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From: Social Protection Committee

To: Permanent Representatives Committee

Subject: Multilateral reviews on the implementation of the 2016 Council country-specific recommendations: SPC Main findings

Delegations will find attached the SPC main findings on the multilateral reviews of the implementation of the 2016 CSRs, as an addendum to the SPC assessment of the 2017 CSRs package and the implementation of the 2016 Council CSRs in the area of social protection and social inclusion.

SPC multilateral implementation reviews of the 2016 Council country-specific recommendations in the area of social protection and social inclusion – main findings

On behalf of the Council and in line with the provisions of title X of the Treaty on the Functioning of the EU (TFEU) and the mandate of the Committee given by Article 160, the SPC has carried out in the spring of 2017 an analysis of the implementation of the 2016 Council country-specific recommendations (CSRs) in the area of social protection and social inclusion. The Committee and the Council Working Party on Public Health at Senior Level reached joint conclusions on the health policy related Council recommendations.

Multilateral surveillance is a core task of the Committee in the European Semester process. It builds on the knowledge base and policy consensus achieved through the social open method of coordination and puts a strong emphasis on the multilateral nature of the discussions and conclusions in full recognition of the interrelated nature of social challenges and the potential of mutual learning on policy solutions in the EU. This year the Committee made additional effort to improve the multilateral aspect of the surveillance process with notable success.

SPC examined 24 CSRs for 21 Member States in the area of social protection and social inclusion, including pensions, health and long-term care.

Social policy should be considered as an investment and a productive factor. The process of modernization of social protection systems which has been on-going in many Member States needs to continue by implementing the active inclusion principles, emphasizing labour market participation and integration, adequate income replacement and support and the provision of affordable and quality services, by pursuing the joint objectives of adequate and sustainable pension systems, and by ensuring accessible, quality and sustainable health care and long-term care. The success of reforms in the area of social protection and social inclusion is key to promoting social cohesion, improving social outcomes, and reducing income inequalities, and is also dependent upon the effective involvement of social partners and civil society.

Main findings from the multilateral surveillance reviews

Reforms in the area of social protection and social inclusion

Reducing poverty and fighting social exclusion remain key challenges for Member States. In part due to the effects of the crisis, the EU continues to be far off-track in reaching the Europe 2020 poverty and social exclusion target, also when the most recent and more encouraging data is taken into account. In 2016 11 MS received CSRs in the area of social protection and social inclusion. Similar to previous years, there is a strong emphasis on improving the coverage and adequacy of social benefits and ensuring an effective link with activation and sustainable (re-)insertion into the labour market, provision of quality services complementing activation measures, tackling child poverty and addressing the long-term benefit dependency risk.

The multilateral review on CSRs' implementation in this area showed that some Member States are pursuing policy initiatives related to reinforcing and integrating social assistance, increasing the coverage and adequacy of minimum income schemes as well as their streamlining, including by revising eligibility criteria to improve access for those most in need. Avoiding financial disincentives through incentivising employment by gradual tapering of income support is also an important aspect of reform efforts. Expanding information systems to ensure appropriate exchange of data on benefit recipients are being put in place to improve monitoring, efficiency and effectiveness of income support delivery. Reforms related to the administration of benefits and services aim to be comprehensive and address the fragmentation of social assistance systems by unifying benefits' administration and streamlining the involvement of different levels of government in the administration processes. Child poverty is tackled through targeted and early intervention policies – income support, including in-work benefits, as well as support for sustainable labour market integration for parents. Addressing the gap between self-employed and traditional employees in relation to their access to affordable social protection is also an area of policy focus. Important reforms related to the social service delivery, development and monitoring of quality are taking place in a few Member States. Well-designed social services, including through coordination with employment services, can work as a long-term investment, which stimulates growth, social inclusion and preserves human capital.

Reforms of pension systems

Reforming pension systems has consistently been one of the most important elements of the structural reforms agenda since the start of the European Semester. The main focus of the policy guidance in the European Semester process has been on the need to improve the long-term sustainability of pension systems, without jeopardizing the main function of pensions to allow people to maintain to a reasonable degree their standard of living after retirement and to prevent elderly poverty. The recommended measures have included promoting longer working lives through increasing pensionable age, restricting early exit pathways, including through tightening eligibility criteria for the allocation of invalidity pensions, and promoting later take-up of pensions and harmonization of the statutory retirement age between men and women. At the same time, the focus on improving fiscal sustainability of pension systems can result in less generous public pensions and flanking measures are necessary to maintain retirement incomes. Therefore recommendations have also called on Member States to promote active ageing and employability of older workers and improve the provision of supplementary pensions,

In 2016 only 9 Member States received a CSR in the area of pensions, the lowest number since the start of the European Semester process. The multilateral review on CSRs' implementation showed that the majority of Member States with Council recommendations touching upon this area are making some progress in addressing their challenges. Given the complexity of pension reforms and the involvement of social partners in the negotiation process, reforms are more often being implemented in the context of a multiannual cycle. Increase in retirement age and facilitating longer working lives remain the main priority. Few MS are stepping up efforts to incentivise supplementary pension schemes. While reducing unemployment and encouraging longer stays in labour markets, including through the availability of appropriate work-life balance policies and the modernization of working environments, in respect of health and safety provisions, will be crucial for the future sustainability and adequacy of pension benefits, supplementary pensions and other retirement savings could, where appropriate, also play a positive role.. Some Member States are in the process of aligning preferential pension provision for specific categories with the rules of the general scheme.

