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from: Council Secretariat
to: Delegations

Subject: Implementation of the 2013 Council Recommendations on the National Reform Programmes:

- 2014 SPC Multilateral conclusions on the recommendations in the areas of Social Protection and Inclusion Policies.
- Joint Conclusions with the Council Working Party on Public Health at Senior Level.

Delegations will find attached, for information, the above-mentioned Report, as adopted by the SPC on 20 May 2014, which presents the SPC multilateral conclusions on the implementation of the Council Recommendations on the National Reform Programmes issued in 2013 in the areas of social protection and inclusion.



The Social Protection Committee

SPC/2014.05/1FIN

Implementation of the 2013 Council recommendations on the National Reform Programmes:

2014 Multilateral conclusions on the recommendations in the areas of social protection and inclusion policies

Joint conclusions with the Council Working Party on Public Health at Senior Level

This report, adopted on 20th May 2014, presents the SPC multilateral conclusions on the implementation of the Council recommendations on the National Reform Programmes issued in 2013 in the areas of social protection and inclusion. The Committee reviewed the implementation of 40 Council recommendations over four meeting sessions (February, March, April and May).

The Committee and the Council Working Party on Public Health at Senior Level (WPPHSL) reached joint conclusions on the health policy related Council recommendations. In its conclusions on the implementation of the pension 2013 recommendations, the SPC took into account the views of the Employment Committee on the active ageing aspects of these recommendations.

This document 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 2014 Council recommendations.

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1. AUSTRIA (REVIEWED BY GREECE AND THE COMMISSION)

- 2013 Council Recommendations 2 (in extenso) and 3 (where relevant):

R2 : Bring forward the harmonisation of pensionable age for men and women, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy implement and monitor the recent reforms restricting access to early retirement and and further improve older workers' employability in order to raise the effective retirement age and the employment rate of older workers.

R3 : Take new measures to increase the labour market participation of women, namely by further improving child care and long-term care services **and address the high gender pay and pension gaps.**

SPC conclusion on the implementation of recommendations 2 and 3:

Austria has taken some relevant measures to reduce the gap between the effective retirement and statutory retirement age as well as to restrict access to early retirement. The SPC highlights in particular the following measures that came into effect on 1.01.2014 :

- a. the eligibility age for receiving pensions following very long insurance periods was increased to 62 years for men and 57 for women ('Hacklerregelung'). For women the eligibility age will rise step by step to 62 and the required number of qualifying month from 480 to 540 month (fully valid for women born later then 1965).
- b. the access to the so called 'corridor pensions' is tightened through incremental increases in the number of years required for these pensions. An early deduction was introduced for claimants of such pensions if they have not reached the statutory retirement age;

- c. the access to invalidity pension was restricted. Temporary invalidity pensions have been terminated for people below age 50 and will be gradually abolished.
- d. a new pension calculation system called 'pension account' was introduced to raise awareness of the link between individual contributions and future benefits.
- e. incentives for late retirement will be strengthened by increasing the yearly bonus (from 4.2% to 5.1%) for each year of deferred retirement (amendment of the social security act).

The SPC takes note that Austria does not plan to bring forward the equalization of the retirement age between women and men due to constitutional reasons. Austria is invited to continue taking measures to further rise the effective retirement age and continue considering aligning retirement age and pension benefits to changes in life expectancy.

- 2013 Council Recommendation 4 (in extenso) :

Effectively implement the recent reforms of the health care system to make sure that the expected cost efficiency gains materialise. Develop a financially sustainable model for the provision of long-term care and put a stronger focus on prevention, rehabilitation and independent living.

- SPC conclusion on the implementation of recommendation 4 :

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

On the health branch of recommendation N4 :

The 2013 Council recommendation N4 is a follow-up recommendation from 2012. Although the AT delegation did not present a new reporting, the SPC takes note that the implementation of this recommendation continues. Following the request of the AT delegation, the Committee carries-on its opinion from 2013 :

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.

On the long-term care branch of recommendation N4

Austria has taken significant steps towards improving the financing and provision of long-term care services through the extension of Long-Term Care Fund up to 2018 as well as through its efforts to streamline the administration of long-term care benefits.

The Committee takes note of Austria's efforts to focus on health rehabilitation and preventive care in the context of the reform of the invalidity pension taking effect as of 2014.

The Committee encourages Austria to develop a strategy for ensuring the cost-effectiveness and long-term sustainability of high quality long-term care across the country, including by fostering preventive health care, rehabilitation and independent living.

2. BELGIUM (REVIEWED BY THE UK AND THE COMMISSION)

- 2013 Council Recommendation 2 (in extenso):

Step up efforts to close the gap between the effective and statutory retirement age, including by pursuing the on-going reforms to reduce the early-exit possibilities. Underpin reforms of the old-age social security systems with employment-support measures and labour-market reforms conducive to active ageing. Increase the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy. Continue to improve the cost-efficiency of public spending on long term institutional care.

- SPC conclusion on the 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:

On the pension branch of recommendation 2:

Belgium continues to take measures to effectively follow on its old-age security reforms in order to face the long-term sustainability challenge and to increase the employment rate of older workers. Among the most significant recent measures, the SPC highlights:

- a. the reformed 'pension bonus' (law passed in June 2013) provides financial incentives for workers (all pension schemes) who meet the requirement for an early retirement to stay longer in their jobs and continue accruing pension rights linked to the number of days worked;
- b. the reformed 'survivor pensions' (legislation from March 2014) which eliminates the previous inactivity traps resulting from the impossibility to combine survivor pensions with earnings. The new transitional allowance can be combined with earnings;
- c. the reformed modalities for accruing pension rights (law passed in June 2013) in cases of interrupted careers will stimulate workers to compensate for the effects of unemployment periods and periods of work interruption by adding new periods of work;
- d. greater flexibility allowing to combine pension with earnings (legislated in June 2013) for all workers.

The SPC invites Belgium to continue closing the gap between the statutory and effective retirement age and continue aligning effective retirement age and pension benefits to changes in life expectancy as well as to monitor the impact of the measures taken on the pension adequacy of those 65+ in light of the current projections on this issue.

On the long-term care branch of recommendation 2 :

Belgium has made some progress towards ensuring the fiscal sustainability of long-term institutional care by launching an e-health action plan for 2013-2018 and by introducing monitoring tools to assess the health status and the living conditions of elderly people in different care settings (BelRAI). The 6th State reform in Belgium transfers some of the competences to the federated entities on long-term care. It is too early to assess whether this will lead to improvements in the effectiveness of the system as a whole.

The Committee acknowledges Belgium's efforts to support innovative projects related to alternative and supporting long-term care for the elderly that, when fully implemented, may have a positive influence on the sustainability, efficiency and effectiveness of long-term care services.

- 2013 Council Recommendation 6 (relevant parts) :

Further reduce disincentives to work by ensuring effective enforcement of job-search requirements and personalised job search assistance for all unemployed. Take measures to increase interregional labour mobility. Simplify and reinforce coherence between employment incentives, activation policies, labour matching, education, lifelong learning and vocational training policies for older people and youth. **Develop comprehensive social-inclusion and labour market strategies for people with a migrant background.**

- SPC conclusion on the implementation of recommendation 6 :

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

Belgium has taken some measures to implement the 2013 Council recommendation. The efforts are mainly focused on newly arrived persons with a migrant background and being present in Belgium less than 3 years. The measures differ across the three main regions with asymmetric progress between them.

