;
- c. reduction of prices of pharmaceuticals of 1,95% in 2012 and 2013;

- d. mandatory substitution of the most prescribed drugs with their generic drugs;
- e. reinforced control over prescriptions and a new tax on marketing of drugs;
- f. reduction of hospital budgets for pharmaceutical expenditure.

In particular the SPC highlights that BE did not consider increasing co-payments for health care services as a way of financing and takes note of on-going discussions concerning the health care system reform.

Total : 1 recommendation

Bulgaria (reviewed by Ireland and the Commission)

- 2012 Council Recommendation 2 (in extenso) :

Take further steps to reduce risks to the sustainability and to improve adequacy of the pension system by making the statutory retirement age the same for men and women with full career contributions. Introduce stricter criteria and controls for the allocation of invalidity pensions.

SPC conclusion on implementation of recommendation 2:

In light of the reported actions by Bulgaria and the assessment presented by Ireland and the Commission, the SPC concludes:

The increase in statutory retirement ages from 63 to 65 by 2017 for men, and from 60 to 63 by 2020 for women, which was legislated in 2011, represents a step in the right direction. Further legislative measures are announced by the end of 2013.

However, a more ambitious equalisation of the pensionable ages of women and men would be needed in order to address in particular concerns about the adequacy of pensions of older women presenting lower participation rates in the labour market and shorter contributory periods, leading to lower outcomes from the mandatory pay-as-you-go and funded scheme.

Given that Bulgaria is one of the fastest-ageing societies in the EU, an increased labour market participation of older workers, men and women, is key to improve the system's long-term adequacy and sustainability.

The future measures to be taken to limit easy access to invalidity pensions need to be implemented and in this regard actual efforts in strengthening the control should be enhanced.

- 2012 Council Recommendation 3 (in bold) :

Accelerate the implementation of the national Youth Employment Initiative. **Ensure that the minimum thresholds for social security contributions do not discourage declared work.** Step up efforts to improve the Public Employment Service's performance. **To alleviate poverty, improve the effectiveness of social transfers and the access to quality social services for children and the elderly and implement the National Roma Integration Strategy.**

SPC conclusion on the implementation of recommendation 3 :

In light of the reported actions by Bulgaria and the assessment presented by Ireland and the Commission, the SPC concludes:

Bulgaria presented a very detailed reporting. Bulgaria has taken some actions in line with the country-specific recommendation. However, these actions need to be swiftly implemented in order to fully respond to the recommendation particularly as Bulgaria has a high rate of severe material deprivation. The following actions are of particular relevance for the Council recommendation:

- Bulgaria adopted the National Strategy for Reducing Poverty and Promoting Social Inclusion 2020 which addresses important challenges such as income support, access to services and active labour market measures, access to health and education.
- It prepared a draft of National Strategy for Long-Term Care and carried on with the provision of community-based social services for children.

- It took further steps to move ahead with the de-institutionalization of care for children
- It set up a working group of experts to examine the influence of minimum thresholds for social security contributions on declared work.

The SPC therefore invites Bulgaria to:

i) implement the Action Plans to the National Strategy for Reducing Poverty and Promoting Social Inclusion and simplify the governance of Roma inclusion policies

ii) reinforce the administrative capacity of local administration dealing with Roma inclusion issues:

iii) take further steps to enhance the efficiency and effectiveness of social protection with particular emphasis on adequacy;

Total : 2 recommendations

Cyprus (reviewed by Germany and the Commission)

- 2012 Council Recommendation 3 (in extenso) :

Further improve the long-term sustainability and adequacy of the pensions system and address the high at-risk-of-poverty rate for the elderly. Ensure an increase in the effective retirement age, including through aligning the statutory retirement age with the increase in life expectancy.

SPC conclusion on the implementation of recommendation 3 :

In light of the reported actions by Cyprus and the assessment presented by Germany and the Commission, the SPC concludes:

CY has partially implemented the 2012 CSR on pensions. In December 2012, CY passed a reform, linking pensionable age to life expectancy and extending penalties for early exit. These measures constitute steps in the right direction. Thus, CY has taken steps to increase the retirement age and follow-up is needed to monitor the effect of penalties on early take-up of pensions.

CY has reported no new measures to tackle the high at-risk-of-poverty rate for the elderly. Hence, further efforts are needed to improve the adequacy of pensions and reduce the poverty risk for the elderly.

