

International Reform Monitor

Bertelsmann Foundation (ed.)

International Reform Monitor

Social Policy
Labor Market Policy
Industrial Relations

Issue 8
2003

Bertelsmann Foundation Publishers
2003

Bibliographic information published by Die Deutsche Bibliothek

Die Deutsche Bibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data is available on the Internet at <http://dnb.ddb.de>.

© 2003 Bertelsmann Foundation Publishers, Gütersloh

Responsible: Eric Thode

Copy editor: Michael Kühlen

Production editor: Christiane Raffel

Cover design: werkzwei, Lutz Dudek, Bielefeld

Cover illustration: Stone/PhotoDisc

Typesetting: digitron GmbH, Bielefeld

Print: Hans Kock Buch- und Offsetdruck GmbH, Bielefeld

ISBN 3-89204-708-1

www.bertelsmann-foundation.de/publications

Content

- Project Information 6**
- Introduction 7**
- 1 Social Policy 9**
 - Health Care 9
 - Pensions and Social Security 17
 - State Welfare and Social Assistance 32
 - Family Issues 34
- 2 Labor Market Policy 47**
- 3 Industrial Relations 61**
- Reform Tracker 67**
- Currency Conversion 79**

Project Information

The “International Reform Monitor” is a project of the Bertelsmann Foundation. It is published semi-annually in German and English. Compact and up-to-date, it provides information from an international perspective on current reforms in the fields of social policy, labor market policy and industrial relations. Because reforms are reported on at the legislative stage and local government level as well, the reader has the opportunity to learn about international reforms which may not have been publicized in the respective countries.

An integral part of the Reform Monitor is an international network of able and renowned research and policy advisory institutions from 15 countries. These partner institutions select reforms that can help to change the status quo in their own country and that could also be of interest to other countries. Their reports are based on semi-standardized surveys that are carried out every six months. Prognos AG, Basle and Berlin, is responsible for organizing and implementing the surveys. Prognos, in close cooperation with the Bertelsmann Foundation, also produces the summaries for the “International Reform Monitor.”

A detailed description of each reform as well as further information on countries and research results in the fields of social policy, labor market policy and industrial relations can be found on the Internet at www.reformmonitor.org. Both the detailed description online and this publication draw on the partner institutes’ reports and do not necessarily reflect the Bertelsmann Foundation’s point of view.

Introduction

Sick of work?

In this issue of the International Reform Monitor, several countries report an increasing number of workers on long-term sick leave. In Sweden, for example, the share of those absent for more than 30 days a year due to illness has nearly doubled over the last five years. The share of psychological and musculoskeletal disorders in particular has risen, the latter being the prevalent cause of sick leave.

In Switzerland, the invalidity insurance has been running a growing deficit for the last five years. Again, this is due to the rising number of recipients. In the Netherlands, around 10 percent of the labor force received invalidity insurance benefits in 2002.

What are the reasons for these developments? First of all, there is no evidence on changes in the general health of the population leading to rising disability. Demographic change, however, is a partial explanation. An aging workforce means a growing number of older workers, who in turn have higher invalidity risks.

But the most dramatic increases can be observed in younger workers between 30 and 50 years. This is mostly due to changes in the workplace: An increasingly stressful environment frequently leads to psychological disorders.

In order to counteract such developments, the Swedish government is considering introducing employers' insurance contributions that depend on the number of employees taking long-term sick leave

in each company. Similar measures were implemented in the Dutch disability insurance system five years ago.

There, employers are obliged to pay a contribution to the Disability Insurance Scheme in accordance with the share of their workforce applying for invalidity benefits. This means incentives for employers to improve working conditions and to retain workers with disabilities rather than laying them off, forcing them into social security.

But stress at work and an aging workforce are not the only reasons for a high (and increasing) share of disabled workers. Especially in the Netherlands, disability insurance has been widely used as an instrument to facilitate withdrawal from the labor force. In other countries, there seems to be a tendency toward this practice, which relies on a threefold moral-hazard behavior. Workers can leave their jobs with relatively high wage replacements; employers can easily lay off less productive workers; and business organizations, labor organizations and the government can decrease the labor supply, reducing official unemployment figures.

This way of hiding unemployment is just as costly as ineffective forms of active labor market policies and early retirement schemes. Thus the main reform goal for the invalidity insurance, apart from setting incentives for a favorable work environment, should be an activation strategy that tries to (re-)integrate workers with disabilities instead of excluding them from the labor market and sending them to long-term dependency on welfare.

Eric Thode

Andreas Esche

Kai Gramke

1 Social Policy

Health Care

Only two new reforms can be reported under this heading. Both concentrate on the cost side. Canada intends to increase federal funding for health care by €22 billion over the next five years. Currently, Canada's lack of stable and predictable funding is a serious problem for the country's health care system. Japan reports on a proposal for a major overhaul of the health insurance system to combat the most pressing issue—rising health care costs for the elderly. So far, powerful interest groups have opposed any measures to cut health care expenditures.

Details are available on the project Web site, www.reformmonitor.org.

The federal, provincial, and territorial governments have agreed to work together to improve the accessibility, quality, and sustainability of Canada's public health care system, and to increase transparency and accountability of health care spending. Federal funding for health care will increase by €22 billion over the next five years. In the past, Canada's health care expenditures fluctuated much more than those of other OECD countries. The underlying lack of stable and predictable funding was a serious problem for the country's health care planning.

Canada:

Health care funding
increased
substantially

Innovation *****
Impact ****
Interest *****

Canada is unusual in that its public health care system (“Medicare”) is fully funded by general government revenues and provides service with no direct charges for health care recipients in the form of copayments, user fees or other charges. However, most physicians operate individually out of privately-run offices, though they must bill the public health insurance agency on a fee-for-service basis. This is done according to a fixed structure of rates established by each provincial and territorial government.

At the same time, most hospitals are non-profit organizations not directly operated by provincial governments. A significant and growing part of health care in Canada is outside the public health care system, including most prescription drugs (unless provided to patients in hospitals), most forms of home care, palliative care and other forms of outpatient care. This part of health care is financed through employer-sponsored supplementary health insurance, individually purchased health insurance and patient fees. Funding for health care is currently around 70 percent public and 30 percent private.

Health care in Canada is mainly the responsibility of the provincial and territorial governments, but the federal government still plays a significant role. The federal government provides substantial financial assistance to the provinces and territories for public health care and regulates public health care through the five principles of the federal Canada Health Act: public administration, comprehensiveness, universality, portability and accessibility.¹

1 The five principles intended to create and sustain a national system are: public administration: administration of each province’s or territory’s health care insurance plan must be carried out on a non-profit basis by a public authority; comprehensiveness: all medically necessary services provided by doctors and hospitals must be insured through the public system; universality: all insured Canadians in each province or territory must be entitled to public health insurance coverage on uniform terms and conditions; portability: coverage for insured services must be maintained when an insured person moves or travels within Canada or travels outside the country; and accessibility: reasonable access must be unimpeded by financial or other barriers. The federal government provides some health services directly (e.g., to First Nations Canadians living on reservations), and is responsible for health protection (e.g., regulation of drugs). The federal and provincial/territorial levels of government share responsibility for health education and promotion.

Canada's health care system is seen to be in crisis by most Canadians, a number of interest groups and the media, though there is strong disagreement about the nature and severity of the problems. The provincial and territorial governments complain that budget cuts in federal financial assistance have exacerbated other cost-driving factors, such as expensive new technologies, an aging population and increasing public expectations.

The Canada Health Act—the main legislative framework for Canada's public health care system—indeed has limitations and is seen by many to require reform. It covers only hospital and physician services, for example, but generally excludes increasingly important areas such as preventive health programs, home care, long-term care, dental care and prescription drugs (unless provided in hospitals).

There are significant differences from one province and territory to another in how the principles of the Canada Health Act are interpreted and applied, especially crucial clauses referring to “medically necessary” services and “accessibility.” The health care system is hence less uniform across the nation and more variable than many feel is appropriate.

The federal government has sole responsibility for ensuring provincial adherence to the Canada Health Act, but its financial contribution to the provinces for health care has declined. The public has little say in determining what health services should or should not be publicly funded, though most Canadians consider the quality of the health care that they receive as very good. There are concerns about waiting lists for some health care services, shortages of health care personnel and the lack of reliable, comparable and comprehensive health care information with which to measure health system performance and outcomes.

The Health Care Renewal Accord is inspired by a commitment to sustain, not to depart from, Canada's publicly insured health care system and the five principles of the Canada Health Act. The main objectives of the reform are to ensure that:

- all Canadians have timely access to health services (including 24/7 primary care, diagnostic procedures and treatments, home and community care services, and drugs) on the basis of need, not ability to pay, regardless of where they live or move to in Canada;

- health services are of high quality, effective, patient-centered and safe; and that
- Canada's health care system is sustainable and affordable.

In order to achieve these objectives, Canada's 2003 federal budget commits a total of €22 billion in extra funding over five years to enable the provinces and territories to rebuild their health care systems. Of this amount, €6 billion will be used to increase general funding for health care in the provinces and territories, and €1.5 billion will be used to address current and specific problem areas.

The greatest share (€10 billion) will be used for a Health Reform Fund for the provinces and territories to reform three key areas:

- Primary care, with the aim of having at least half the population of each province and territory receiving care from multidisciplinary primary health care teams or organizations accessible on a 24/7 basis within eight years
- Home care, by providing a basket of services in the home and in the community for short-term home care, including short-term community mental health care and end-of-life care
- Addressing the problem of inadequate drug coverage

The remaining funds (€4.2 billion) will go to improved access to publicly funded diagnostic services, the development of a national system of electronic health records, research hospitals, to the Health Care Accord and other initiatives, e.g., the Compassionate Family Care Leave Benefit within the Employment Insurance system (cf. this Issue, p. 37) and the Canadian Coordinating Office for Health Technology Assessment, and to support of health programs for First Nations Canadians.