Yet, the Committee notes that the core of the measures consists in :

- a. a compulsory registration of the target population with the local integration office which provides information on rights and duties, undertake social assessment and deals with administrative procedures;
- b. enrolment in language training and where relevant alphabetization
- c. training on citizenship obligations and rights
- d. a socio-occupational assessment and career orientation

The Committee invites the Belgian Regions/Communities to ensure rapid roll-out and full implementation of the integration measures decided upon. The Committee also highlights the need to develop comprehensive social and labour market inclusion strategies for all persons with a migrant background, including those established in the country for two or three generations.

3. BULGARIA (REVIEWED BY IRELAND AND THE COMMISSION)

- 2013 Council Recommendation 2 (in extenso):

Phase out early retirement options, introduce the same retirement age for men and women and implement active labour-market policies that enable older workers to stay longer in the labour-market. Tighten the eligibility criteria and controls for the allocation of invalidity pensions to effectively limit abuse.

SPC conclusion on implementation of recommendation 2:

The 2013 Council recommendation N2 is a follow-up recommendation from 2012. The BG delegation did not present a new reporting and asked the SPC to carry-on its opinion from 7 June 2013 :

The increase in the 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.

- 2013 Council Recommendation 3 (relevant parts) :

Accelerate the national Youth Employment Initiative, for example through a Youth Guarantee. Further strengthen the capacity of the Employment Agency with a view to providing effective counselling to jobseekers and develop capacity for identifying and matching skill needs. Enhance active labour-market policies, in particular concerning national employment schemes. **Undertake a review of the minimum thresholds for social security contributions to ensure that the system does not price the low-skilled out of the labour market. Ensure concrete delivery of the National Strategy for Reducing Poverty and Promoting Social Inclusion 2020 and the National Roma Integration Strategy. Improve the accessibility and effectiveness of social transfers and services, in particular for children and older people.**

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 continues to take measures to address a very challenging social situation: almost half of all children (52.3% in 2012) are at risk of poverty or social exclusion against the EU average of (28.1% in 2012).

With regard to the review of the minimum thresholds for social security contributions, Bulgaria responded adequately by analysing the labour market developments, the competitiveness and the minimum social security thresholds. The Committee takes note that according to the conclusion of this analysis the minimum social security thresholds do not have a negative impact on low-wage earners. Yet, some further follow-up is required on the finding that employers decreased the average social security income.

The most significant measures reported in relation to the implementation of the National Strategy on Poverty include: the increase of monthly benefits for a second child and for twin, for children with permanent disabilities as well as financial support to cover the heating costs for elderly and children. The SPC notes that these benefits are strongly targeted and conditioned on regular school attendance. The Committee highlights the potential for improvement in the size and effectiveness of social protection expenditure and of the adequacy of the benefits.

With regard to the National Strategy on Roma Integration, some progress has been made mainly in the areas of employability and qualification for the Roma community. The SPC notes that the European Social Fund supports these measures and invites the Bulgarian authorities to maintain the speed of the implementation of the Strategy and to further enhance the involvement of stakeholders.

In relation to the services for people with disabilities and of elderly people, Bulgaria adopted a National Strategy for Long-term Care which places the emphasis on the closing of obsolete structures for people with disabilities and for elderly people. The Committee notes that Ireland recommends the use of social impact bonds as an alternative source of funding in order to accelerate the closure of these institutions.

- 2013 Council Recommendation 4 (where relevant):

Adopt the School Education Act and pursue the reform of higher education, in particular through better aligning outcomes to labour-market needs and strengthening cooperation between education, research and business. Improve access to inclusive education for disadvantaged children, in particular Roma. **Ensure effective access to healthcare and improve the pricing of healthcare services by linking hospitals' financing to outcomes and developing out-patient care.**

- SPC conclusion on the implementation of recommendation 4 :

In light of the reported actions by Bulgaria and the assessment presented by Ireland and the Commission, the SPC and the Council WPPHSL conclude on the health branch of recommendation 4:

Bulgaria has taken some measures to implement the health branch of Council recommendation N4 which follows from the 2012 Council recommendation. We note in particular:

- the adoption end of 2013 of the National health strategy 2014-2020 containing an Action and Financial Plan and introducing diagnostic related groups (DRG) as a main hospital payment mechanism;
- the revision of the national health map to better regulate the provision of hospital care
- amendments to 16 medical quality standards for services to be provided in remote and rural areas and measures to improve the coordination of care between small and high-technology hospitals
- cost-savings through tighter control on pharmaceutical spending

Other measures are at a preparatory stage. Bulgaria continues to face important health challenges : shorter life-expectancy, low level of spending particularly on primary health care services, uneven access to good quality health care services and out-of-pocket payments affecting the access to health care services. Overcoming these challenges would require efficient implementation of the National health strategy and improved quality of the overall health care spending while ensuring adequate funding.

4. CZECH REPUBLIC (REVIEWED BY SWEDEN AND THE COMMISSION)

- 2013 Council Recommendation 3 (in extenso) :

Increase the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy, and review the indexation mechanism. Accompany the increase in retirement age with measures promoting employability of older workers and reduce early exit pathways. In particular, remove the public subsidy for the pre-retirement scheme. Take measures to significantly improve cost-effectiveness of healthcare expenditure, in particular for hospital care.

- SPC conclusion on implementation of recommendation 3 :

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

On the pension branch of recommendation 3:

The Czech Republic has made progress and took some preparatory measures to implement the 2013 recommendation. An amendment to the pension act is pending in Parliament and adoption is foreseen in September 2014. This will review the indexation mechanism. Pensions will be indexed as follows: 100% CPI and 1/3 of real wage growth. For 2015, there will be a guaranteed minimum indexation of pensions of 1.8%. This decision reverses the previous indexation rule which reduced the growth of pensions.

As regards the increase of the retirement age in line with the life expectancy, a special Committee on the pension reform will assess the pace of the needed increase of the retirement ages against the demographic developments and the situation in the labour market. New reform measures will be effective from 2017.

The SPC takes note that as regards the public subsidy for the pre-retirement scheme referred to in the 2013 recommendation, this is only limited to the supplementary pensions with very limited use. The SPC invites the CZ to monitor the capacity of the pension system to ensure adequate benefits as well as to keep older workers in employment by reducing early exits and to consider aligning retirement age and pension benefits to changes in life expectancy.

On the health branch of recommendation 3:

The SPC notes that the Czech Republic did not participate in the multilateral implementation review on the 2013 health policy recommendations.

5. ESTONIA (REVIEWED BY SLOVENIA AND THE COMMISSION)

- 2013 Council Recommendation 2 (where relevant) :

Improve incentives to work by making the various existing social-benefit systems more consistent and by increasing the flexibility and targeting of benefit allocation. Improve the delivery of social services, including childcare, while increasing the efficiency and cost-effectiveness of family policy. Strengthen activation measures to facilitate the return to the labour market of the long-term unemployed and people receiving disability benefits and incapacity for work benefits. Establish coordinated measures for fostering economic development in regions affected by high unemployment.

- SPC conclusion on the implementation of recommendation 2 :

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

Estonia presented its planned reform for incapacity-for-work benefits as part of the SPC ex-ante coordination of plans for major social policy reforms. The Estonian reform aims at reducing the number of recipients of invalidity pensions. The main measures of this planned reform include:

- a. a new work-capacity assessment methodology introducing three levels of remaining work capacity;
- b. the establishment of a centrally administrated system which will carry out the tasks of work-capacity assessment, paying of benefits and provision of rehabilitation services and labour market services;
- c. the introduction of a new daily-rate based capacity for work benefit replacing the previous disability pensions

The SPC found that the planned reform shows adequate compliance with the part of the recommendation concerning the consistency of the social-benefits and the reduction of early exits routes from the labour market.