- 2012 Council Recommendation 4 (in extenso) :

Complete and implement the national healthcare system without delay, on the basis of a roadmap, which should ensure its financial sustainability while providing universal coverage

SPC conclusion on implementation of recommendation 4:

The SPC notes that the CY intentions to comply with recommendation 2 on completing and implementing the national healthcare system without delay, on the basis of a roadmap, through introducing the National Health System (NHS) have been influenced by the economic adjustment programme signed with the 'Troika'. Accordingly, the costs and benefits of the planned introduction of the NHS will be assessed in an updated actuarial study which will also examine the possibility for gradual implementation of the NHS.

Consequently, and due to the new economic situation, the full compliance with the 2012 Council recommendation is delayed. However, the SPC notes that CY continues to undertake actions with the view to facilitate the implementation of the NHS:

- a. The Ministry of Health is considering a proposal for a phased implementation of the NHS;
- b. Preparation of an action plan on hospital restructuring;
- c. Design and implementation of 10 new clinical guidelines concentrated on the diseases with high annual volume and costs;
- d. Introduction of diagnosis-related groups (DRGs) payment based system;
- e. Introduction of a network of family doctors (primary physicians) to act as gatekeepers.
- f. Design and introduction of protocols for laboratory tests and the prescription of pharmaceuticals based on thorough scientific evidence, with the aim of minimizing the provision of medically unnecessary lab tests and pharmaceuticals.

The SPC stresses that universal access for all to health care services should be maintained.

Total : 2 recommendations

Czech Republic (reviewed by Sweden and the Commission)

- 2012 Council Recommendation 2 (in extenso) :

Introduce further changes to the public pension scheme to ensure its long-term sustainability. Reconsider plans to allow an earlier exit from the labour market. Promote effective participation of younger workers in the envisaged funded scheme to improve adequacy of pensions.

- SPC conclusion on implementation of recommendation 2 :

In the light of the reported actions by the Czech Republic and the assessment presented by Sweden and the Commission, the SPC concludes:

In order to improve the sustainability of public pensions, CZ has temporarily revised downwards the indexation mechanism. While this measure has the potential to provide some savings, the long-term adequacy of benefits has to be monitored.

The Czech Republic is invited to consider further steps to promote the long-term adequacy of benefits including avoiding new pathways to early retirement.

The government has launched an information campaign on the new statutory funded pillar, which came into effect on 1 January 2013. There is no yet evidence that the campaign has boosted the trust in the funded pillar, or likely to contribute to enrolment of young people. Sustained efforts are needed to ensure effective promotion of the funded pillar.

Total : 1 recommendation

Denmark (reviewed by Portugal and the Commission)

- 2012 Council Recommendation 2 (in bold):

Take further steps to enhance long-term labour supply by reforming the disability pension, better targeting subsidised employment schemes (the 'flex-job' system) towards people with reduced work capacity, and improving the employability of people with a migrant background.

SPC conclusion on the implementation of recommendation 2:

In light of the reported actions by Denmark and the assessment presented by Portugal and the Commission, the SPC concludes:

Denmark has responded to the first and second part of the recommendation through a major reform of the disability pension scheme and an important adjustment of the targeted subsidised employment scheme (flexjobs). It is too early to assess the impact of these changes on labour supply, but judged from their design they are both likely to halt the erosion of labour supply, which the former rules seemed to contribute to, while raising labour supply in the longer term. An appropriate follow-up would be needed monitor the impact of both measures.

Total : 1 recommendation

Estonia (reviewed by Slovenia and the Commission)

- 2012 Council Recommendation 2 (in extenso) :

Improve incentives to work by streamlining the social benefits system and increasing flexibility in the allocation of disability, unemployment and parental benefits, while ensuring adequate social protection. Improve delivery of social services, while better targeting family and parental benefits and removing distortionary income tax exemptions related to children. Increase the participation of the young and the long-term unemployed in the labour market.