The budgetary impact of population ageing poses a significant challenge to the long-term fiscal sustainability of pension system but reforms should not separate this from considerations of pension adequacy which requires that full attention be given to the economic, social and political risks associated with increases in poverty among older people. As regularly highlighted by SPC, aligning the pensionable age with changes in life expectancy is a valid horizontal orientation for reforms, but other tools (such as restricting access to early retirement, extending contributory periods, including a life expectancy factor in the benefit calculation formula, and stepping up efforts in workplaces and labour markets to enable women and men to work more and longer, etc.) are also available as policy options for increasing the effective retirement age and for adapting pension systems to changing demographic and economic conditions. An important part of the pension adequacy challenge is gender-specific. Increasing female labour market participation and closing the gender pay gap in order to also address the gender pension gaps which remain still very high in the EU are important aspect of the policy response along with crediting care periods as pensions become increasingly contribution-based in most Member States.

Reforms of health systems

Population ageing and other factors, such as the high costs of innovative technologies and medicines, are putting increased pressure on the financial sustainability of health systems and the ability to provide adequate healthcare for all. Reforms in health care have been a main focus of the European Semester process and aim at ensuring sustainable, affordable and cost-effective health services, without compromising universal and equitable access, quality and safety, and with an increasing emphasis on prevention.

12 Member States received CSRs in the area of health in 2016. The main focus of the challenges outlined is related to ensuring cost-effectiveness and sustainability of healthcare, improving access, quality, and funding. The multilateral review on CSRs implementation, held jointly with the Council Working Party on Public Health at Senior Level, showed that the majority of Member States with Council recommendations are taking measures to address cost-effectiveness and sustainability challenges. These include spending targets and reviews, measures related to improving performance and accountability, reinforcing eHealth, curbing informal payments. While in some Member States funding challenges are related to the need for increasing public funding due to low levels coupled with high share of co-payments, in many others it is related to containing increases in healthcare costs in the medium and long-term. To address this, various reforms in the financial management and the governance of the health system are being undertaken. Some Member States have embarked on ambitious health reforms defining long-term priorities in the field of healthcare. These are in many cases done in the context of multiannual, comprehensive National Health Strategies. Shifting care provision from a hospital-based system to a stronger role for primary care as a gatekeeper or developing care integration is another important focus of policy efforts. An increased use of information technology is being implemented by some MS for efficiency gains and better access to care. Reform measures on centralisation or rationalisation of procurement systems as well as pricing of pharmaceuticals and the use of generic medicines are used to gain cost efficiency. Few Member States are addressing specific challenges related to ensuring adequate access to health care services and health insurance, including for the most vulnerable through increased funding, but also better access to diagnosis and treatment of specific diseases, decreasing waiting times for out-patient health care services, improving the availability of medicines.

A rational use of resources, notably through appropriate incentives for users and providers, good governance and coordination across different levels and services of the health care systems is necessary. Ensuring accessible, quality and sustainable health systems may require strengthening of health promotion and disease prevention in all relevant policy sectors, while improving integrated health care, enhancing primary health care, early diagnosis, optimising use of specialists and hospital care and securing an appropriate and skilled health workforce. Services should seek to provide universal access to health care for all, addressing obstacles faced by the most vulnerable, such as cost, lack of information and access, while reducing health inequalities.

Reforms of long-term care

Only 2 Member States received CSRs on long-term care issues in 2016. The focus is on improving cost-effectiveness while ensuring access to quality long-term care services. The reported measures focused on putting in place mechanisms for an overall analysis of the long-term care systems to identify areas for improvement, supporting a shift from institutional to community-based care, strengthening support to informal carers and improving policies for prevention, rehabilitation and independent living. Improving access to quality long-term care services would also have impact on female labour market participation.

As indicated in the joint SPC-EC report on “Adequate social protection for long-term care needs in an ageing society,” there are solid equity and efficiency reasons for Member States to establish social protection against the risk of long-term care dependency and to provide adequate access to affordable quality care. If the challenges to present long-term care arrangements resulting from population ageing are to be tackled constructively and the rise in public expenditure contained, there is a need to move from a primarily reactive to an increasingly proactive policy approach, which seeks both to reduce care needs and to boost efficient, cost-effective care provision.