- 2013 Council Recommendation 5:

Better balance local government revenue against devolved responsibilities. **Improve the efficiency of local governments and ensure quality provision of local public services**

- SPC conclusion on the implementation of recommendation 5 :

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

The SPC notes that Estonia has initiated draft legislation for establishing a new integrated local government structure and for establishing minimum quality requirements for social services. The Committee takes note that due to the changes in Government this draft legislation is still discussed.

6. FINLAND (REVIEWED BY ITALY AND THE COMMISSION)

- 2013 Council Recommendation 1 (relevant parts):

Pursue a growth-friendly fiscal policy and preserve a sound fiscal position as envisaged, ensuring compliance with the MTO over the programme horizon. Continue to carry out annual assessments of the size of the ageing-related sustainability gap and adjust public revenue and expenditure in accordance with long-term objectives and needs. **Ensure the cost-effectiveness and sustainability of long-term care and put a stronger focus on prevention, rehabilitation and independent living.**

- SPC conclusion on the implementation of recommendation 1 :

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

On the long-term care branch of recommendation 1 :

Finland has taken significant steps towards ensuring the cost-effectiveness and sustainability of long-term care, such as the new Act on health and social care services for elderly people, which focuses on prevention, rehabilitation and independent living, as well as on improving care coordination. This should lead to a reduction of demand for long-term care services, helping to contain future cost increases.

The Committee also takes note of the fact that the implementation of the Act on health and social care services for elderly people will depend to a great extent on the ongoing reform of the social and health care services, since it transfers a series of responsibilities in this area to the new social welfare and health care regions.

- 2013 Council Recommendation 2 (relevant parts):

Ensure effective implementation of the ongoing administrative reforms concerning the municipal structure, **in order to deliver productivity gains and cost savings in the provision of public services, including social and healthcare services.**

SPC conclusion on the implementation of recommendation 2 :

In light of the reported actions by Finland and the assessment presented by Italy and the Commission, the SPC and the Council WPPHSL conclude on the social and health branches of recommendation 2:

Finland has taken relevant and adequate measure to respond to the Council recommendation 2 as it concerns social and healthcare services. We welcome the political agreement reached in Finland as regards the reform of the social and health care services which will be independent from the reform of the municipal structure. We highlight in particular that according to the agreement to be soon translated in legislation all social welfare and healthcare services will be delivered by five strong regional providers. The five regions will constitute a clear and single tier administration for the organisation of social welfare and health care services. They will be based on the current specific catchment areas and rely on existing structures. This will ensure continuity in the provision of high quality services. Municipal taxes will finance the provision of social and health care by the new regions based on weighted capitation. Regions will be granted the capacity to collect users' fees.

It is expected that the integration of social welfare and healthcare services with sufficiently large population bases will have positive impact on the sustainability gap of public finances and will significantly improve the productivity in the provision of public services.

We invite Finland to monitor the transitional arrangements in this important shift of responsibilities from a high number of municipalities to the new five regions in order to maintain the quality and access to the services.

- 2013 Council Recommendation 3 (where relevant):

Take further steps to increase the employment rate of older workers, including by improving their employability and reducing early exit pathways, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy. Implement and monitor closely the impact of on-going measures to improve the labour-market position of young people and the long-term unemployed, with a particular focus on the development of job-relevant skills.

SPC conclusion on the implementation of recommendation 3 (pension branch):

The 2013 Council recommendation N3 is a follow-up recommendation from 2012. Although the FI delegation did not present a new reporting, the SPC takes note that the implementation of this recommendation continues. Following the request of the FI delegation, the Committee carries-on its opinion from 7 June 2013 :

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.

7. FRANCE (REVIEWED BY HUNGARY AND THE COMMISSION)

- 2013 Council Recommendation 1 (in bold):

Take measures by the end of 2013 to bring the pension system into balance in a sustainable manner no later than 2020, for example by adapting indexation rules, by increasing the full-pension contribution period, by further increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy and by reviewing special schemes, while avoiding an increase in employers' social contributions, and increase the cost-effectiveness of healthcare expenditure, including in the areas of pharmaceutical spending.

• 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:

On the pension branch of recommendation N1 :

France took relevant measures to comply with the 2013 recommendation reforming mainly the 'régime général' of its pension scheme. Although the special pension schemes have not been subject of a specific reform, they are also affected by the new measures. The new pension law that entered into force on 20.01.2014 includes a cluster of measures matching those that were recommended by the Council :

- a. the length of the contributory period required for receiving a full pension is set to increase from 41,5 years at present to 43 years in 2035 taking advantage of the increase in life expectancy;
- b. Progressive and equally shared (between employers and employees) increase of the social security contributions for old age from 0.15pps to 0.3pps in 2017
- c. A six months postponement of the date for indexation of pensions, excluding those with low pensions;
- d. Abolishment of the 10% tax rebate for pensioners with at least 3 children

In line with the policy options referred to in the Council recommendation, these changes represent an appropriate mix of measures that align the retirement age and pension benefits to changes in life expectancy. Further to these measures, the reform also includes provisions enhancing the equity of the overall scheme by allowing workers with physically demanding jobs to collect points convertible in vocational training, part time or early retirement; by improving the pension adequacy of women, and of workers on part time or with interrupted employment history and by allowing retirement at 60 years of those workers who started working before the age of 20.

The SPC takes note that a special Committee may address recommendations for further reforms and highlights the need for monitoring of the effects of the recent reforms on the entire pension system and its capacity to provide sustainable and adequate benefits.

On the health branch of recommendation N1 jointly with the Council WPPHSL:

France has taken relevant and adequate measures to implement the health branch of the 2013 Council recommendation N1. In particular, France has managed to maintain the growth of its health care expenditure below its national health expenditure target for four consecutive years without undermining the high quality and accessible health care services as well as the good health status of the French population (see Joint Assessment Framework on health for France).

This contributes to achieving sound public finances and social security debt reduction. We highlight in particular the measures taken to :

- a. contain the growth of pharmaceutical expenditure (more use of generic drugs and better price-setting including increased control on prescriptions patterns of physicians);
- b. negotiated reductions of the volumes for laboratory test and of radiologists' fees
- c. incentives for physicians to follow recommended medical practices
- d. benchmarking between hospitals and purchasing associations

France is invited to explore the potential of further use of generic drugs.

8. GERMANY (REVIEWED BY CYPRUS AND THE COMMISSION)

- 2013 Council Recommendation 1 (relevant parts) :

Preserve a sound fiscal position as envisaged which ensures compliance with the medium-term objective over the programme horizon. **Pursue a growth-friendly fiscal policy through additional efforts to enhance the cost-effectiveness of public spending on healthcare and long-term care through better integration of care delivery and a stronger focus on prevention and rehabilitation and independent living.** Improve the efficiency of the tax system, in particular by broadening the VAT base and by reassessing the municipal real estate tax base; use the 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 that monitoring procedures and correction mechanisms are timely and relevant.

- SPC conclusion on the implementation of recommendation 1:

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

On the health branch of recommendation N1 :

This is a follow-up recommendation from 2012. The Committee welcomes the announcement of a number of initiatives which, if implemented, would constitute a relevant response to the 2013 Council recommendation. The SPC highlights in particular the reform of the statutory health insurance system, the continuation of the price moratorium for pharmaceuticals, the strengthening of the role of general practitioners as gate-keepers, the envisaged hospital reform and the adoption of the disease prevention and health promotion act as well as the inclusion of previously uninsured persons into the health insurance system.