➤ Critics from the right want to see for-profit health care delivery and/or financing (e.g., user fees, individual medical savings accounts) assume a greater role, whereas the left is asking for more government (especially federal) funding to make Canada's health care system fully public (hence departing from its current model: mainly public/partly private).

Others argue that certain health areas have been ignored (e.g., social determinants of health, mental health and persons requiring

long-term home care, such as frail elderly and those with chronic health problems). Furthermore, inadequate investment in First Nations health care and housing, the growing shortage of health care providers and inadequate sums targeted to the three priorities for health care reform (i.e., primary care, drugs, home care) have been criticized.

Experts claim that the Accord and the 2003 federal budget will prove crucial to the survival of Canada's health care system, which is viewed by Canadians as their top public policy priority. However, experts point out that the process of renewing and reforming the health care system, especially primary care, will prove difficult, complex and lengthy.

A reform proposal to cope with the financial crisis of the Japanese public health care system will be finalized in 2003. Although a major overhaul of the health insurance system has been under discussion for a long time, powerful interest groups (e.g., medical associations, senior citizen associations and employer associations) have opposed any measures to cut health care expenditures. A consensus has not been reached on the most pressing issue: rising health care costs for seniors.

Japan's health care costs as a percentage of GDP are not excessive compared to other countries, but the public health insurance system (Employees Health Insurance and National Health Insurance for the self-employed) constantly runs a deficit, and there is no public support for raising the premium rate.

The long recession has brought about drops in revenues, and the rapid aging of the population has caused health care expenditures for seniors to skyrocket. To some extent, this is due to the preferential treatment Japan's senior citizens receive in the form of lower insurance premiums and copayments (cf. Issue 6, p. 18; Issue 7, p. 18).

Another issue concerns the fee structure for physicians and drugs. Currently medical insurance reimburses the complete costs of the care provided, and thus there have been no incentives for medical personnel to hold down costs. Furthermore, individual performance of medical personnel and facilities are not reflected in the costs.

The reform proposal tries to implement three changes:

Japan:

Overhaul of public health system proposed

Innovation	★★★★
Impact	★★★★
Interest	★★★★★

- Health insurance providers will be restructured to pool the financial risk. Specifically, the insurers of the National Health Insurance system, which are municipalities, and the insurers of the government-managed Employees Health Insurance system will be merged at the regional level.
- A new insurance system for seniors will be created to include an adjustment mechanism to share health care costs for seniors among different insurers. Half of the health care outlays for persons above the age of 74 will be borne by the government's general budget.
- The fee structure for medical personnel and facilities will include an evaluation of medical performance and will reflect operating costs of medical facilities. Performance evaluations of medical facilities will be made available to patients to facilitate choosing the right hospital.

➤ Some claim that the reform proposal is an attempt by the ministry of Health, Labor and Welfare to hang on to an unsustainable insurance system, while others claim that the reform does not go far enough in spreading financial burden and risk. Experts point out that it is too early to judge the reform, but it seems inevitable that coming generations will have to bear most of the costs through increases either in premiums or taxes. Acceptance of the reform will depend on the government's ability to find strong and convincing arguments for its case. On the other hand, restructuring medical fees is a step forward in curtailing health care costs without putting additional burdens on the insured. Such steps should be encouraged.

Changes and Results

Austria:
Copayments for
outpatient treatment
unlikely to cover
administrative costs

Changes and results can be reported for Austria's 2001 reform of its copayment system for outpatient treatment. The reform was intended to redirect patients to physicians' practices, assuming that similar care can be provided there less expensively (cf. Issue 5, p. 9).

First results show that 48 percent of approximately six million outpatient care patients were not obliged to pay copayments due to

exemptions already in place when the fees were introduced in 2001. 12 percent exceeded the annual ceiling of €72.

In 2002, copayment exemptions were expanded to include cases where:

- the outpatient visit is succeeded by a hospital admission (but not necessarily on the same day),
- service is provided during an emergency,
- medical intervention is considered necessary,
- patients are referred by specialists or primary care providers after first contact exams in doctors' offices,
- patients are referred by emergency doctors or from other hospitals,
- patients are either required by the outpatient department or after admission to see staff in outpatient departments, or where
- primary care providers are not available or waiting times are considered to be unreasonable.

It is estimated that these exemptions, which were introduced retroactively in April 2002, will result in only three to eight percent of outpatient care cases being subject to co-pay stipulations.

➤ Critics of the original reform point out that administrative costs might exceed receipts from copayments. This seems to be the case as one social insurance institution reported revenues from copayments on the order of €230,000 and related administrative costs of €5 million. Experts claim that neither a fiscal effect nor a steering effect on the number of outpatient visits or visits to doctors' offices can be observed due to the copayment charge.

Outpatient care cases decreased slightly in 2001, while nominal outpatient care costs grew by 3.3 percent. This reflected expenditure growth for physician services, while growth was lower in 2000 for both indicators. Some steering effects might appear, though, when patients will have paid their bills.

There are initial signs, however, of public encouragement for patients to withhold payments and/or go to court about them. Furthermore, the re-directing effects which might occur are further diluted by the expansion of exemptions. Revenues from the copayments for 2001 amounted to €30 million, but experts doubt that

this will cover administrative costs. This could further weaken the position of the social insurance institutions which have recently come under heightened political scrutiny.

Denmark:

Hospital waiting times reduced

First results are available on the Danish health care reform intended to reduce hospital waiting times (cf. Issue 6, p. 13; Issue 7, p. 17). Most problems with hospital waiting times involved patients in line for surgery, whose average waiting periods have increased steadily, from 88 days in 1991 to 110 days in 1998. In 2001, they fell for the first time in 10 years, to 103 days. County figures indicate that waiting times fell even further in 2002. The average waiting time for 18 selected surgical treatments had fallen from 14 weeks in July 2002 to 10 weeks by the following November.

➤ Experts point out that the reduction may be related to the additional government resources allocated to the counties, depending on their activity rate and results. Critics claim that positive results for surgery waiting times have a negative effect on waiting times for non-surgical medical treatment in hospitals.

Italy:

Copayments responsible for modest growth in pharmaceutical expenditures

In 2002, Italy introduced new policies regarding drug cost reimbursement and initiated a revision of the refundable-drug list in an effort to cut spending and reduce costs in the pharmaceutical sector (cf. Issue 7, p. 12). Results for the first 11 months of 2002 show that growth of pharmaceutical spending was very moderate compared to previous years (1.2 percent compared to 33 percent in 2001). This effect can be attributed to the re-introduction of copayments by the country's administrative regions.

➤ The new refundable drug list is based on the principle of cost-effectiveness and excludes some drugs required by patients suffering from chronic diseases or by those who have received organ transplants. It is feared that patients might be forced to pay for drugs (or choose others with similar properties) whose costs are not covered by the National Health Service.

Pensions and Social Security

Apart from the usual pension issues, long-term sick leave seems to be high on the agenda. Sweden reports on a dramatic increase in long-term sick leave and the consequences for the Swedish welfare state. The share of the working population absent for more than 30 days due to illness has nearly doubled over the last five years. A similar development in Switzerland has led to a proposal for a complete overhaul of the invalidity insurance. Most importantly, the proposal calls an increase of contributions to the invalidity insurance system by raising the rate of value-added tax by one percentage point.

Switzerland also reports on the reduction of the minimum rate of return for occupational benefit plans. For the first time since the introduction of the second pillar of the Swiss retirement system, the minimum rate of return has been reduced—mainly due to current unfavorable conditions on the financial markets.

Great Britain reports on a comprehensive policy review in response to a deepening pension crisis. Denmark has decided to provide retirees with a supplementary one-time payment to alleviate their difficult financial situation. Finally, a Japanese proposal calls for a fixed premium rate for public pensions in combination with a decrease in future pension benefits.

Details are available on the project Web site, www.reformmonitor.org.

In order to alleviate the difficult financial situation of retirees, the Danish government has decided to provide them with a supplementary one-time payment of up to €673 along with their public pension payments in February 2003. The decision is part of an agreement between the government and the Danish Peoples' Party to pass the Finance Act and is expected to lead to additional expenses of €56 million in 2003. Retirees who turned 67 before January 1, 2003, qualify for the payment if their family assets (bank deposits, stocks and bonds, etc.) amount to less than €7,147. Only one payment is allowed per family.

➤ Opponents, such as the Social Liberal Party, criticize the law as lacking a long-term perspective. They maintain that it introduces a

Denmark:

Retirees to receive one-time supplementary payment

Innovation **
Impact *
Interest **

short-term solution instead of launching a combined reform package for all age-related benefits.

Japan:

Public pension reform proposal to introduce fixed premium

Innovation ***
Impact ***
Interest ***

To prevent the future premium rate from ever rising, a government proposal calls for a fixed premium rate for public pensions in combination with a decrease in future pension benefits. The public pension system in Japan is scheduled to be reformed every five years, with the next modifications planned for 2004. The first proposal put forward by the Ministry of Health, Labor and Welfare sets the basis for discussion and the direction of the reform.