SPC conclusion on the implementation of recommendation 2 :

In light of the reported actions by Estonia and the assessment presented by Slovenia and the Commission, the SPC concludes:

- a. Estonia started implementing the Recommendation.
- b. Estonia has planned to begin streamlining the social benefits system and it is preparing major reforms to tackle the incapacity for work insurance schemes in tandem with the increased availability of rehabilitation services. It can be noted, however, that the draft legislation for the legal framework for incapacity to work scheme insurance will be prepared beyond the European Semester in 2013.
- c. Estonia is planning to thoroughly analyse how unemployment benefits address the problems of the low-skilled, in order to better integrate them into the labour markets in the future.
- d. Extra measures have been introduced for families with children living in relative poverty;
- e. Estonia is auditing the system and analysing the childcare and child benefit system, as well as parental benefits.
- f. A political agreement has been reached on removing distortionary tax exemptions.

The SPC therefore invites Estonia to intensify the implementation of the envisaged measures and to report further on this implementation in the NRP.

Total : 1 Recommendation

Finland (reviewed by Italy and the Commission)

- 2012 Council Recommendation 3 (in bold):

Implement the on-going measures to improve the labour market position of young people and the long-term unemployed, with a particular focus on skills development. **Take further steps to improve the employment rate of older workers, including by reducing early exit pathways. Take measures to increase the effective retirement age taking into account the improved life expectancy.**

SPC conclusion on the implementation of recommendation 3 :

In light of the reported actions by Finland and the assessment presented by Italy and the Commission, the SPC concludes:

To reduce early exit pathways, Finland has abolished some categories of early pension benefits and raised the minimum age for partial early pension. These measures came into force on 1 January 2013, and their impact on early take-up will need to be monitored.

Finland did not report any other new steps to increase the effective retirement age.

Considering that Finland is among the fastest-ageing country in the EU, further efforts are needed to increase the effective retirement age in line with life expectancy.

The SPC notes that the scope of the reforms results from an agreement between the Government and the Social Partners. It is recalled that the Treaty safeguards the autonomy of social partners to negotiate.

Total : 1 recommendation

France (reviewed by Hungary and the Commission)

- 2012 Council Recommendation 1 (in bold):

Reinforce and implement the budgetary strategy, supported by sufficiently specified measures, notably on the expenditure side, for the year 2012 and beyond to ensure a correction of the excessive deficit by 2013 and the achievement of the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the debt reduction benchmark. **Continue to review the sustainability and adequacy of the pension system and take additional measures if needed.**

- SPC conclusion on the implementation of recommendation 1 :

In light of the reported actions by France and the assessment presented by Hungary and the Commission, the SPC concludes:

France has taken some measures to implement the 2012 Recommendation on pensions.

The SPC notes that France announced a new reform to be discussed with the social partners in the second half of 2013.

To implement the 2012 recommendation, France set up an advisory ‘Commission pour l’avenir des retraites’ to work out proposals to safeguard both sustainability and adequacy of the pension system, and propose corrective measures by 2013.

Further, France also reintroduced the possibility of retirement at 60 with full pension for persons who have started their working careers very early and therefore have completed the number of contributory years (41.5) by the age of 60.

This measure applies to a very limited number of persons yet it may be perceived as discouraging active ageing. However, France reported that this measure is financed by additional contributions equally shared between employers and employees.

Total : 1 Recommendation

Germany (reviewed by Cyprus and the Commission)

- 2012 Council Recommendation 1 (in bold) :

Continue with sound fiscal policies to achieve the medium-term budgetary objective by 2012. To this end, implement the budgetary strategy as envisaged, ensuring compliance with the expenditure benchmark as well as sufficient progress towards compliance with the debt reduction benchmark. **Continue the growth-friendly consolidation course through additional efforts to enhance the efficiency of public spending on health care and long-term care**, and by using untapped potential to improve the efficiency of the tax system; use available scope for increased and more efficient growth-enhancing spending on education and research at all levels of government. Complete the implementation of the debt brake in a consistent manner across all Länder, ensuring timely and relevant monitoring procedures and correction mechanisms.

- SPC conclusion on the implementation of recommendation 1:

The SPC takes note that Germany implemented three successive health care reforms between 2010, 2011 and 2013. This gradual approach allowed for the largest possible consensus between all actors involved while allowing the health care system to adapt to new norms:

The following measures are of particular importance :

- a. from January 2011 onwards, the income-related contribution rate is fixed at 15.5% by law, by freezing the income-related contribution rate, future over-proportional expenditure rises will be financed through insurance premia;
- b. improve care structures by launching comprehensive measures to ensure a high-quality and nationwide provision of care.

Germany shows a partial compliance with the Council recommendation in the sense that the implemented measures are primarily focussed on the health care system financing while the recommendation targeted the spending on health and long-term care.