On the long-term care branch of recommendation N1 :

Germany has taken measures to improve the efficiency of public spending on long-term care, including a 0.1 percentage points increase in the contribution rate (from 1.95% to 2.05%) already decided in 2012 and fiscal incentives for voluntary private insurance.

The Committee also takes note of the government plans to increase in the statutory determined contribution rate for long-term care over the next 4 years of which 0.1 percentage points will finance a new fund (“Demografiereserve”) and 0.4 percentage points will be used to finance the improvement of the services in cash and in-kind. The implementation of a new definition of care dependency is intended to extend coverage and eligibility for care services, especially by improving accessibility for dementia

patients.

The SPC invites Germany to continue making efforts to improve the fiscal sustainability, efficiency and cost-effectiveness of long-term care services, in view of the increasing demand foreseen in the next decades due to the demographic change.

9. HUNGARY (REVIEWED BY FRANCE AND THE COMMISSION)

- 2013 Council Recommendation 4 (relevant parts). MIP related :

Address youth unemployment, for example through a Youth Guarantee. Strengthen active labour market policy measures and enhance the client profiling system of the Public Employment Service. Reduce the dominance of the public works scheme within employment measures and strengthen its activation elements. Reinforce training programmes to boost participation in lifelong learning. Continue to expand child-care facilities to encourage women's participation. **Ensure that the objective of the National Social Inclusion Strategy is mainstreamed in all policy fields in order to reduce poverty, particularly among children and Roma.**

SPC conclusions on the implementation of recommendation 4 :

The 2013 Council recommendation N4 is a follow-up recommendation from 2012. Although the HU delegation did not present a new reporting, the SPC takes note that the implementation of this recommendation continues. Following the request of the Hungarian delegation, the Committee carries-on its opinion from 2013 :

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, were launched in 2013.

The monitoring system was reviewed; a database involving specific set of indicators for the monitoring of the National Social Inclusion Strategy was under preparation. An evaluation of the implementation of the Plan was first made in 2012, and that a new evaluation was 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

10. ITALY (REVIEWED BY FINLAND, FRANCE AND THE COMMISSION)

- 2013 Council Recommendation 4:

Ensure the effective implementation of the labour market and wage setting reforms to allow better alignment of wages to productivity. Take further action to foster labour market participation, especially of women and young people, for example through a Youth Guarantee. Strengthen vocational education and training, ensure more efficient public employment services and improve career and counselling services for tertiary students. Reduce financial disincentives for second earners to work and **improve the provision of care, especially child- and long-term care**, and out-of-school services. Step up efforts to prevent early school leaving. Improve school quality and outcomes, also by enhancing teachers' professional development and diversifying career development. **Ensure effectiveness of social transfers, notably through better targeting of benefits, especially for low-income households with children.**

SPC conclusion on the implementation of recommendation 4 :

In the light of the reported actions by Italy also in the framework of the ex-ante coordination on major social policy reforms and the assessment presented by Finland, France and the Commission, the SPC concludes:

Italy has taken some measures to improve the provision of care, especially child- and long-term care, the most significant of which are:

- a. the implementation of the Cohesion Action Plan (PAC - Update II), aimed at achieving greater coverage and improved quality of child care and long-term care in Italy's 4 least developed regions, where coverage of care services is less developed compared to the rest of the country;
- b. the intention to allocate financial resources for the implementation of the Cohesion Action Plan

As for the measures to ensure the effectiveness of social transfers especially for low-income households with children, against the background of increasing severe material deprivation Italy has made important steps towards reforming the means-testing of social benefits, such as:

- the introduction of the 'social card' in the 12 largest Italian municipalities and its further expansion in the 8 most disadvantaged municipalities as of January 2014. This measure aims at increasing the efficiency and effectiveness of social benefits delivery on the basis of stricter means-tested criteria, giving priority to households that require income support or other services (child care and long-term care services).

In the Budget Law for 2014, this measure has received limited financial support for the progressive extension of the social inclusion policy.

The SPC notes that the Italian government plans to progressively implement this measure across the national territory by the end of 2014 and welcomes Italy's efforts to improve the coverage, quality and access to social services for low-income households, especially those with dependent persons (children and non-self-sufficient elderly).

11. LATVIA (REVIEWED BY MALTA AND THE COMMISSION)

• 2013 Council Recommendation 4 (in extenso) :

Tackle high rates of poverty by reforming social assistance for better coverage, by improving benefit adequacy and activation measures for benefit recipients. Reinforce the delivery mechanisms to effectively reduce child poverty.

SPC conclusion on the implementation of recommendation 4 :

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

The actions taken by Latvia are an adequate and relevant response to the Council recommendation. They seek to combat poverty particularly among children, improve the coverage of beneficiaries, the adequacy of the benefits as well as the activation of beneficiaries and involve labour market, tax and social security policies. In particular the Committee notes that:

- a. already in 2013 different income support measures were budgeted for families with children and for persons with disabilities;
- b. Latvia re-established the indexation of small pension as of September 2013 and this will be generalized to all pension as of 2014;
- c. the 2014 budget foresees increases in the child care benefit, the minimum parental benefit and their combination, vouchers for support services for children with disabilities and the provision of free lunches in schools;
- d. the increase of the personal income tax income allowance (non-taxable minimum)

The SPC notes that measures introducing minimum income scheme are planned post 2016 and that the package of reforms is evidence-based. A study carried out by the World Bank (financed by the ESF) found no evidence of widespread benefit dependency and stressed the potential scope for improving the adequacy of social assistance benefits. The

SPC notes that the measures aimed at improving the social assistance (planned for 2015) will be discussed with stakeholders in May 2014.

12. LITHUANIA (REVIEWED BY ROMANIA AND THE COMMISSION)

- 2013 Council Recommendation 2 (in extenso) :

Adopt and implement legislation on a comprehensive pension system reform. Align the statutory retirement age with life expectancy, restrict access to early retirement, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes while ensuring implementation of on-going reforms. Underpin pension reform with measures that promote the employability of older workers.

SPC conclusion on the implementation of recommendation 2:

The 2013 Council recommendation N2 is a follow-up recommendation from 2012. As the LT delegation did not present a new reporting, the SPC takes note that the implementation of this recommendation continues and carries-on its opinion from 7 June 2013:

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.

- 2013 Council Recommendation 4 (in extenso) :

Implement concrete targeted measures to reduce poverty and social exclusion.

Continue to strengthen the links between the cash social assistance reform and activation measures.

SPC conclusion on the implementation of recommendation 4:

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

The Social Protection Performance Monitor shows that Lithuania is facing a number of social trends to watch. However, for the period 2011-2012 a number of the poverty related indicators show an improvement.

Lithuania is taking some measures to respond to the Council recommendation which are steps in the right direction. The most relevant actions are:

- a. the amendment of the Law on cash social assistance for poor residents (effective as of June 2013) extending the scope of beneficiaries affected from long-term

unemployment, irrespective of whether or not they have children;

- b. the Action plan to enhance social inclusion 2014-2020
- c. the increase of the personal income tax allowance (non-taxable minimum)

These measures are expected to complement those taken in 2012-2013 such as the pilot municipal projects granting competence to 5 municipalities to provide social assistance benefits as well as the increase of the minimum monthly wage from January 2013.