The 2004 Reform will have four basic approaches:

- Boost the confidence of the young and the working-age generation in the future of the public pension system
- Balance the financial pension burden between the pension-age and the working-age generations
- Increase transparency about future pension benefits for the current working generation
- Adapt to changing working conditions, women's increased labor market participation and the aging of Japanese society

Apart from fixing the premium rate, which will lead to decreased future benefits, several other measures are being proposed. To expand the pool of those paying into the system, part-time workers will also be included in the Employees Pension system. Currently, they are either paying the premium of the National Pension system or, if their spouses are subscribers of the Employees Pension system and their income is below a certain level, they are covered under their spouse's insurance at no cost (cf. Issue 5, p. 21 for a detailed description of the Japanese pension system).

Furthermore, a notification system for details about individual future pension benefits and various undefined measures to facilitate child rearing will be introduced into the pension scheme.

⇒ Opponents doubt that the younger generation will be supportive of the reform given that the premium rate will be raised (albeit up to a fixed point) and that future pension benefits will be lowered. Others are worried about the potential increase in poverty among the elderly as a result of lower pensions in the future. In these cases,

the elderly will have to be covered by public assistance. This could lead to a rapid increase in the number of senior citizens being provided for with public assistance benefits.

Experts welcome the proposal to widen the contribution base, especially the incorporation of non-working and part-time working women. However, they point out that it is also critical that the minimum standard of living be safeguarded for all of the country's elderly.

Since 1997, Sweden has experienced a dramatic increase in the amount of long-term sick leave being taken. This issue has become a major economic problem for the Swedish welfare state and has also been the focus of much media debate over the last few years.

Sweden:

Dramatic increase in long-term sick leave noted

The share of the working population absent for more than 30 days due to illness has nearly doubled over the last five years. In 2001, this share had increased to 3.5 percent for men and 6.3 percent for women. There is a remarkable difference in the development between men and women, with the increase being much greater for women.

On average, women on sick leave are absent from work for 50 days a year, while men are out on average for 34 days. When looking at the age structure of those on sick leave, the age group closest to ordinary retirement age (60 to 64 years) has the highest average days of sick leave taken. For women, there has been an increase in every age group except for the youngest, while for men, there has been a decline in every group except for those 30 to 49 years old.

During the past decade, it is the sick leave taken due to psychological illnesses (mainly depression) that has seen the most dramatic increase—particularly for women (from 12,000 cases in 1992 to 46,000 cases in 2001). Sick leave due to musculoskeletal disorders, which is the most common diagnosis, has also increased during this period, although this increase has not been as large as for the sick leave associated with psychological diagnoses.

Studies have shown that the aging workforce has significant effects on the growth in the amount of sick leave being taken. It has also been demonstrated that more generous sick leave policies and changes in eligibility and compensation rules have had a lesser, but still significant effect as well.

Another important factor in explaining the growth of sick leave are changes in working conditions since the mid-1990's. Several studies have shown an increase in the number of people with psychosocial disorders that may be the reason for the increased number of people on sick leave, particularly in parts of the public sector (e.g., hospital services, child and senior care).

Surprisingly, there is no evidence that changes in the general health of the population can explain the growth in the amount of sick leave taken. Factors such as increasing life expectancy, the lack of any distinct increase in diagnosed diseases and the lack of any increase in self-reported ill health are all contradictory to the rapid increase in the amount of sick leave being taken.

The government has an ambitious overall goal to reduce the number of people on sick leave by half in 2008 compared to the number in 2002, without an increase in disability pensions. The underlying principle is that the focus should be on the individual's ability to work, not on the disability. If possible, full-time sick leave should be transformed into part-time sick leave.

In order to reach this goal the government has presented a wide-ranging plan consisting of several instruments. One of the most important of these is the initiation of communication between the government, unions and employer associations. The purpose of this tripartite arrangement is to get all parties to make commitments to a forthcoming and more extensive plan of action.

The dialogue suffered a setback when the association of major private employers left the talks. The organization argued that the government's intention was to transfer an increasing share of the costs of sick leave to the employers, when the real cause of the high level of sick leave is the widespread wrongful exploitation of the health insurance system and changing attitudes among doctors and society.

A controversial proposal put forward by the Minister of Working Life would require those public employers that have the highest levels of sick leave to pay a greater share of sickness compensation. Employers with low sick leave levels would be rewarded through lower payroll taxes.

However, with the current high level of sick leave in parts of the

public sector, such a reform would be costly. This is of particular concern to local and regional authorities since it would entail cost hikes for local governments. The public employers associations consequently rejected the proposal. Another government proposal would extend the responsibility of local employment offices to help individuals listed as sick to find a new job that is more suitable to them given their disability.

There is also a demand for a more precise medical illness certificate for people who have been out sick for more than 60 days. This certificate—written by doctors with expertise in insurance medicine—should include detailed medical reasons that prevent the ill individual from working. It should also contain relevant information for supporting the rehabilitation process.

After the rejection of the original plan to reform the invalidity insurance system by popular referendum in 1999, a new proposal aims at a comprehensive overhaul by means of financial consolidation, improved application and adaptation to new needs. Most importantly, the reform intends to increase the contributions to the invalidity insurance system by raising the value-added tax by 1 percentage point. This would help to reduce the €2.2 billion deficit that had accumulated by the end of 2002. The reform has not yet found the approval of both chambers of parliament. The revised law could be toughened in early 2004 unless another popular referendum is called.

The insurance system is currently partly funded by a 1.4 percent tax on earnings (half of it paid by the employer and the other half by the employee) and partly through the federal and cantonal budgets. In 1999, the federal government and the cantons contributed €2.7 billion to the total budget of €5 billion.

Since its introduction in 1960, the invalidity insurance system has repeatedly faced financial problems, and contribution rates have been raised twice. During the 1990's, the capital reserves of the insurance system diminished at an alarming rate, and in 1997, expenses exceeded contributions by €1.6 billion. The system's deficit was balanced in January 1998 by a transfer of capital from the income substitution fund (a financially stronger social insurance

Switzerland:

Invalidity insurance
in financial trouble

Innovation	***
Impact	*****
Interest	***

system that pays the salaries of conscripts), only to accumulate a deficit of €1 billion again by the end of 1999 (it currently stands at €2.2 billion).

The rapidly growing expenses of the invalidity insurance system are due to the fact that an increasing proportion of people of all age groups is receiving invalidity benefits. An especially large and alarming increase has been observed for those aged 30 to 44.

In addition, there is a trend towards a rising proportion of psychological illnesses. In 1999, these cases already accounted for 36 percent of the pensions paid to people due to an illness-caused invalidity, up from 24 percent in 1985. The difference in evaluation practices among cantons has been identified as one possible reason for these developments.²

To ensure short-term stability, another one-time transfer of €1 billion from the account of the income substitution fund will partly cover the current deficit of the invalidity insurance system. Its long-term financial stability is to be achieved through an increase of the value-added taxed as discussed above. Furthermore, to reduce the expenses of the invalidity insurance system, some services will no longer be covered.

The current system of “payments to the helpless” (“Hilflosenentschädigung”), i.e., payments to handicapped people living at home who need the assistance of another person, will be replaced by a system of “assistance payments.” Financial aid for handicapped children will no longer differ according to the cause of their invalidity. Adults with psychological illnesses will also be entitled to assistance payments. These, however, will be lower than regular benefits.

A newly constituted country-wide medical administration will set medical guidelines for the cantonal invalidity insurance agencies regarding the application of the invalidity insurance law. The new

2 Due to the federal structure of Switzerland, the central government only sets guidelines for the application of the invalidity insurance law. The form the implementation takes, however, is decided at the cantonal level. This has resulted in a variety of cantonal practices with respect to how eligibility is determined for invalidity pensions in a given case. As a consequence, the proportion of people receiving an invalidity pension varies considerably among cantons.

administration will have a regional structure but will still be subject to direct supervision by the federal Office for Social Security.

Several measures aim at improving and simplifying its administrative structures and processes. For example, each canton will be required to set up a plan establishing the necessary number of institutions for the disabled within its jurisdiction. These plans, which need the final approval of the federal Office for Social Security, will limit the contributions to such institutions.

A newly established committee for appeals will handle any conflicts which may arise. Furthermore, the appeals process for individuals to whom an invalidity pension has been denied will be simplified; a new arbitration tribunal will judge disputes between the federal Office of Social Security and its contract partners (e.g., the physicians associations).

Finally, the revised invalidity insurance law provides the legal basis for more clearly specified and contract-based cooperation between the invalidity and unemployment insurance administrations in each canton.

➤ The Swiss employers association and conservative parties oppose extending the services of any social insurance program in Switzerland. They argue that the reform of the invalidity insurance law produces additional rather than fewer expenses due to the introduction of assistance payments. Furthermore, it is claimed that the proposed tax increase is too high and likely to hurt the economy. The Social Democrats and several associations for the disabled claim that the planned assistance payments are not high enough. Although an improvement, they still do not sufficiently cover the needs of handicapped people who require assistance at home. Furthermore, the associations for the disabled criticize that although the situation of mentally handicapped people will be improved, they will be discriminated against in that they will still not be entitled to the same amount of assistance payments as those who are physically handicapped. Experts claim that revision is urgently needed given the insurance system's dramatically growing budget deficit. Since coverage under the insurance system is universal, financing via general taxation (i.e., value-added tax) can be considered appropriate.

Despite its financial problems, the reform succeeds in introducing the

new service of assistance payments. This service will bring more independence to disabled people and will promote their integration into the labor market.

A disappointing aspect of the reform is its failure to tackle the question of why the number of people receiving benefits—in particular younger people and those with mental illnesses—has been growing so rapidly over the last few years.