The SPC highlights that Germany decided to abolish the quarterly flat rate fee paid by patients (Praxisgebühr), which was introduced in 2004 with the view to control health care demand, but failed to do so and generated accessorily high administrative costs.

In addition, the SPC notes that Germany considers the capping of the income-related health contribution rate as a measure ensuring that will contain the rise of labour costs.

Finally the SPC shares the concern of Germany regarding the shortage of medical staff with may have implications for equity in access to health care services across regions.

Total 1 : Recommendation

Hungary (reviewed by France and the Commission)

- 2012 Council Recommendation 4 (in bold) :

Strengthen the capacity of the Public Employment Service to increase the quality and effectiveness of training, job search assistance and individualised services, with particular regard for disadvantaged groups. Strengthen the activation element in the public work scheme through effective training and job search assistance. **Implement the National Social (Roma) Inclusion Strategy, and mainstream it with other policies.**

SPC conclusions on implementation of recommendation 4 :

In light of the reported actions by Hungary and the assessment presented by France and the Commission, the SPC concludes:

The measures presented by Hungary are ambitious and rely on a number of already available instruments and programmes, some in fact running for several years (particularly in the fields of Education, Health). New initiatives, financed from European Social Funds, will be launched this year.

The monitoring system is being reviewed; a database involving specific set of indicators for the monitoring of the National Social Inclusion Strategy is under preparation.

An evaluation of the implementation of the Plan was first made in 2012, and that a new evaluation will be available in May, 2013, based on a monitoring system under preparation, without further details being given at that stage.

Hungary has implemented adequate measures in line with its National Social (Roma) Inclusion Strategy which the Council recommended to be implemented. The SPC invites Hungary to:

- a. communicate the evaluation results foreseen for 2013;
- b. explain better in the forthcoming NRP which measures have been implemented after June 2012
- c. maintain its efforts to mainstream the social inclusion of the Roma with other policies

Total : 1 Recommendation

Latvia (reviewed by Malta and the Commission)

- 2012 Council Recommendation 2 (in bold):

Implement measures to shift taxation away from labour to consumption, property, and use of natural and other resources while improving the structural balance; ensure adoption of the Fiscal Discipline Law and develop a medium term budgetary framework law to support the long-term sustainability of public finances; **restore contributions to the mandatory funded private pension scheme at 6 % of gross wages from 2013.**

SPC conclusion on implementation of recommendation 2 :

In light of the reported actions by Latvia and the assessment of Malta and the Commission, the SPC concludes:

LV plans to restore contributions into the statutory funded pillar at the level of 6% by 2016, which is more gradual than recommended in 2012 CSR (i.e. 2013). At the same time, this delay is not likely to have a significant negative impact on the sustainability or adequacy of pensions.

- 2012 Council Recommendation 4 (in bold) :

Tackle high rates of poverty and social exclusion by reforming the social assistance system to make it more efficient, while better protecting the poor. Ensure better targeting and increase incentives to work.

SPC conclusion on the implementation of recommendation 4 :

In light of the reported actions by and the assessment presented by and the Commission, the SPC concludes:

Latvia is among the Member States with the highest rates of severe material deprivation and jobless households as shown by the Social Protection Performance Monitor.

Latvia took some actions with the view to respond to the CSR:

- The level of Guaranteed Minimum Income benefit has been reduced.
- The central government stopped co-funding the GMI as per the 2009 legislation
- Reforms of the social assistance system indirectly helping to tackle poverty and social exclusion which include an extension of 9 months to the period where unemployed benefit is paid, an increase in child related payments and additional funds for childcare provision.

It is however uncertain that some of these measures have the potential to reduce extreme poverty and to mitigate inequality in access to social assistance across local government jurisdictions.

Therefore, the SPC invites Latvia to :

- pay increased attention on the sustainability and adequacy of social assistance in combination with the potential of tax and benefits system to reduce inequalities;
- define an evidence- based norm for an adequate minimum income
- to monitor the effects of recent policy measures and adjust its policy actions in light of the evaluation of the social assistance system launched recently

Total : 2 recommendations

Lithuania (reviewed by Romania and the Commission)

- 2012 Council Recommendation 2 (in extenso) :

Adopt legislation on a comprehensive pension system reform. Align the statutory retirement age with life expectancy, establish clear rules for the indexation of pensions, and improve complementary savings schemes. Underpin pension reform with active ageing measures

SPC conclusion on the implementation of recommendation 2:

In light of the reported actions by Lithuania and the assessments of Romania and the Commission, the SPC concludes:

Lithuania has concentrated its efforts on some parts of the 2012 Council recommendation 2 on pensions. Focussed measures were implemented in line with the recommendation (the increase of the retirement age from 2012 aiming to reach 65 years for women and men in 2026 and the legal amendments for improving complementary pension saving).