The impact on poverty reduction of the initiatives on strengthening the links between the cash social assistance and activation measures needs to be assessed. Also, the strengthening of the administrative capacity of less experienced municipalities could be useful. More concrete targeted measures would be instrumental in reducing poverty and social exclusion of particular vulnerable groups.

13. LUXEMBOURG (REVIEWED BY SPAIN AND THE COMMISSION)

- 2013 Council Recommendation 3 (April and May reviews) :

Curb age-related expenditure by making long-term care more cost effective, in particular through a stronger focus on prevention, rehabilitation and independent living, strengthening the recently adopted pension reform, taking additional measures to curb early retirement and increasing the effective retirement age by aligning retirement age or pension benefits to change in life expectancy.

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:

On the long-term care branch of recommendation N1 :

The SPC notes that the 2013 Council recommendation has started to be addressed, with some delay due to the change in government. Luxembourg has published in 2013 a thorough evaluation report of its long-term care system setting the basis for reforms of the sector. A first draft of the reform is currently foreseen for the end of 2014 with an open debate on the present and future of long-term care foreseen in Parliament before the summer break. The intentions as reported by Luxembourg focus on an evaluation of benefits in terms of objectives and cost.

However, the extent to which the priorities outlined by the Council recommendation, in terms of strengthening prevention, rehabilitation and independent living as tools for increasing cost-effectiveness, are taken up is still to be seen.

The Committee encourages Luxembourg to keep these objectives in consideration, and especially the focus on prevention, in the process of elaboration of the draft reform planned for the end of the year.

On the pension branch of recommendation N1:

The 2013 Council recommendation N3 is a follow-up recommendation from 2012. As the LU delegation did not present a new reporting, the SPC takes note of the request for continuation of its opinion from 7 June 2013 :

The 2013 pension recommendation is a follow-up recommendation. The response of Luxembourg to the 2012 recommendation 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.

14. MALTA (REVIEWED BY LATVIA AND THE COMMISSION)

- 2013 Council Recommendation 2 :

To ensure the long-term sustainability of public finances, continue to reform the pension system to curb the projected increase in expenditure, including by measures such as accelerating the increase in the statutory retirement age, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy and by encouraging private pension savings. Take measures to increase the employment rate of older workers by finalising and implementing a comprehensive active ageing strategy. Pursue health-care reforms to increase the cost-effectiveness of the sector, in particular by strengthening public primary care provision. Improve the efficiency and reduce the length of public procurement procedures.

- 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:

On the pension branch of recommendation 2:

The 2013 Council recommendation N2 is a follow-up recommendation from 2012. As the MT delegation did not present a new reporting, the SPC takes note of the request for continuation of its opinion from 7 June 2013 :

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.

On the health branch of recommendation 2 jointly with the Council WPPHSL :

Malta responded adequately to the 2013 Council recommendation N2 and took a number of relevant measures with the view to improve the governance of its health care system, further promote healthy life-styles and disease prevention and strengthen primary health care. We highlight in particular the following measures:

- a. the adoption of the Health Act in October 2013
- b. the set of the Advisory Committee on health benefits
- c. the launch of an investment programme for public primary health care and the recruitment of more general practitioners
- d. the elaboration of the food and nutrition policy action plan and the communicable disease strategy

These measures have the potential to improve the cost-effectiveness of the health care system as well as to contribute to achieving better sustainability. We invite Malta to complete the ongoing consultations on the strategic documents related to the health care reform and pursue the implementation of the planned measures.

15. THE NETHERLANDS (REVIEWED BY POLAND AND THE COMMISSION)

- 2013 Council Recommendation 2 (relevant):

¹ The delegation of Malta maintains its disagreement with this paragraph

Step up efforts to gradually reform the housing market by accelerating the planned reduction in mortgage interest tax deductibility, while taking into account the impact in the current economic environment, **and by providing for a more market-oriented pricing mechanism in the rental market, and by further relating rents to household income in the social housing sector. Refocus social housing corporations to support households most in need.**

- 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 2013 recommendation is a follow-up recommendation from the 2012 Semester. With regard to the references to social housing in recommendation N2, the Netherlands took relevant measures to relate rents to household income and refocus social housing corporations on supporting households most in need. The SPC is of the view that the Netherlands responded adequately to this part of the recommendation. The main measures are :

- a. the design of a new system for calculating maximum rents which takes into account the value of the property in setting the rent of the dwelling (to start as of 1.01.2015);
- b. the implementation of a system for income-related rent increases depending on the household income with three different caps. Lower income households will receive a rent subsidy. This measure is in force as of 1.07.2013.
- c. the preparation of legislation for splitting the services of general economic interest of social housing corporations from the rest of their activities. This will re-focus social housing corporations on their core tasks of providing and managing the social housing stock in the Netherlands. It is expected that the implementation of this measure will start in 2014.

- 2013 Council Recommendation 3 (in extenso):

Adjust the second pension pillar, in consultation with social partners, to ensure an appropriate intra- and inter-generational division of costs and risks. Underpin the gradual increase of the statutory retirement age with measures to increase the employability of older workers.

Implement the planned reform of the long-term care system to ensure its cost-effectiveness and complement it with further measures to contain the increase in costs, with a view to ensure sustainability.

- SPC conclusion on the implementation of recommendation 3:

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

On the pension branch of recommendation 3 :

The Netherlands has taken extensive and relevant actions in response to the Council recommendation together with the social partners. The SPC highlights in particular:

- a. the legislative measures announced in 2014 to improve the distribution of financial shocks among pension funds and the new rules for pension indexation which should limit excessive variations in the pension premiums. The Dutch National Bank will be given the powers to conduct a generational balance test on the setting of the premiums' amounts and impose financial sanctions, if needed.
- b. the package of measures to improve the employability of older workers which reduces the possibility of using combined severance pays and unemployment benefits as an early exit route into retirement, increases the earned income tax credit for workers on low income, refocuses the mobility bonus for employers (EUR7000 deductions of social security contributions) on older workers aged 55+ (aged 50+ before the change) and introduces plans to be implemented with the social partners in different sectors as well as re-integration activities for older workers receiving different benefits.

On the long-term care branch of recommendation 3 :

The Committee welcomes the measures taken by the Dutch government which constitute a relevant response to the Council recommendation.

The Netherlands is in the process of passing through a major structural reform of its long-term care system, planned for implementation from January 2015. The main objectives of the reform are related to cost reduction, quality improvement and paradigm shift from formal to informal care.

Implementation of the plans to reform would help curb the fast-rising costs of ageing and contribute to the sustainability of public finances. Success of the reform is conditional upon its smooth implementation given its broad magnitude, the ability of the government to contain costs beyond 2017 and ensuring the quality of the services rendered.

Careful monitoring of the implementation of the reform will be necessary to ensure the delivery on its objectives.

16. POLAND (REVIEWED BY THE NETHERLANDS AND THE COMMISSION)

- 2013 Council Recommendation 1 (relevant parts) :

Reinforce and implement the budgetary strategy for the year 2013. With a view to improving the quality of public finances minimise cuts in growth-enhancing investment, **reassess expenditure policies improving the targeting of social policies and increasing the cost effectiveness and efficiency of spending in the healthcare sector.** Improve tax compliance, in particular by increasing the efficiency of the tax administration

SPC conclusion on the implementation of recommendation 1:

On the social policy branch of recommendation 1:

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

Poland has taken some preparatory measures to address the need for improving the targeting of social policies. The SPC highlights in particular the proposed amendments to the Act on social assistance which aim to improve the effectiveness and efficiency of the social assistance in Poland by :

- a. simplifying the provision of benefits,
- b. introducing a 'minimum social income',
- c. introducing new organisational structure
- d. reforming long-term care facilities and their financing

As the proposed amendments are under discussions with the Social Partners and with other Ministries including their budgetary aspects, it is too early to fully assess the

relevance of these measures against the recommendation. As Poland is under excessive deficit procedure, the scope and the budgetary parameters of the envisaged measures are subject to changes. The SPC takes note of the suggestion of the Netherlands for a gradual implementation of the envisaged measures.