All considered, the revision of the invalidity insurance system may prove to be an important part of the ongoing adaptation of Switzerland's social security system to demographic and social change. It points to the direction in which other social insurance systems could develop: additional funding, administrative streamlining and services that foster more flexibility and independence. These aspects, however, contribute little to curbing the costs of the nation's social security system.

Switzerland:

Minimum rate of return for occupational benefit plans lowered

Innovation ***
Impact **
Interest ****

For the first time since the introduction of the second pillar of the Swiss retirement system, the minimum rate of return for occupational benefit plans has been changed. This rate, which is the legal minimum interest rate on the contributions into individual retirement accounts, was reduced from 4 percent to 3.25 percent.

The nominal minimum rate of return had been set at 4 percent when the second pillar was introduced in 1985 and has never been changed since. It has thus been viewed as an indicator of the stability of the second pillar and, thereby, of the whole system of old-age support in Switzerland.

The reform was motivated by the current unfavorable conditions on financial markets. Many large insurance companies are facing financial difficulties, so the reduction of the minimum rate of return provided considerable relief for them. Although the problem of low returns in the current situation is generally acknowledged, it is also known that the minimum rate of return was not adjusted upwards during more prosperous times.

From an international perspective, the returns of Swiss pension funds have been quite low. This is partly attributable to the fact that the specified minimum rate has become an implicit norm and has encouraged conservative policies.

The ad hoc manner³ in which the reform has been launched, the lack of reserves accumulated during times of prospering markets and the high administrative costs within several insurance companies have all raised concerns about the lack of stronger supervision in the second pillar. The underlying problem is the fact that the second pillar is highly fragmented into a variety of schemes. Even the legal situation regarding the supervision of the second pillar is fairly complex and lacks transparency.

The lowering of the minimum rate of return is claimed to be the beginning of a “flexibilization” of the second pillar. This rate will now be periodically reviewed beginning in 2003. The federal government has also established guidelines for determining rates, although substantial discretion will remain at its disposal.

An extensive revision of the second pillar is currently being discussed in the second chamber of parliament (cf. Issue 6, p. 27). As a consequence of the heated debate surrounding the new minimum rate of return, increased transparency and supervisory regulations are likely to be introduced in the package. These measures are not only necessary for the long-term acceptance of the second pillar by the public, but also for its overall performance.

➤ The reduction to 3.25 percent is a typical Swiss compromise. Life insurance companies and a number of experts have claimed that a reduction to 3 percent was necessary to ensure the stability of the system, whereas other groups asked for a reduction to just 3.5 percent in the interest of contributors.

Both groups argue that by simply splitting the difference, the government’s decision lacks clarity and transparency. Few questioned the necessity of a reduction, but the ad hoc and arbitrary way in which the reduction was handled raised concerns about the influence of

3 During the last parliamentary session before the summer break, the Swiss federal government announced its intention to lower the minimum rate of return on the occupational benefit plans from 4 percent to “probably 3 percent.” After an intense and heated debate, the government adjusted its plans, lowering the rate instead to 3.25 percent as of January 1, 2003.

interest groups on the decision-making process and about the professionalism of the federal government.

Critics argue that the insurance systems should have built up reserves during the good financial times. If that had occurred, a reduction of the minimum rate of return would not have been necessary. Furthermore, the high administrative costs of €1.6 billion (i.e., almost €1,300 per insured person) are subject to criticism.

Many doubt that the minimum rate will be adjusted upward again if financial markets recover. They claim that this should have already occurred in the 1990's when market returns were well in excess of 4 percent.

Experts claim that although the reform might be deemed marginal, the debate surrounding it pointed to some fundamental flaws in the second pillar and thus in the entire old-age insurance scheme in Switzerland.

From an economic point of view, the wisdom of a legally imposed but still adjustable minimum rate of return is questionable. Furthermore, the expression of a minimum rate of return in nominal terms can be very costly in times of low inflation and meaningless if high inflation is present. Instead of focusing on the minimum rate, a more transparent system is called for.

More competition between the various insurance plans in the second pillar could be introduced without incurring the high cost of citizen confidence being undermined. This would also include an adaptation to the preferences of each insured employee. Currently, employees cannot choose an insurance plan that seems appropriate to them, as it is at the employers' discretion to choose the scheme for their workforce.

United Kingdom:

Policy review in response to deepening pension crisis

Innovation ***
Impact **
Interest *****

A comprehensive policy review (in the form of a "Green Paper") has been conducted as preliminary to a new wave of expected reform. This is in response to the deepening pension crisis and the growing problems despite New Labour's earlier reform of 2001, when stakeholder pensions were introduced (cf. Issue 2, p. 18).

The current pension system consists of a highly complex and fragmented structure of pensions. It involves a low basic state pension, a means-tested element, an occupational element, and govern-

ment efforts to replace the State Earnings Related Pension Scheme (SERPS) with a market-based stakeholder system.⁴

Several developments and structural problems have led to the current crisis: people in Britain are not saving enough for their pensions, with the government estimating that around three million workers are seriously undersaving for retirement. Some pension experts estimate a shortfall in the system of €38 billion.

Furthermore, the value of basic government pensions is decreasing because they are linked to prices from times of low inflation (rather than to salaries). Low returns on pension funds from the stock market, highly publicized company withdrawals from final salary schemes in favor of money purchase ones and the “mis-selling” of private pension funds by insurance companies have all bred considerable mistrust in the industry among citizens.

Furthermore, highly complex and variable rules of occupational schemes inhibit the easy transfer between them. Demographic trends are putting the pay-as-you-go system under increasing pressure. Finally, the high number of people who have withdrawn from the labor market in their fifties, ostensibly on grounds of ill health or

4 There are various types of pensions: state, personal, employer and stakeholder pensions. The state pension is a government-administered pension scheme funded by National Insurance contributions made by those in employment or, for some who are unable to work, made by the state on their behalf. To receive the full payment (€5,388) men must have contributed sufficient amounts to the National Insurance system for at least 44 years and women for 39 years. Personal pensions are designed for people who work and are not members of an employer’s scheme (e.g., those who are self-employed, those whose employer does not offer a pension scheme, etc.). The investment strategy for the fund is usually chosen by the worker, thus they offer a high degree of flexibility. Contributions are made by the worker, with employers not obliged to contribute. Employers pensions are subdivided into final salary plans (defined benefit), money purchase pension plans (defined contributions) and group personal pensions. Group personal pension schemes are similar to personal pensions and governed by the same rules. Employees have their contributions deducted directly from their salaries and employers are not obliged to contribute. Charges in a group personal plan tend to be lower than with a personal pension because of economies of scale. Stakeholder pensions, introduced in 2001, are defined-contribution schemes primarily for the low-paid and non-earners, including children.

disability (“incapacity”) but actually often as a result of economic restructuring, are putting additional pressure on the system.

In its Green Paper, the government proposes to abolish compulsory retirement at age 65 and introduce rules to allow retirees to draw pensions while continuing to work. Those who choose to work and defer drawing state pension benefits until the age of 70 may get a lump-sum of €28,500 (or €43,000 per couple) in addition to their normal pension. The retirement age for public servants, some of whom may retire at age 55, will be raised to 65 for new entrants beginning in 2006. By 2010, the minimum age for receiving a pension will be raised from 50 to 55.

An independent commission is to examine the question of voluntary versus obligatory contributions, with the government remaining skeptical about obligatory contributions. Meanwhile, employers can make compulsory membership in a pension scheme a condition for employment, and the self-employed will be allowed to opt into the second-tier government pension system. To rebuild confidence in the pension system, a regulatory board will be set up to investigate pension fraud.

A lifetime limit on how much someone can save in a tax-deferred pension scheme is also being proposed. The government estimates that €2 million is the appropriate level, with an annual personal limit of €285,000. The payment rules for occupational pensions will be simplified and more low-cost personal pensions and less costly financial advice will be introduced as proposed by earlier reports. Finally, the introduction of age discrimination legislation is planned as complementary to these proposed reforms to promote employment among those aged 50 and over.

➤ Most reactions in the media, across the political spectrum and from within the trade union movement have been critical. The reasons, however, vary. Many agree that the proposals are too modest, involving pressure to change but not sufficient compulsion or incentives. An alliance of poverty lobbyists, trade unions and senior citizen organizations has argued that the only realistic solution is to incorporate the Minimum Income Guarantee into the state pension and raise it in line with earnings rather than prices. Conservatives agree with the government that the basic state pension is too low, but tend

to focus on the issue of incentives, saying that implicit taxes on pension funds are creating a disincentive to save.

Some argue that the pension crisis is not as great in the United Kingdom as elsewhere because of a combination of more favorable demographics and less generous public pensions. This, however, is the view from an economic perspective as opposed to one focusing on the needs of the country's seniors.

Experts point out that even within the government's own terms, the reluctance to compel people to insure for old age, privately or through the government, does not make sense. Although it is focusing on a very pressing issue, its response is still too cautious. It can therefore be expected that the call for more radical reform will become more pronounced.

Changes and Results

When Sweden in 2001 introduced the right, but not the obligation, for employees to postpone retirement until the age of 67 (cf. Issue 5, p. 16), some sectors (e.g., the public sector) had collective agreements requiring retirement at the age of 65. These agreements were declared void at the end of 2002. Now, the right to work up to the age of 67 is universal and valid for all sectors.

Sweden:

Right to work up to age 67 extended

The PEMBA Act (Differentiation in Contribution and Introduction of Market Incentives in Connection with the Disability Insurance Scheme, WAO) was one of a number of reform measures taken in the Netherlands to reduce the costs of social security (cf. Issue 3, p. 23). The PEMBA regulation was considered a stimulus for employers to do their best to provide safe working conditions and to engage and retain sick and disabled workers.