The SPC invites Lithuania to consider enhancing the comprehensiveness of the reform to ensure improved future sustainability and adequacy of the system. Moreover, active ageing measures should enhance the effects of the reforms.

As life expectancy is improving, linking the statutory retirement age with life expectancy should be considered in the long term. Importantly, the issue of both the present and future adequacy of pensions needs to be addressed further.

- 2012 Council Recommendation 4 (in extenso) :

Increase work incentives and strengthen the links between the social assistance reform and activation measures, in particular for the most vulnerable, to reduce poverty and social exclusion.

SPC conclusion on the implementation of recommendation 4:

In light of the reported actions by Lithuania and the assessment presented by and the Commission, the SPC concludes:

The Lithuanian government has started addressing the need for strengthening the links between social assistance reforms and activation measures with a new Law on cash social assistance for poor residents which aims at targeting better assistance to those most in need. However, the implementation is still in a pilot phase, involving only 5 municipalities.

Lithuania has taken actions in line with the recommendation but the full implementation as well as the impact needs to be consolidated further.

The SPC invites Lithuania to:

- a. explain better the expected time horizon for the full implementation of the reform;
- b. provide an evaluation of the impact of the introduced new Law on cash social assistance on improving work incentives and reducing poverty and social exclusion;
- c. maintain its efforts in addressing the challenge identified in the CSR.

Total : 2 recommendations

Luxembourg (reviewed by Spain and the Commission)

- 2012 Council Recommendation 2 (in extenso) :

Strengthen the proposed pension reform by taking additional measures to increase the participation rate of older workers, in particular by preventing early retirement, and by taking further steps to increase the effective retirement age, including through linking the statutory retirement age to life expectancy, in order to ensure the long-term sustainability of the pension system.

SPC conclusion on the implementation of recommendation 2:

In light of the reported actions by Luxembourg and the assessment presented by Spain and the Commission, the SPC concludes:

The response of Luxembourg to the 2012 CSR demonstrates a constructive compliance on some points. The legislated measures will have an effect on the sustainability of the pension system.

However, the legislated reform appears not ambitious enough and entails long transition periods. The main problems as highlighted in the 2012 CSR were partially addressed by the 2012 reform. This includes in particular the need to increase effective retirement age while reducing the widespread access to early exit and early retirement options in order to increase the participation of older workers in the labour market. The forthcoming reform on work incapacity should deal with these challenges.

Total : 1 recommendation

Malta (reviewed by Latvia and the Commission)

- 2012 Council Recommendation 2 (in extenso):

Take action, without further delay, to ensure the long-term sustainability of the pension system, comprising an increase in the effective retirement age, including through a significant acceleration of the progressive increase in the statutory retirement age compared to current legislation and through a clear link between the statutory retirement age and life expectancy, and measures to encourage private pension savings. Take measures to increase the participation of older workers in the labour force and discourage the use of early retirement schemes.

- SPC conclusion on the implementation of recommendation 2:

In light of the reported actions by Malta and the assessment presented by Latvia and the Commission, the SPC concludes:

In view of the measures taken in 2006 and 2007 (the 2006-2007 pension reform, the periodic review foreseen in the Social security act, the increase in pensionable age to 65 for both genders by 2027 and the lengthening of the contribution period, the changes in the pension calculation formula, the introduction of a guaranteed national minimum pension), the implementation of the Council recommendation continues to be a challenge for Malta.

Measures to further increase retirement age, including linking it to life expectancy, should be operational in the long run with the view to improve the sustainability of the pension system¹. The SPC takes note of Malta's view that no further measures are considered necessary in this regard in the short and medium term.

The SPC invites Malta to further inform on progress on the third pillar pension scheme and develop an active ageing strategy.