The SPC is of the view that the voted amendment of the Act on care for children under 3 years is a relevant measures in response to recommendation N1 and in particular to the need to reassess expenditure.

On the health branch of recommendation 1 jointly with the Council WPPHSL:

Poland has taken relevant measures to respond to the health branch of the Council recommendation N1 from 2013. We highlight that the amended act on publicly funded healthcare benefits (June 2013) reinforces the powers of the regional branches of the National Health Fund in the screening of the applications of providers of health care services. This measure increases the competition among provides and it is expected to enhance the cost-efficiency of health care. In addition the changes made to the contracting rules of the National Health Fund enlarged the services that can be provided on outpatient basis and adjusted the point-value of the diagnostic-related groups and the algorithm for calculating the lump-sums used for financing emergency wards. We note that further measures are planned in the area of reimbursement of pharmaceuticals.

We invite Poland to monitor the effects of all these measures on the sustainability of its health care system and on the quality, safety and accessibility of the health care services.

- 2013 Council Recommendation 3 (relevant parts) :

Strengthen efforts to reduce youth unemployment, for example through a Youth Guarantee, increase the availability of apprenticeships and work-based learning, strengthen cooperation between schools and employers and improve the quality of teaching. Adopt the proposed life-long learning strategy. **Combat in-work poverty** and labour market segmentation including through better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts.

SPC conclusion on the implementation of recommendation 3:

The 2013 Council recommendation N3 is a follow-up recommendation from 2012. Although the Polish delegation did not present a new reporting except in regard to a minimum wage raise referred to below, the SPC takes note that the implementation of this recommendation continues. Following the request of the Polish delegation, the Committee carries-on its opinion from 2013 :

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 2013 assessment of the Netherlands.

It is however noted that as of 1 January 2013, Poland increased the minimum monthly wage by 6.6% and by another 5% as of 1 January 2014. 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

• 2013 Council Recommendation 4 (relevant parts) :

Continue efforts to increase female labour market participation, in particular by investing in affordable quality childcare and pre-school education, by ensuring stable funding and qualified staff. **With a view to improving sectoral labour mobility, take permanent steps to reform the farmers' social security scheme KRUS. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general pension reform with measures promoting the employability of older workers to raise exit ages from the labour market.**

SPC conclusion on the implementation of recommendation 4 :

Poland is taking preparatory measures to reform the farmer's social security scheme. The draft amendments of the Act on the social security scheme and of several other acts envisage changes in KRUS allowing persons working under contracts of mandate and members of governing boards to be covered by the general pension scheme. Two other measures have been planned addressing farmers' sectoral labour mobility, namely the support for small farms and the development of non-agricultural jobs for farmers. Their effects would need to be monitored.

In addition to this, Poland has implemented relevant measures to increase the employment rate of older workers including an active ageing policy and other more specific measures (the Program 50+, the Prevention of the exclusion of elderly persons, Policy toward seniors and the amendment to the act on the promotion of employment and on labour market institutions). As a result, there should be a positive impact on raising exit ages from the labour market; especially through the new Programme Solidarity across generation 2014-2020, that aims at increasing the employment rate of people 50+up to 50% in 2020.

The SPC takes note that no changes are foreseen on the pension schemes of miners and invites Poland to carefully assess the impact of the recent pension reform on the future adequacy of pensions.

17. ROMANIA (REVIEWED BY ITALY, LITHUANIA AND THE COMMISSION)

- 2013 Council Recommendation 2 (May review) :

Ensure growth-friendly fiscal consolidation and implement the budgetary strategy for the year 2013 and beyond as envisaged, thus ensuring achievement of the medium-term objective by 2015. Improve tax collection by implementing a comprehensive tax compliance strategy and fight undeclared work. In parallel, explore ways to increase reliance on environmental taxes. **Continue the pension reform started in 2010 by equalising the pensionable age for men and women and by promoting the employability of older workers.**

- SPC conclusion on the implementation of recommendation 3:

In light of the reported actions by Romania as part of the SPC ex-ante coordination of major social policy reforms and the assessments of Italy, Lithuania and of the Commission, the SPC concludes:

Romania intends to amend the Public Pension Law (the law is currently awaiting adoption by the Parliament) in order to increase the statutory retirement age for women at 65 as of 2035, thus bringing it in line with the statutory retirement age for men which will reach 65 in 2015. This reform is an adequate response to the Council Recommendation on Romania's National Reform Programme issued in July 2013. Further, the Committee notes that the standard contributory period had already been set to increase by 2030 to 35 years for both men and women. The Committee highlights that the success of the planned reform depends on the capacity of the labour market to employ and keep women in employment until they reach the statutory retirement age. This would require a balanced mix of active ageing measures creating employment opportunities for older workers, as well as the expansion of care facilities for children and dependent older people in order to remove the current obstacles to female labour force participation.

- 2013 Council Recommendation 3 (in extenso) :

Pursue health sector reforms to increase its efficiency, quality and accessibility, in particular for disadvantaged people and remote and isolated communities. Reduce the excessive use of hospital care including by strengthening outpatient care.

- SPC conclusion on the implementation of recommendation 3:

In light of the reported actions by Romania and the assessment presented by Lithuania and the Commission, the SPC and the Council WPPHSL conclude:

Romania is taking relevant actions to respond to the Council recommendation N3 from 2013. Some of the reported measures however are at a preparatory stage (the draft legislation concerning the basic package of health services) and the draft National Health Strategy. Romania has made progress in establishing centralised procurement procedures through framework contracts for the supply of some medicines. This generated savings to the health budget. Although some actions are taken to ensure the access to health care of vulnerable groups and of remote and isolated communities, more structured approach would be helpful. Against the background of the challenges faced by the health care system of Romania (low than EU average health indicators), we recommend increased attention to the follow-up of the health care reform and its funding needs.

- 2013 Council Recommendation 4 (relevant parts) :

Improve labour market participation, as well as employability and productivity of the labour force, by reviewing and strengthening active labour market policies, to provide training and individualised services and promoting lifelong learning. Enhance the capacity of the National Employment Agency to increase the quality and coverage of its services. To fight youth unemployment, implement rapidly the National Plan for Youth Employment, including for example through a Youth Guarantee. **To alleviate poverty, improve the effectiveness and efficiency of social transfers with a particular focus on children. Complete the social assistance reform by adopting the relevant legislation and strengthening its link with activation measures. Ensure concrete delivery of the National Roma integration strategy.**

SPC conclusion on the implementation of recommendation 4:

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

Romania has taken some steps towards the adoption of several strategic measures to

alleviate poverty, such as drafting the National Strategy for combating poverty and promoting social inclusion 2014-2020, the National Strategy for the protection and promotion of child's rights 2014-2020 and the Early School Leaving Strategy, as well as revising the National Roma Integration Strategy.

However, these measures are at an early stage of preparation since most of the proposals for strategic measures are either in the process of being elaborated or under public consultation.