Netherlands:

Abolition of differentiated invalidity insurance contributions for small companies

Since the introduction of the PEMBA Act in January 1998, employers have been paying a compulsory and standard WAO amount plus a differentiated contribution based on the number of employees applying for invalidity benefits in their company. This means that companies with a higher than average disability risk must pay a higher differentiated contribution, while a lower than average per-

centage of employees claiming disability benefits or the recruitment of disabled persons can be rewarded by reductions in the differentiated WAO contribution.

This has had the effect of giving employers a greater responsibility for the disability costs that arise. Employers may decide to bear the risk themselves and pay the disability benefit to any employee during the first five years of disability. Also, the employer can choose to cover the financial risk with a private insurance company. The government's intention is to allow market forces to take effect.

As of January 2003, the Dutch government has decided to abolish the PEMBA Act for small companies (i.e., companies with fewer than 25 employees). Instead, the burden of taxation is distributed in a uniform WAO contribution. For a small number of companies, this means a significant drop in WAO contributions. However, for the large majority of those employers with fewer than 25 employees, the contribution will rise by approximately 1 percent.

Also, as of January 2003, the option to bear the risk of employees becoming disabled has been abolished for companies with fewer than 25 employees. The option will be maintained only for those small businesses which already made use of this option by paying the disability benefit for employees who become unable to work.

➤ The decision to do away with the PEMBA Act for small companies was supported by small and medium-sized employers in the agricultural sector. This is because the financial consequences of employees becoming disabled were the greatest for them. Additional charges for one disabled employee, for example, could amount to up to 16 percent of average total wage payments. Generally, small and medium-sized companies were better in reducing sickness and disability-related absenteeism than companies with more than 500 employees.

Experts point out that the government is currently exploring options to introduce differentiated contributions for small and medium-sized companies in different sectors. Sectors with a higher than average disability benefit inflow may consequently be confronted with higher contributions. Results of this investigation are not expected before January 2004. This reform must therefore be regarded as an interim solution.

Results can be reported from the pension reform in 2000 which raised the actual age at which an early retirement pension can be claimed by 18 months (cf. Issue 3, p. 18). At the same time, new statutory provisions on part-time work for older employees have been introduced. The aim was to keep older employees in the active labor force by offering them the opportunity to reduce their weekly working hours without jeopardizing their social insurance entitlement. At the same time, they were to receive some compensation for the lost pay as well.

The part-time scheme can be used by women beginning at the age of 50 and men at the age of 55 until early retirement age. Thus, these older workers can work part-time under the scheme for a maximum of 6.5 years. The working hours of full-time workers must be reduced to between 40 and 60 percent of the standard working week. A similar reduction is also possible if the employee works at least 80 percent of the standard work week.

When moving from full-time to part-time employment, an employee is granted a compensation for the loss of income of at least 50 percent of the reduction in income resulting from the shorter working hours. The amount of social insurance contributions the employer is obliged to pay, as well as the amount of severance pay the employee is entitled to receive after termination of the employment relationship, continue to be calculated on the basis of the standard working hours.

The employee's working hours may be unevenly distributed over the period of part-time employment if this is provided for by a collective agreement. The employer receives a subsidy for this kind of part-time work from the Labor Market Service, which compensates for the disproportionately high social insurance contributions.

The government originally expected around 1,000 older employees to make use of the offer to work part-time. The actual number of older employees participating in the scheme, however, had reached 22,750 by end of December 2002. The budgetary costs amounted to €230 million in 2002. For the period 2003–2009, a total cost of €970 million is expected.

➤ Experts claim that the reform could be judged as a success if one considers entry rates only. The new regulations have significantly

Austria:

Early retirement reform increases part-time work among older workers—at a cost

stimulated part-time work among older employees since the regulations satisfy the interests of both employees and employers. However, the costs of the reform are very high, especially in comparison to other active labor market policy measures. Because the reform is not financially sustainable, changes in legislation (e.g., regarding eligibility) are planned.

Most importantly, the possibility of flexible distribution of work over the period of part-time employment allows employees to continue to work on a full-time basis for a certain period while accumulating compensatory time-off. This enables them to enter de facto retirement earlier. Contrary to the goal of increasing labor market participation of older workers, early retirement is therefore in a sense being subsidized.

State Welfare and Social Assistance

In Japan, a new welfare reform for the disabled focuses on integration rather than institutionalization. Nearly 30 percent of all mentally disabled persons are institutionalized. The new plan emphasizes their deinstitutionalization and reintegration into the community.

Details are available on the project Web site, www.reformmonitor.org.

Japan:

Welfare reform for disabled focuses on integration rather than institutionalization

Innovation ***
Impact **
Interest *

The “New Basic Plan for the Disabled” emphasizes the deinstitutionalization of mentally disabled people, their reintegration into the community and the free choice of personal-care services.

Nearly 30 percent of all mentally disabled persons in Japan are institutionalized. Many are institutionalized for a long period, very few ever return to the community. Institutionalization was carried out under the so-called “placement” system whereby the government assessed the needs and requirements of the disabled and placed them in institutions which it considered the most appropriate. However, the 1997 Structural Reform of Social Welfare has put forward the objective of establishing a system that ensures individual choice. This reform is the first attempt to actually put this objective into practice.

The “subsidy” system replaced the “placement” system in April

2003. Disabled persons are now allowed to choose the services and the service supplier they require, and will enter directly into a contract with the service provider (something previously handled by the government). A subsidy is then paid by the municipality to the service provider. However, for budget reasons, the government is considering putting an upper limit on the number of hours for which a person can receive care at home.

➤ Criticism is being voiced from associations for the disabled. They believe that even though the new system boosts “freedom of choice,” there are not enough service providers to choose from. They also criticize the upper limit on the hours for at-home care services. This not only prevents institutionalized people from leaving the institutions, it also cuts the life-line of many disabled people currently living in the community.

Experts point out that similar arguments had been raised at the time of the introduction of the Long-Term Care Insurance system (cf. Issue 1, p. 18; Issue 2, p. 15). The current problem of Long-Term Care Insurance, and probably also the biggest issue regarding this reform, concerns people with low incomes, especially disabled persons, whose employment rate is very low in Japan. In other words, the employment situation of the disabled must be improved so that they can provide for themselves and cover at least part of their care costs.

Changes and Results

The Australian federal government has initiated a consultative process with a position paper (titled “Building a simpler system to help jobless families and individuals”) to develop a framework for social security reform. Its goal is to increase self-reliance, and to restructure and rebalance assistance to ensure that all those who are able to work are encouraged to do so. The possible new reform follows those already announced and discussed in previous issues of the Reform Monitor. These include (cf. Issue 3, p. 17; Issue 4, p. 21; Issue 5, p. 36):

- A new tax system: introduction of a goods and services tax
- Welfare reform for those of working age

Australia:
Social security framework
overhaul initiated with
position paper

- “Australians Working Together”
- “Improving the Transition to Work”

The social security network provides welfare benefits to over 2.8 million Australians of working age and has developed over a century with a complex web of intersecting and sometimes conflicting objectives. The range and extent of payments is large, and over 30 percent of those in families with people of working age receive some form of support from the government.

Although the payments are modest by European standards, they provide a basic safety net. The benefits are targeted on the most disadvantaged through means-testing and in some cases through asset tests. From the government’s perspective, the arrangements are efficient but they do lead to “poverty traps” and high marginal tax rates.

In spite of strong recent economic growth, unemployment in Australia remains unacceptably high. Furthermore, the population is aging, the reproduction rate is low, and in recent times income inequality has been increasing. There is also a growing polarization between families with two people in the workforce and those with none. The case for reform is based on a number of premises:

- Australia has changed in many ways since income support began.
- Too many Australians rely on income support for too long.
- The income support system does not always provide clear incentives to work.
- Current arrangements are complex and inconsistent, and can be unfair.
- Differences between pensions and allowances have unintended negative effects.

Family Issues

The reforms under this heading mainly concern paid family and maternity leave. Australia, one of only two OECD-countries without a traditional system of paid maternity leave, plans to provide benefits to all working mothers by streamlining the existing benefits and introducing greater consistency.

California is the first state in the USA to create a comprehensive paid family-leave program. Up to six weeks of paid leave will be granted to workers to enable them to care for a new-born child or a sick relative, spouse or partner.

Canada implemented the six-week Compassionate Family Care Leave Benefit through the Employment Insurance system to allow employees to care for a severely or terminally ill child, parent or spouse. Canada also introduced a new child disability benefit to help low-and modest-income families cope with the financial burden of raising disabled children.

Sweden allows registered partners of the same sex to be jointly examined as potential adoptive parents.

Details are available on the project Web site, www.reformmonitor.org.

A proposed maternity benefit reform in Australia aims at providing benefits to all working mothers, streamlining a number of existing benefits and making the payments for mothers more transparent. Currently Australia is one of only two OECD countries that does not have a system of paid maternity leave in the traditional sense. Australia does, however, have a variety of family-related benefits, some of which include payments similar to a maternity benefit. There is the Baby Bonus, Family Tax Benefit A, Family Tax Benefit B, the Maternity Allowance, the Parenting Payment and child care support, all provided by the federal government. In addition, employers are required to provide unpaid parental leave.

The Baby Bonus provides a cash benefit upon the birth of the first child and is based on the prior income of the mother. It is payable for up to five years (cf. Issue 6, p. 35). The annual payments range between a minimum of €280 and a maximum of €1,400, depending on prior earnings of the mother.