Total : 1 recommendation

¹ The delegation of Malta maintains its disagreement with this paragraph

The Netherlands (reviewed by Poland and the Commission)

- 2012 Council Recommendation 2 (in extenso):

Take measures to increase the statutory retirement age, including linking it to life expectancy, and underpin these with labour market measures to support raising the effective retirement age, whilst improving the long-term sustainability of public finances.

Adjust the second pension pillar to mirror the increase in the statutory retirement age, while ensuring an appropriate intra- and inter-generational division of costs and risks. Implement the planned reform in long-term care and complement it with further measures to contain the increase in costs, in view of an ageing population.

- SPC conclusion on the implementation of recommendation 2:

In light of the reported actions by the Netherlands and the assessment presented by Poland and the Commission, the SPC concludes:

The 2012 CSR on pensions has largely been implemented. The long-term adequacy and sustainability of the pension system has been strengthened through the gradual increase of retirement age from age 65 in 2012 to age 67 in 2023. In the 2012 Coalition Agreement it was agreed that the retirement age will increase at a faster pace. According to this agreement, the statutory retirement age will be 66 in 2018, 67 in 2021 and will be connected to life expectancy from 2022. The legislation will take effect in 2014.

The linking of the pensionable age to life expectancy after 2023 will take account of future increases in longevity. Similarly, the pension age of the second pillar has been adjusted. When further adjustments to contribution rates and benefit levels become necessary in the future, a fair sharing of costs and risks within and across cohorts should be ensured.

A number of labour market measures have been implemented to create incentives for employers to hire older workers as well as incentives for older workers to retire later. These efforts to support the active participation of older workers in the labour market should be further increased in the future.

The reform on long-term care, which focuses on increasing extramural care and increased funding from beneficiaries, need to guarantee access to all to care and maintain quality of services.

- 2012 Council Recommendation (in fine):

Take steps to gradually reform the housing market, including by: (i) modifying the favourable tax treatment of home ownership, including by phasing out mortgage interest deductibility and/or through the system of imputed rents (ii) providing for a more market –orientated pricing mechanism in the rental market, and (iii) **for social housing, aligning rents with household income.**

- SPC conclusion on the implementation of recommendation:

In light of the reported actions by the Netherlands and the assessment presented by Poland and the Commission, the SPC concludes:

The NL government has taken relevant actions to respond to the Council recommendation. It will introduce income-dependent maximum rent increases for July 1st 2013 to improve the functioning of the rental market by aligning rents with household incomes in the social housing sector.

The proposed measures seek to tackle the largest problem concerning the Dutch social housing system, namely "Scheefhuurders" or those with higher incomes in receipt of social housing.

It is expected that introduced measures will increase sustainability and improve targeting of social housing.

The SPC invites the Netherlands to monitor the impact of these reforms.

Total recommendations: 2

Poland (reviewed by the Netherlands and the Commission)

- 2012 Council Recommendation 3 (in bold) :

To reduce youth unemployment increase the availability of apprenticeships and work-based learning, improve the quality of vocational training and adopt the proposed lifelong learning strategy. Better match education outcomes with the needs of the labour market and improve the quality of teaching. **To combat labour market segmentation and in-work poverty, limit excessive use of civil law contracts and extend the probationary period for permanent contracts.**

SPC conclusion on the implementation of recommendation 3:

In light of the reported actions by Poland and the assessment presented by the Netherlands and the Commission, the SPC concludes:

Poland has undertaken some actions to respond to recommendation 3. Full compliance will be achieved if efforts are more focused and sustained. As regards combating in-work poverty, the reporting does not allow to assess to what extent the reported measures are of overall nature or are specifically related to combating in-work poverty. This has been also observed by the assessment of the Netherlands.

It is however noted that as of 1 January 2013, Poland increased the minimum monthly wage by 6.6%. Workers on civil contracts are not covered by this increase. As recommended by the NL, combating in-work poverty may require the development of in-work benefit scheme.

The SPC invites Poland to:

- a. monitor the effects of general measures in place on the in-work poverty
- b. to report on further measures to combat in-work poverty in the NRP

2012 Council Recommendation 4 (in bold) :

Reinforce efforts to increase the labour market participation of women and raise 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 affordable access. **Tackle entrenched practices of early retirement to increase exit ages from the labour market. Phase out the special pension scheme for miners with a view to integrating them into the general scheme. Take more ambitious, permanent steps to reform the KRUS to better reflect individual incomes.**

- SPC conclusion on the implementation of recommendation 4:

Poland has taken some measures to implement the 2012 recommendation as regards pensions. The adoption of the Law on the miners' scheme reducing early retirement possibilities only for miners working underground will be a further step. Carefully designed transition policies should also accompany this policy. There is yet no progress in reforming social security system for farmers (KRUS).