As regards the measures to improve the efficiency and effectiveness of social transfers, some limited progress was registered towards adopting a law establishing a Minimum Insertion Income. Further, the Romanian Government passed an Emergency Ordinance 42/2013 that increased the family allowance and the guaranteed minimum income which aimed at compensating beneficiaries for the increase in the electricity and gas prices but more structural actions are needed to further increase the efficiency and effectiveness of social transfers.

- 2013 Council Recommendation 5 (relevant parts) :

Speed up the education reform including the building up of administrative capacity at both central and local level and evaluate the impact of the reforms. Step up reforms in vocational education and training. Further align tertiary education with the needs of the labour market and improve access for disadvantaged people. Implement a national strategy on early school leaving focusing on better access to quality early childhood education, including for Roma children. **Speed up the transition from institutional to alternative care for children deprived of parental care.**

SPC conclusion on the implementation of recommendation 5:

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

The measures taken by Romania go into the right direction. A law on the protection of children rights was revised in the second half of 2013, while the National Strategy for the protection and promotion of child's rights 2014-2020 was drafted and the public consultation has just finished. The Strategy includes measures on the transition from institutional to alternative care for children and for preventing abandonment and abuse. As the de-institutionalisation of children deprived of parental care is a sensitive and

difficult process, the SPC invites Romania to pursue the transition process.

18. SLOVAK REPUBLIC (REVIEWED BY CROATIA AND THE COMMISSION)

- 2013 Council Recommendation 1(relevant parts):

Avoid cuts in growth enhancing expenditure and **step up efforts to improve the efficiency of public spending. Building on the pension reform already adopted, further improve the long term sustainability of public finance by reducing the financing gap in the public pension system and increasing the cost-effectiveness of the health-care sector.**

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:

On the pension branch of recommendation N1 :

The 2013 pension branch of Council recommendation N1 is a follow-up recommendation from 2012. Although the Slovak delegation did not present a new reporting, the SPC takes note that the implementation of this recommendation continues. Following the request of the Slovak delegation, the Committee carries-on its opinion from 2013 :

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.

On the health care branch of recommendation N1 jointly with the Council WPPHSL :

Slovakia shows compliance with the health branch of Council recommendation N1 from 2013. The reported measures belong to a comprehensive Strategic Framework for health adopted in December 2013 which has the potential to improve the cost-effectiveness of the Slovak health care system and some of the main health indicators which lag behind EU averages. At the same time the ageing of the general practitioners and the low density of GP(s) on the national territory creates a significant challenge for the effective functioning of the health care system by burdening the hospital sector and limiting the access to care. The following measures are highlighted:

- introduction of compulsory exam test ‘general medicine’ in the standard curricula of medical students followed by a specialisation and an increase of the scope of acts to be performed by GP which receive ‘capitation’ based payments;
- the introduction of i) a financial management system in the hospital sector based on regular monitoring and evaluation of economic and quality indicators and of ii) “0” debt target for the hospital sector

We invite Slovakia to enhance the implementation of the strategic framework and to pay particular attention to the administrative capacity of the bodies involved in its implementation.

- 2013 Council Recommendation 3 :

Take measures to enhance the capacity of public employment services to provide personalised services to jobseekers and strengthen the link between activation

measures and social assistance. More effectively address long-term unemployment through activation measures and tailored training. Improve incentives for women employment, by enhancing the provision of child-care facilities, in particular for children below three years of age. Reduce the tax wedge for low-paid workers and adapt the benefit system.

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 some measures to address the recommendation No 3 which was also reviewed by the **Employment Committee**. Among the main measures, the SPC highlights the strengthening the link between activation measures and social assistance: in November 2013, the Slovak parliament adopted an Act on Assistance for people in material need that introduced new measures and conditions for the activation of people in material need. However, the scope of the Act could be further enhanced by strengthening job search assistance and access to quality training as well as by ensuring more support to labour mobility.

The amendment to the Act on Employment Services that entered into force in May 2013 provides for the streamlining of active labour market measures and for job matching schemes based on labour demand at regional level. The reform focuses on the disadvantaged job seekers, in particular, the long-term unemployed, young people, persons over the age of 50 and job seekers with little or no education.

- 2013 Council Recommendation 4 (relevant parts) :

Step up efforts to address high youth unemployment, for example through a Youth Guarantee. Take steps to attract young people to the teaching profession and raise educational outcomes. In vocational education and training, reinforce the provision of work-based learning in companies. In higher education, create more job-oriented bachelor programmes. Foster effective knowledge transfer by promoting cooperation between academia, research and the business sector. **Step up efforts to improve**

access to high-quality and inclusive pre-school and school education for marginalised communities, including Roma.

SPC conclusion on the implementation of recommendation 4:

The 2013 Council recommendation N4 is a follow-up recommendation from 2012. The Slovak delegation did not present a new reporting. Following the request of the Slovak delegation, the Committee carries-on its opinion from 2013 :

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;

19. SLOVENIA (REVIEWED BY ESTONIA AND THE COMMISSION)

- 2013 Council Recommendation 2 (in extenso) :

Strengthen the long-term sustainability of the pension system beyond 2020 by further adjusting all relevant parameters, including through linking the statutory retirement age to gains in life expectancy, while preserving the adequacy of pensions. Contain age-related expenditure on long-term care and improve access to services by refocusing care provision from institutional to home care, sharpening targeting of

benefits, and reinforcing prevention to reduce disability/ dependency

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:

On the pension branch of recommendation 2:

The SPC takes note that the Slovenian delegation did not present new reporting to this follow-up recommendation from 2012. Following the request of the Slovenian delegation, the Committee carries-on its opinion from 2013 :

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.

On the long-term care branch of recommendation 2 :

Slovenia presented its plans for reforms of the long-term care sector as part of the SPC ex-ante coordination of major social policy reforms. In terms of financing of the long-term care sector, the reform envisages (a) a compulsory public insurance to which active and inactive population will contribute complemented by a (b) compulsory private LTC insurance for the adult population or an alternative payment of special private contribution for LTC services and (c) an optional additional voluntary private insurance for non-standard LTC services and accommodation costs in LTC institutions. In addition, the reform envisages a single entry point, a uniform expert procedure for LTC needs assessment, a process of preparing individual care plans and training measures for informal carers.

The presented reform plan has a high degree of ambition which is proportionate to the challenge of the current policy status quo with pressures on both coverage and access to LTC and its fiscal sustainability. The Committee considers the planned reform as an adequate response to the Council recommendation issued in 2013. The SPC invites Slovenia to further report on the state of implementation of the planned reform.

20. SPAIN (REVIEWED BY LUXEMBOURG AND THE COMMISSION)

- 2013 Council Recommendation 1 (relevant parts- April and May review) :

.../...Improve the efficiency and quality of public expenditure at all levels of government, and conduct a systematic review of major spending items by March 2014. **Increase the cost-effectiveness of the health-care sector, while maintaining accessibility for vulnerable groups, for example by reducing hospital pharmaceutical spending, strengthening coordination across types of care and improving incentives for an efficient use of resources.** Take measures to reduce the outstanding amount of government arrears, avoid their further accumulation and regularly publish data on outstanding amounts. Adopt the dis-indexation law to reduce the degree of price inertia in public expenditures and revenues, in time to have it in force by the beginning of 2014 and consider additional steps to limit the application of indexation clauses. **Finalise by end-2013 the regulation of the sustainability factor**

so as to ensure the long-term financial stability of the pension system, including by increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy.