Family Tax Benefit A helps families meet the costs of raising children. It is paid to families with dependent children up to age 21 and to young people between the ages of 21 and 24 who are full-time students. It is means-tested on the basis of family income with a maximum rate of €35 per week (9 percent of average weekly earnings).

Family Tax Benefit B provides extra assistance to single-income

Australia:

Maternity-leave benefit proposed

Innovation	**
Impact	**
Interest	***

families, especially those with children under the age of 5. The maximum rate is €30 per week (8 percent of average weekly earnings).

The Maternity Allowance is to help families with the costs associated with the birth of a new baby. It is paid as a non-taxable lump-sum at the birth of the child and is equivalent to about one week's wages.

The purpose of the Parenting Payment is to assist people with children, particularly low-income families, by providing an independent source of income. It is subject to an income and assets test and is paid to the primary care-giver of a dependent child. It is the main form of support for single parents. Single parents may receive up to €120 per week if they have no other earnings, while mothers living with a partner may receive up to €95 per week.

Permanent full-time and part-time employees who have worked for their employer for at least 12 continuous months have a minimum entitlement to 52 weeks of unpaid parental leave following the birth or adoption of a child.

The proposed reform would streamline these benefits and introduce greater consistency. Mothers who leave work to stay at home with their newborn children would receive 14 weeks at the rate of the federal minimum wage (currently €243 per week) or the woman's previous weekly earnings from her last job, whichever is less. To be eligible the woman must have been gainfully employed (including casual employment, contract work and self-employment) for 40 of the 52 weeks before the birth. Work may have been with any number of employers and/or in any number of positions. The payment will not be means-tested.

Women who take maternity leave will not be eligible for the Maternity Allowance, the first 14 weeks of Family Tax Benefit Part A and Family Tax Benefit Part B, and the first 12 months of payments from the Baby Bonus. Should the proposals be accepted, the reform would provide about €112 million of extra benefits (net amount after allowing for the loss of other benefits) for working mothers following the birth of their children.

➤ The proposal has been supported by a broad spectrum of commentators, feminists, government officials, parliamentarians and academics. However, conservatives who strongly support a domestic

role for women have pointed out that the benefit does nothing for their constituency and that the vast majority of women want to remain at home while their children are infants. They also note that the reforms are unlikely to have much of an effect on birth rates. Experts support an explicit benefit for working mothers but suspect that what is required is a broader consideration of all family payments. As has been pointed out, the proposed payment would lead to a sharper contrast with mothers who do not work before the birth of their children. For these women, there are other existing benefits, but they are means-tested. As with the Baby Bonus, unless the total range of family-related payments is considered, there is a danger that the introduction of another new payment will increase complexity.

Starting in January 2004, the Employment Insurance system will include a six-week compassionate family care leave benefit. This will allow employees to care for a severely or terminally ill child, parent or spouse.

The Employment Insurance system, which is under federal jurisdiction, provides a number of benefits to workers during spells of unemployment over and above regular income support. These supplementary or special benefits include maternity and paternity benefits, sickness benefits, and income support for training. The Employment Insurance system is currently running a large surplus, partly because of cuts in benefits in the mid-1990's, and to some extent due to strong employment growth in recent years.

This means that the system has ample resources to fund additional benefits such as "compassionate leave." Currently provisions for unpaid leave from work to care for ill family members only exist in the British Columbia and New Brunswick labor codes. In other provinces, workers risk the loss of their job when care interferes with employment. In addition to the risk of losing one's job, persons who choose to care for an ill family member are left without earnings during the leave period, and pension entitlements can also be reduced. The Romanow Health Care Report released in the fall of 2002 called for an expansion of the support system for caregivers.

The Employment Insurance Act will be amended to sanction a

Canada:

Family care leave benefit introduced

Innovation	*****
Impact	***
Interest	***

period of up to six weeks of paid leave for compassionate care for those who meet the general eligibility requirements of the Employment Insurance system's special benefits and who have observed a two-week waiting period. To provide flexibility in meeting the varying needs of individual families, eligible family members will be able to share the benefits.

Furthermore, changes to the Canadian Labor Code will prevent the loss of a job in cases of compassionate leave. It is possible that provinces that do not have a similar provision in their labor codes will follow in the federal government's footsteps. The federal budget is setting aside €54 million for 2003–2004 and €138 million for 2004–2005 and the following years.

➤ There is little opposition to this measure. The main concern of business is that it may be difficult for employers to find a temporary replacement for a worker who takes advantage of the six-week leave provision. As the measure will be financed out of the Employment Insurance fund, there will be no additional costs for employers. The Canadian Labor Congress has concerns that the leave period may be too short and that a significant number of workers will not be eligible for the benefits because they do not qualify for Employment Insurance (particularly women).

Experts believe that this measure is a significant advance in public policy. It draws public and employer attention to the needs of caregivers. The very great economic and health stresses on them are often overlooked. Moreover, because the compassionate leave provision will be embedded within an amended Employment Insurance Act, the measure will not only sanction a period of leave, but will also allow for paid leave so that caregivers will have some relief from the heavy costs of caregiving.

But the measure is only the first step in the development of a comprehensive support system for caregivers in Canada. It offers no support for persons who have had to quit their jobs to provide care at home or to elderly spouses who care for their ailing partners. The measure also does not help caregivers who may need some paid leave for caregiving responsibilities but whose relatives are not gravely ill or dying.

Also, compassionate leave should be understood as one of many

measures that provide relief for caregivers. The service package should also include day programs, respite beds, sitters and companions, housekeeping, adult day care, peer support, technical modifications to the home, transportation services, counseling, personal emergency services, longer facility stays and meal programs.

The new Child Disability Benefit will help low- and modest-income families cope with the often onerous financial burden of raising children who have a severe and prolonged physical or mental disability. The Child Disability Benefit will serve an estimated 40,000 families at a projected cost to the federal government of €31 million per year.

Income assistance for Canadians with disabilities is scattered throughout a variety of programs and sources, both public and private, and most of this assistance is only for adults. The federal government makes available several tax benefits (mainly in the form of income tax reductions) for people with severe and prolonged disabilities.

Recently the Disability Tax Credit (for adults) was expanded to include an income tax reduction on behalf of children with a severe and prolonged disability. This benefit is worth up to €368 annually per qualifying child in federal income tax savings, with the provincial and territorial governments providing similar benefits in their income tax systems. However, the Disability Tax Credit is a non-refundable tax credit (i.e., it reduces the amount of income tax owed) and so offers little or nothing to lower-income families who pay little or no income tax.

Disability-related income benefits are also provided through provincial and territorial workers compensation systems and through the federal Employment Insurance program.

The federal, provincial, and territorial governments have made a political commitment to invest in a National Children’s Agenda. Over the past several years, they have made progress in the areas of child benefits, early childhood development services (including child care, early childhood education, and parental and family support) and parental leave. The federal government has also made a commitment to reducing child poverty. Families with children who have

Canada:

Child Disability Benefit
for low-income families

Innovation	****
Impact	****
Interest	**

serious disabilities often face heavy financial costs for the support and services such children require (e.g., specialized equipment or personal aides).

The new Child Disability Benefit will be delivered through the federal Canada Child Tax Benefit, which is Canada's major source of income for children. Determination of disability, though, will be made through the Disability Tax Credit framework. The Canada Child Tax Benefit is a program whose benefits are geared to family income such that it pays its maximum amount to low-income families and a smaller one to more affluent families.

Around nine in 10 families qualify for the Canada Child Tax Benefit. Their eligibility is determined on the basis of net family income as per their annual income tax return. The benefit is paid monthly, and the payment year is July of one year to June of the next year. The Child Disability Benefit will pay up to €1,000 per child for its first year (July 2003–June 2004), with the maximum benefit going to families with net incomes below €21,000 (for families with three children or less).

Above that level, payments will decline and then end once net family income reaches €29,260 in the case of families with one child receiving the benefit, €29,878 for two children with the benefit and €30,270 for those caring for three or more qualifying children. To qualify for the new benefit, the child must have a severe and prolonged mental or physical impairment as determined through Disability Tax Credit stipulations.

In effect, Canada will have a benefit system based on income for families caring for children with severe disabilities made up of the new Child Disability Benefit and the existing children's supplement to the Disability Tax Credit. Poor and modest-income families will receive all or most of their benefits in the form of the Disability Tax Credit, while middle- and upper-income families will continue to receive their benefits from the Disability Tax Credit supplement for children.

➤ Critics argue that even though the new benefit is a welcome addition for families raising children with disabilities, it will be targeted on those children with severe and prolonged disabilities (i.e., those which markedly restrict their ability to perform the basic activities of daily

life). Like the Disability Tax Credit, the new Child Disability Benefit will exclude children with less severe and prolonged disabilities. It is also argued that the maximum benefit of €1,000 a year will relieve only a part (and in some cases only a small part) of the heavy financial burden borne by many families. Experts agree with these criticisms but point out that the Child Disability Benefit is nonetheless still a significant advance in both family and disability policy.

Since February 2003, registered partners of the same sex can be jointly examined as potential adoptive parents. The examination of suitability is based on the principle of ensuring that the “best interests of the child” are respected, not the parents’ sexual orientation. The legislation does not give homosexual parents an automatic right to adopt, only the right to be examined for approval to do so.

There are a growing number of people of the same sex living with children, mainly due to the fact that one of the partners is the child’s biological parent. Under the new law, adoption of step-children will be possible so that one partner will have the possibility to adopt the other partner’s biological child. Following the equal rights principle, adoptions will also be possible for homosexual couples in general.