The pension reform that entered into force on 1st of January 2013 which will gradually increase and equalise the retirement age (for men from 65 to 67 until 2020 and from 60 to 67 for women until 2040) is a step in the right direction and responds to Council recommendation 4, second sentence. The SPC invites Poland to underpin the general pension reform (in force since January 2013) with a long-term active ageing strategy.

Total : 2 recommendations

Slovak Republic (reviewed by Croatia and the Commission)

- 2012 Council Recommendation 3 (in extenso) :

Further adjust the pay-as-you-go pension pillar, mainly by changing the indexation mechanism, introducing a direct link between the statutory retirement age and life expectancy and introducing a sustainability factor in the pension calculation formula reflecting demographic change. Ensure the stability and viability also of the fully funded pillar

SPC conclusion on the implementation of recommendation 3:

In light of the reported actions by Slovakia and the assessments of Croatia and of the Commission, the SPC concludes:

Slovakia has taken major steps to implement recommendation 3 on pensions.

In 2012, Slovakia adopted a forward-looking reform of the pay-as-you-go pension pillar in line with the Council Recommendation. A link between the statutory retirement age and life expectancy will be introduced in 2017 together with the switch to inflation-based indexation as of 2018 which is expected to have a positive impact on the sustainability of the pension system. However, long-term sustainability needs to be assessed periodically.

To ensure the success of the reform, Slovakia may consider complementing the reforms with measures enabling and encouraging older workers, notably women, to work longer. Because of the short duration of working lives, timely measures could help preventing the fall-out of higher pensionable age on future adequacy of pensions.

The SPC invites Slovakia to monitor the latest changes to the statutory funded pillar, with the view to reinforce the credibility of the pillar and prevent negative impact on its size and scope.

- 2012 Council Recommendation 6 (in bold) :

Take active measures to improve access to and quality of schooling and pre-school education of vulnerable groups, including Roma. Ensure labour market reintegration of adults through activation measures and targeted employment services, second-chance education and short-cycle vocational training.

SPC conclusion on the implementation of recommendation 6:

The Slovak government has started to reflect on the quality of education and preschool education of children from disadvantaged groups, including the Roma. However, the financing of certain basic social services (e.g. social field work, community centres) is often project-based, which may hamper the impact and sustainability of these measures.

Slovakia has taken actions in line with recommendation 6 but the full implementation as well as the impact of these actions needs to be further consolidated.

The SPC invites the Slovak government to:

- a. continue implementing the *National Roma Integration Strategy* by 2020, ensuring sufficient and long-term fund allocation for this purpose and involving closely national, regional, NGO, private sector organisations and Roma communities at each stage of the process (including planning, implementation, as well as monitoring, evaluation and policy review);
- b. maintain efforts to ensure effective access to quality, affordable and inclusive pre-primary school education for all children with special focus on disadvantaged regions and marginalised Roma communities;

Total : 2 recommendations

Slovenia (reviewed by Estonia and the Commission)

- 2012 Council Recommendation 2 (in extenso) :

Take urgent steps to ensure the long-term sustainability of the pension system, while preserving the adequacy of pensions, by: (i) equalising the statutory retirement age for men and women; (ii) ensuring an increase in the effective retirement age, including through linking the statutory retirement age to life expectancy; (iii) reducing early retirement possibilities; and (iv) reviewing the indexation system for pensions. Increase the employment rate of older workers also by further developing active labour market policies and lifelong learning measures.

SPC conclusion on the implementation of recommendation 2 :

In light of the reported actions by Slovenia and the assessment presented by Estonia and the Commission, the SPC concludes:

Slovenia has taken relevant steps to implement the 2012 CSR on pensions though certain issues remain.

In particular the Slovenian, reform entailed:

- a. raising and gender equalization of the pensionable age to 65 by 2020;
- b. a reduction of the access to early retirement;
- c. increase in the number of years used in benefit calculations; and
- d. introduction of bonus/malus rules in the case of pro-longed or shortened work careers;.