- SPC conclusion on the implementation of recommendation 1:

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

On the health branch of recommendation N1 jointly with the Council WPPHSL:

Spain has taken comprehensive and relevant measures to respond to the health branch of the 2013 Council recommendation N1. The comprehensive health care reform enacted in 2012 aims at increasing efficiency and control of health expenditure in decentralised health care system. Spain reported public costs savings generated mainly from measures taken to optimise the use and prescription of pharmaceuticals. We note in particular the following measures:

- a. reviewing the basket of services,
- b. the introduction of means-tested co-payments,
- c. the introduction of reference prices for pharmaceuticals and of a centralised pharmaceutical purchasing platform
- d. the creation of a single health card gradually implemented across all regions

The Committees note that Spain anticipated the 2014 Council recommendation (health branch). However, the reform also led to concerns regarding access to health care services. Spain is invited to continue monitoring how the reform affects the access to health care services and implement the measures planned in the National Action Plan for Social Inclusion in order to ensure effective access to the health care system.

On the pension branch of recommendation N1:

Spain took extensive and relevant measures to implement the 2013 Council recommendation. Further to the raising of the retirement age (to 65 in 2013) legislated

in 2011 and limiting early and partial retirement in March 2013, Spain introduced in its legislation (in December 2013) the sustainability factor and a new indexation mechanism. The sustainability factor (to be implemented as of 1.01.2019) will inversely adjust pension benefits to variations in life expectancy every five years. The new indexation of pensions will be de-coupled from the consumer price index and will rely on the balance of the system. Further measures were taken to better reflect the minimum contributory periods of part-time workers.

Although these measures will positively impact on the long-term sustainability of the pension system, the SPC invites Spain to monitor the impact of the reform on the capacity of the pension system to ensure adequate benefits.

- 2013 Council Recommendation 6 :

Adopt and implement the necessary measures to reduce the number of people at risk of poverty and/or social exclusion by reinforcing active labour market policies to improve employability of people further away from the labour market and by improving the targeting and increasing efficiency and effectiveness of support measures including quality family support services.

SPC conclusion on the implementation of recommendation 6:

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

Spain has taken measures to implement the 2013 Council recommendation combining previously reported and new measures. The most significant new measure is the adoption in December 2013 of the National Action Plan for Social Inclusion based on the active inclusion approach and focusing on relevant measures such as :

- a. ensuring the employability of those further away from the labour market;
- b. provision of income support to those facing bigger difficulties; and
- c. ensuring the provision of basic services.

Spain took also measures to guarantee (law 22/2013 from 23 December 2013) the access to the National Health Service of persons on unemployment benefits and of persons who have exhausted their right to unemployment benefits.

The SPC recommends that the budget available for the National Action Plan for Social Inclusion 2013-2016 period is maintained at an adequate level including at regional level.

Further, Spain shows commitment to fight child poverty (the objective is mainstreamed in the National Action Plan for social inclusion), which is significantly higher in Spain (33.8% in 2012) as compared to the EU average (28.1%). According to the results of the Social Protection Performance Monitor, the rise of child poverty and in poverty in general is a social trend to watch.

In this respect the SPC invites Spain to further intensify its efforts for reducing child poverty including through the adoption of the announced plan for family support.

21. THE UNITED KINGDOM (REVIEWED BY BELGIUM AND THE COMMISSION)

- 2013 Council Recommendation 4 (relevant parts) :

Enhance efforts to support low-income households and reduce child poverty by ensuring that the Universal Credit and other welfare reforms deliver a fair tax-benefit system with clearer work incentives and support services. Accelerate the implementation of planned measures to reduce the costs of childcare and improve its quality and availability.

SPC conclusion on the implementation of recommendation 4:

The 2013 Council recommendation N4 is a follow-up recommendation from 2012. Although the UK delegation did not present a new reporting, the SPC takes note that the implementation of this recommendation continues. Following the request of the UK delegation, the Committee carries-on its opinion from 2013 :

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.

22. EURO AREA (REVIEWED BY THE COMMISSION)

- 2013 Council Recommendation 6 (relevant parts) :

In line with the AGS 2013 and by taking collective and significant measures, tackle the social consequences of the crisis and the rising unemployment levels. The situation of unemployed young people is particularly worrying and bold action is recommended along the lines of the Compact for Growth and jobs and the EU Youth Guarantee. Further reforms to facilitate access to employment, prevent early withdrawals from the labour

market, reduce the cost of labour, combat labour market segmentation and support innovation are recommended.

SPC conclusion on the implementation of recommendation 6 :

Euro area members took some measures to ensure a better response to the social consequences of the crisis.

In particular, the Committee points to the multilateral examination of recent social policy reforms carried out within the framework of the European semester and of the open method of coordination, the use of the Social Protection Performance Monitor and of the Scoreboard of employment and social indicators showing considerable social divergences within the euro area.

Further steps were taken in the implementation of the Youth Guarantee and of the Compact for growth and jobs.

In addition to these measures relevant for the EU as a whole, the Committee highlights that important social protection and labour markets reforms have been implemented by individual Member States whose currency is the euro. As the crisis impacted the euro area Members differently both in scope and intensity, the individual national responses were directed at meeting country specific social challenges brought about the unfolding crisis. Member States engaged with economic adjustment programmes had limited capacity and time to fully participate in the overall coordination of policies.

On the basis of the analysis on the questionnaire concerning the social consequences of the crisis within the euro area, the Committee stresses that there is scope for better coordination among euro area Members. The social open method for coordination and the monitoring of the social protection reforms by the SPC are important tools in this respect as they are the main channels for social policy coordination at EU level.

The SPC concludes that :

Euro area members have responded to the social consequences of the crisis and the rising

unemployment levels by implementing crisis-specific measures on an individual basis according to their national competence.

The SPC findings on the current arrangements and recent reforms of minimum income and social assistance schemes, unemployment benefits and access to health care services of unemployed people and of people living on low income enacted by euro area Members show some degree of convergence. These reforms are also of interest for all EU Members.

With regard to minimum income and social assistance schemes - which play an essential role in maintaining adequate livelihoods at critical moments of life- the majority of euro area Member States have in place provisions for granting minimum income benefits, after a means-test, to eligible individuals and households. Italy and Greece are taking preparatory measures for developing such schemes. The level of these benefits varies across the euro area and reflects country specific economic and social conditions and political choices. The majority of euro area Member States maintained normative stability in the provisions of minimum income in the last 24 months to cushion the social consequences of the crisis and in particular maintained the unlimited duration of the entitlement to minimum income as long as the eligibility requirements are met. The Committee highlights that some Member States reported an increase in the take-up of minimum income most likely due to the worsening of the social situation and the increase of the number of persons no longer eligible for unemployment benefits.

With regard to the unemployment benefits and against the background of historically high numbers of unemployed in the EU, measures taken by most of the euro area Members over the last 24 months converge toward improving the coverage of these benefits. As it concerns their generosity and duration, the SPC supports a right policy mix which balances the income replacement function of unemployment benefits and their activation capacity.

With regard to the access to health care services, the SPC welcomes the efforts made and the measures taken to maintain the access of unemployed persons and of those living on low income to health care, particularly in view of the observed trend towards increasing co-payments for health care services and drugs. The Committee emphasises that ensuring access to health services in particular for persons losing their jobs or entitlement to

unemployment benefits is essential including in euro area Member States implementing health care reforms under severe fiscal constraints. Universal and sustainable health care systems are a key element of the European social model.