Some concerns have been raised about whether it is in the best interest of the child to grow up in a same-sex family without a biological parent. There is little available research on same-sex couple adoptions, though, to conclusively support any argument. Research has been done, however, regarding cases where one partner is a biological parent. Results here have not shown any serious problems for the children involved.

In practice, the legislation will mainly concern international adoptions of which there are quite a few cases up for examination already. Adoption organizations in Sweden and the children’s home countries must be willing to allow children to be adopted by partners of the same sex. Signs of reluctance can already be observed in some countries.

➤ The reform has caused a debate regarding artificial insemination and other unconventional forms of conception. Some argue that allowing homosexual adoptions and new forms of reproductive

Sweden:

Homosexual partners entitled to adoption examination

Innovation	*****
Impact	***
Interest	*****

technologies may negatively affect the right of the children to know the identity of their biological parents.

There has been great skepticism from various adoption organizations and also from the National Board of Health and Welfare, which is the authority responsible for control over the local authorities that carry out the examination of potential adoptive parents. The National Board of Health and Welfare argues that there is a lack of relevant research and insufficient scientific evidence to support the reform. The main argument raised by opponents is that the reform is not consistent with the goal of satisfying the best interests of the child.

Some argue that internationally adopted children already have difficulties in their early years and should for that reason not be subjected to further stigmata. Experts point to the fact that the reform has great symbolic value since it implies the equal right of all citizens to be examined as adoptive parents. However, the reform will have little impact in practice since the amendment will concern only a relatively small number of cases.

USA:

Paid family leave
introduced in California

Innovation ***
Impact ***
Interest **

Starting in 2004, the state of California will grant up to six weeks of paid family leave to workers to care for a new-born child or to tend to a sick relative, spouse or partner. California is the first state in the country to create a comprehensive paid family-leave program. Current state and federal law guarantee 12 weeks of unpaid leave for those working for larger employers; the new law guarantees that six of those weeks would be paid.

Currently, the federal Family and Medical Leave Act (FMLA), which took effect in August 1993, requires businesses with 50 or more employees to grant workers up to 12 weeks of unpaid leave to attend to their own serious health conditions, the illness of a family member or the birth or adoption of a child. The act provides job protection and the continuation of health insurance for workers during their leave.

Nearly 24 million workers have since taken part or all of their entitled leave, but this represents only a relatively small share of eligible employees. California (along with four other states) has its own State Disability Insurance Program, with contributions amounting to about 1 percent of wage and salary income.

Beneficiaries who receive payments are subject to a seven-day waiting period, which will also be applicable to recipients of the new family leave benefit. Certain sectors of the workforce are not part of the program, including most government workers and those working for some non-profit organizations.

A 1996 government study of the federal unpaid leave program (based on the FMLA) cited concerns about lost income as a main deterrent to taking advantage of the right to unpaid family leave. By implication, the federal law does not have the positive effect that was intended on utilization of leave because of the financial hardships connected with actually taking it. State statistics show that 75 percent of California workers cannot afford to lose a pay-check, and such wage losses often occur when workers take advantage of the FMLA program.

Under the reform, workers will be offered partial wage replacement of up to 55 percent of the weekly wage (determined as the weekly wage from the highest earnings quarter of the past six to 18 months), up to a maximum of €650 and not subject to taxes. However, businesses are allowed to require an employee to take up to two weeks of unused paid vacation time (which is directly paid for by employers) before they can receive the new family leave payments.

The reform applies to all businesses in California, even those with fewer than 50 employees. Small businesses, however, do not have to guarantee job protection as other companies do. The reform will be funded completely through a payroll tax on employees, administered through the SDI program.

The average payroll tax increase is €24 a year but could go as high as €62 for workers earning more than €64,000 annually. Employee contributions to the SDI fund would vary depending on the balance in the fund. They currently range from a minimum of 0.1 percent of wages to a maximum of 1.5 percent. The amount to be deducted from pay-checks would be determined beforehand.

➤ California business organizations claim that they are already burdened with higher energy and worker compensation costs. Therefore, higher employment costs connected with paid family leave would make it harder for California to retain or attract private em-

ployers. Small business owners are concerned because one worker can represent a large percentage of their total workforce. Correspondingly, one absence can have a much greater impact on productivity than would be the case at a larger company.

Business owners are also concerned about abuse of the new system by workers who submit fraudulent claims for paid leave. To ensure that benefit payments are only made for actual provision of care to eligible relatives, an expensive verification system will have to be established. Furthermore, the reform will be implemented at an unfavorable time. California already faces an extremely large budget deficit. It cannot fund existing programs without raising taxes, yet taxes must be increased to pay for the new benefit.

Experts point out that the United States provides no mandated paid leave for birth or the care of sick relatives. This is very unusual among affluent industrialized countries, most of which require paid leave under some circumstances.

The reform passed by California offers very little paid leave (a maximum of six weeks). Even this limited amount of paid leave is hard to establish at the state level because many employers can relocate to another state which does not impose this cost. For that reason it will be hard to persuade legislators in other states to follow California's example. If paid family leave is to become an established and universal right in the United States, a change in federal law—rather than state law—would probably be required.

Changes and Results

Canada:
Early Childhood
Development Agreement
boosted

Canada's 2003 federal budget includes further increases to federal funding to the provinces and territories committed under the Early Childhood Development Agreement of 2000 (cf. Issue 4, p. 29). The budget commits a total of €587 million over five years to early learning and child care, consisting of €565 million to the provinces and territories and €22 million for First Nations children.

Taking into account Ottawa's 2000 five-year commitment of €1.3 billion to the provinces and territories for early childhood development services and the 2002 announcement of €200 million for

First Nations children, cumulative federal spending on these crucial services for families with young children will come to more than €2.2 billion.

The initiative also makes progress in creating the architecture for a comprehensive national system of child care and other early childhood education services, an area where Canada suffers from a severe shortage. The new funds announced in the 2003 budget are intended to increase the number of child care and preschool slots, reduce the cost of such services for low-and modest-income families, and improve the overall quality of these services.

Within a month of the release of the federal budget, the federal, provincial and territorial governments announced the successful negotiation of a Multilateral Framework on Early Learning and Child Care. The provincial and territorial governments agree to further invest in provincially and territorially regulated early learning and child care programs for children under six.

Early learning and child care programs and services funded through this initiative will primarily provide direct care and early learning for children in settings such as child care centers, family child care homes, preschools, and nursery schools. Types of investment could include capital and operating cost funding, fee subsidies, wage enhancements, training, professional development and support, quality assurance and parent information and referrals.

➤ The initiative is important because it not only increases federal funding for early childhood development services (albeit by only €587 million over five years, with just €62 million during the critical first two years), but it also targets increased funding to high-quality early learning and child care—an area of great need in Canada. Moreover, the Multilateral Framework provides a crucial set of criteria to guide the development and evaluation of a high-quality early learning and child care system in the years to come.

The 2003 federal budget announced further significant increases to the Canada Child Tax Benefit (cf. Issue 1, p. 28; Issue 3, p. 36; Issue 4, p. 33). The maximum Canada Child Tax Benefit payment will rise from €1,652 in July 2003 for the first child to a projected €2,036 in July 2007. The maximum benefit for a second child will increase

Canada:

Significant increases to the Child Tax Benefit

from €1,521 in 2003 to €1,893 in 2007, and for the third and each additional child from €1,524 to €1,896 during that period.

The increases to the Canada Child Tax Benefit announced in the 2003 budget are not being phased in by the same amount each year. The amounts for the July 2004–June 2005 and July 2007–June 2008 periods will be adjusted for inflation only, whereas real increases (i.e., on top of adjustments for inflation) will occur in the other periods (the Canada Child Tax Benefit has been fully indexed since 2000).

➤ Experts point out that these are substantial improvements. In inflation-adjusted 2003 terms, the maximum benefit for the first child was €1,065 in 1997, the year before the National Child Benefit reform began. The 2007 maximum payment (€1,893) will represent a substantial 77.8 percent real increase over 1997. The reform achieves a milestone in the development of the federal, provincial, and territorial National Child Benefit and marks the completion of a new architecture for child benefits—an integrated child benefit providing equal and portable benefits to all low-income families delivered through an inclusive system that also serves the large majority of non-poor families.

Annual increases in the federal Canada Child Tax Benefit have enabled the provinces and territories to redirect their spending from welfare child benefits into a range of non-welfare programs for low-income families. These include child care and other early childhood development services, supplementary health care, income-tested child benefits and earnings supplements. The next challenge is to build the Integrated Child Benefit into an adequate child benefit paying substantially larger amounts to low-income families (both welfare families and the working poor) and to those in modest to medium income brackets.

2 Labor Market Policy

As in previous reform monitor publications, this chapter includes a wide range of issues. Denmark intends to harmonize eligibility rules for unemployment and social insurance. The reform also moves responsibility for both forms of insurance to the Ministry of Employment.

Denmark introduced a highly controversial immigration reform as well. One focus will be on the labor market as key to integration, rather than on language courses—the requirement to speak Danish should not be a barrier to employment. Controversial issues include proof of residency before being entitled to social assistance, a new social assistance benefit and certain requirements for marriages to foreigners.

Canada's federal government intends to improve the level of education and skills of the workforce by creating a learning institute to coordinate knowledge on adult education. The UK reports on the adaptation of labor market regulation to EU directives. This has implied a shift towards a much more legally defined regime in Britain.

Details are available on the project Web site, www.reformmonitor.org.