In addition, the indexation of pensions was changed and steps to halt the drop in the value of new pensions taken. Finally the pension reform has been underpinned by a number of measures aimed at increasing the employment rate of older workers.

The SPC notes that Slovenia has chosen not to link the statutory retirement age to life expectancy in the medium and long run. The evolution of the dependency ratio should be considered in further reform plans.

Total : 1 Recommendation

Spain (reviewed by Luxembourg and the Commission)

- 2012 Council Recommendation 2 (in extenso) :

Ensure that the retirement age is rising in line with life expectancy when regulating the sustainability factor foreseen in the recent pension reform and underpin the Global Employment Strategy for Older Workers with concrete measures to develop lifelong learning further, improve working conditions and foster the reincorporation of this group in the job market

SPC conclusion on the implementation of recommendation 2:

In light of the reported actions by Spain and the assessments of Luxembourg and the Commission, the SPC concludes:

Spain has taken important measures to implement the 2012 Council recommendation 2 on pensions. In 2011 Spain undertook a reform with a view to improve the sustainability of the pension system by raising the pensionable age to 65 as of 1.01.2013 and agreeing to introduce a sustainability factor. However, further action could be considered, notably the elaboration of the sustainability factor, linking pensionable age to life expectancy and carefully considering demographic evolution on the medium and long term.

The measures on early and partial retirement adopted in 2013 go in the right direction to promote longer working lives by protecting older workers and encouraging later take-up of benefits. They are also sufficiently balanced, which should help limit the impact on adequacy. Measures addressed at older workers would need to target both women and men in appropriate ways. Other measures such as the compatibility between work and pensions have been recently approved.

2012 Council Recommendation 7 (in extenso) :

Improve the employability of vulnerable groups, combined with effective child and family support services in order to improve the situation of people at risk of poverty and/or social exclusion, and consequently to achieve the well-being of children.

SPC conclusion on the implementation of recommendation 7:

Spain presented a detailed reporting on the measures taken to respond to the Council recommendation. Recommendation 7 has been partially implemented, as the development of comprehensive measures supporting the inclusion of those further from the labour market was challenged by the on-going fiscal consolidation programme.

Actions related to child and family services have been announced and further follow-up is needed. The SPC notes the efforts made to protect against repossessions and housing evictions.

Spain has announced the approval of a National Action Plan on Social Inclusion 2013-2016, which could facilitate policy coordination with related policies, such as ALMP, vocational training, child and family support. It also adopted the Second National Strategic Plan for Children and Adolescents (2013-2016) and further initiatives were taken to address housing

exclusion as well as over-indebtedness.

The SPC therefore invites Spain to:

- a. explain better the expected impact of the National Strategy for Combating Poverty and Social Exclusion 2020 in implementing the Recommendation;
- b. maintain its efforts in addressing the challenge identified in the CSR.

Total : 1 recommendation

The United Kingdom (reviewed by Belgium and the Commission)

- 2012 Council Recommendation 4 (in bold) :

Step up measures to facilitate the labour market integration of people from jobless households. **Ensure that planned welfare reforms do not translate into increased child poverty.** Fully implement measures aiming to facilitate access to childcare services.

SPC conclusion on the implementation of recommendation 4:

In light of the reported actions by the UK and the assessment presented by Belgium and the Commission, the SPC concludes:

The UK Government implements a serious reform aimed at reducing jobless households, preventing increases of poverty in a context marked by budget consolidation and broadening access to affordable high-quality and fulltime childcare services.

The SPC welcomes the focus on administrative simplification and better service delivery for claimants introduced by the Universal credit as well as the strong focus on extending childcare use for disadvantaged families. These measures are fully in line with the principles of active inclusion. Yet the strong emphasis on tackling financial disincentives to work (which remains essential) could, to some extent, overshadow the need for a more individual follow-up to beneficiaries. The SPC notes that the success of the Universal Credit will to a high extent depend on beneficiaries' ability to find a job, which remains challenging in the current context.

The UK responded to the Council recommendation with relevant measures. The SPC invites the UK to:

- a. continue closely following the impact of Universal Credits on children whose families may encounter major difficulties in entering the labour market;
- b. assess the longer term impact of reforms affecting the Sure Start Children's Centres (which had been recognised as good practices and served as an inspiration), in particular in terms of ensuring access to a non-stigmatising provision, as well as sufficient social mix in these centres.

Total : 1 recommendation