The federal government announced the creation of the Canadian Learning Institute. Its goal will be to link education researchers across Canada and make their research available to labor market stakeholders (employers, employees, labor organizations, learning

Canada:
Learning Institute
to coordinate knowledge
on adult education

Innovation ***
Impact **
Interest **

institutions, etc.). In this way, the Institute should contribute to improving the level of education and skills of the workforce. The creation of the Institute stems from the concern that Canadians and organizations investing in human capital are not always able to judge the effectiveness or adequacy of the training they provide or receive.

Education in Canada is primarily a provincial responsibility. The federal government has historically had jurisdiction regarding workplace training, but in 1996 it largely relinquished its responsibilities in this area to the provinces. The federal government does, however, provide financial resources to the post-secondary education system by directly funding, for example, student loan programs, research granting councils, and Canada Research Chairs. In recent years the federal government has greatly increased its funding in these areas because of the importance it places on education as a determinant of economic growth.

In the mid-1990's, the federal government created the Canadian Institute for Health Information (CIHI) with the mandate of consolidating and developing the information base in the health field. This is also an area primarily under provincial jurisdiction, but one in which the federal government plays a major role in funding and setting standards. CIHI is considered by many to be a success.

The Canadian Learning Institute can thus be seen as an attempt to establish a CIHI-like multi-stakeholder organization in the education arena. The role of the organization is to coordinate and consolidate the knowledge base about educational opportunities, with a particular focus on adult education, where both the federal government and the provinces have responsibilities. The project was allocated €63 million in funding in the 2003 federal budget.

➤ The provincial education ministers regard the creation of the Canadian Learning Institute as an intrusion into their jurisdiction and as part of a larger attempt by the federal government to pursue a national education agenda. They would rather see the federal government increase its transfers to the provinces in order to fund Internet access in schools and post-secondary institutions.

Some argue that the case for such an institution, and in particular for an institution with such a large endowment (€63 million) is not

persuasive as there is currently no lack of information on education in Canada from other sources. Experts claim that the case for the importance of education for economic success is certainly solid, and any initiative that can improve the contribution of learning to society is to be lauded. However, they see four reasons to be skeptical about the success of the Institute.

First, the provincial displeasure with the announcement bodes ill for success as the provinces have the primary responsibility in the education field.

Second, the motivation of the federal government for this initiative appears to be prompted more by political opportunism, reflecting its desire to regain its pre-1996 role in the adult education and training field, than by a real need for such a body to coordinate learning information.

Third, the organization is to be driven by a number of diverse stakeholders, including governments, business, labor and educators, whose interests are not always identical. The danger of this approach is that if common ground cannot be found among the various interests involved, the organization will flounder.

Fourth, the Institute has been allocated a substantial endowment of €63 million. While this will certainly relieve financial pressures for the new organization for many years, it may also make it less responsive. Organizations that do not have to “pay their own way” because of financial independence can become complacent and lose touch with their original mission.

After the government change in November 2001, a new labor market reform was launched in Denmark with the slogan, “It has to pay to work.” One major aspect of the reform involves the move of the responsibility for social assistance from the Ministry of Social Affairs to the Ministry of Employment. Unemployment insurance and social assistance will thus be administered by the same ministry, and the eligibility rules for social assistance and unemployment insurance benefits are to be harmonized.

Until now, eligibility rules and penalties differed significantly between the social assistance and unemployment insurance systems. Insured unemployed persons were registered with the employment

Denmark:

Unemployment insurance and social assistance to be harmonized

Innovation	*****
Impact	*****
Interest	*****

service, while uninsured unemployed persons were registered with their respective municipalities. The processes also differed for visiting and registering with the municipalities and the employment service.

Apart from these structural problems, the new government claims that there has been an inclination to regard the unemployed as “clients” for a long time. This resulted in a system which had the tendency to keep those without work on unemployment rolls rather than to help them back into the workforce. The plan seeks to concentrate on the needs of the unemployed, rather than on the question of whether the unemployed are insured or not. This will be done by improving qualifications through education, and through more intense and continuous personal contact.

With the reform, rules applicable for social assistance and unemployment benefit recipients will be harmonized and simplified in the areas of inspection, scheduled appointments, mediation, active offers, penalties and availability. The sum of €4 million will be set aside in the employment service’s framework to initiate cooperation between the employment service, the communities and other relevant players.

An action plan will be developed individually for each unemployed person, taking into account individual wishes, qualifications and the general requirements of the labor market. Individually scheduled appointments will be required for all recipients of unemployment insurance, social assistance, introduction benefits, “start help” and revalidation.

The appointments are targeted towards the individual’s specific needs, one being required at least every three months. It could consist of one or several of the following elements: consultation about the unemployed person’s qualifications and job options, support for job applications, courses in job search techniques, visits to different workplaces with the aim of clarifying job goals and guidance in the use of self-help tools.

Within the first year of unemployment, there should be an action plan with the first offer of activation. Rules about activation offers within the first year for unemployment benefit and social assistance recipients will be harmonized. The current 32 different types of active offers are reduced to three tools: guidance and support for

improving qualifications, trainee programs or internships and wage subsidization. The different tools for municipalities and employment services are to be harmonized as well.

Unemployed below age 25 have the right and obligation to participate in educational training after six months of unemployment. For those between age 25 and 29, there is an increased focus on education with an entitlement to it after six months (previously 12). Those aged 58 and 59 will be covered by the general rules about flexibility, individual appointments and offers.

Special provisions are being implemented for married couples where both partners receive social assistance. It is argued that the total amount of social assistance significantly reduces the motivation to work. Consequently, the exempted amount per working hour before calculation of social assistance has been raised from €1.50 to €3.80 for married social assistance recipients. Total monthly benefits have been reduced by €67 to €1,348 (equal to 75 percent of unemployment benefits).

Individuals are required to look for work and accept reasonable offers from day one of unemployment, with increased geographical mobility: four hours of commuting daily, with family responsibilities taken into consideration. First-time penalties include a five-week cut in unemployment benefits for all types of negligence (e.g., quitting a job or rejecting job procurement or activation options), while social assistance recipients will have their benefits reduced by a third. The second-time penalty for recipients of unemployment benefits requires 300 hours of regular work within ten weeks before benefits will be paid. Social assistance in such cases would be reduced by a third for a maximum of 20 weeks.

➤ Opponents of the reform from the left argue that more and better rights for the unemployed are necessary for a well-functioning labor market—something that the reform does not provide. They also argue that the reform focuses on the wrong side of the labor market: rather than creating incentives for the unemployed to find work, an effort should be made to create more jobs.

Experts claim that the reform represents a break with the active labor market policy in effect during the 1990's. This policy cannot be said to have been without success because unemployment was

reduced significantly. There are, however, at least two reasons that the unemployment problem will remain even with the reform: first, the economic climate is changing; and secondly, the figures which show how unemployment was brought down through the 1990's often conceal the fact that many people are still working in job programs and therefore cannot be said to have a regular job.

Denmark:

Immigration reform

Innovation ****
Impact ****
Interest *****

With the change of government in Denmark, campaign promises in the areas of residency requirements, asylum policy and immigration were redeemed. The political debate about integration, refugees and immigrants had been fierce for many years, and the new liberal/conservative government was largely elected because it promised to change and tighten the nation's immigration laws.

It is generally believed that the integration of foreigners in Denmark has not been successful. This view is based on the perception that too many immigrants receive cash transfers and have poor Danish language skills. The extent to which family reunification has been allowed is also seen as a major problem.

The government established a new Ministry for Refugees, Immigrants and Integration and proposed new approaches within their plans "A New Policy Towards Foreigners" (January 2002) and "On the Way to a New Integration Policy" (March 2002).

An earlier reform under the previous government in 1999 had launched a three-year introductory program for immigrants with language instruction, a course about Danish society and other support and guidance offers according to specific needs. Foreigners without work were also eligible to receive an "introduction benefit," which was set at the same level as social assistance.

The new laws (July 2002) introduced a requirement calling for proof of several years' residency before being entitled to social assistance, as well as tighter rules governing the extradition of foreigners back to their home countries. Marrying a foreigner requires both spouses to be above the age of 24, and the Danish spouse must fulfill certain housing requirements and be able to support the non-Danish partner. For this a bank guarantee of €6,700 is required. Permanent residency status can be applied for after seven years (previously three).

Most notably, the introduction benefit was replaced with a new type of monthly social assistance called “start help.” Married persons above the age of 25 who live together and singles below the age of 25 are eligible to receive €570 per month. Children below the age of 25 living with one or both of their parents receive €280, while singles above the age of 25 receive €690.

Further changes were implemented in October 2002 with a focus on the labor market as the key to integration, rather than on language courses. Previously, integration policy was based on the assumption that new citizens needed to learn Danish before they could get a job. The new policy holds that the requirement to speak Danish should not be a barrier to employment, with the priorities now: a job first, then language training—with help from employers.

The reform creates more flexibility in language training and breaks the monopoly of the country’s language centers. The municipal boards can make agreements with other language instruction providers, e. g., to offer language courses on site at companies with a focus on specific job requirements.

As for preparing immigrants for the job market, a step-by-step model is introduced for immigrants. The first step is the active start period where basic prerequisites for integration into the labor market are created. The next step includes apprenticeships, followed by the last step—a regular job. This process can be combined with language training. Failure to follow the program could lead to cuts in the “start help” introduction benefit.

➤ The government’s new integration policy has been highly controversial. Among other things, there has been a great deal of criticism regarding the low level of start help, and some critics argue that the conditions for immigrants in Denmark are in breach of human rights conventions.

Experts claim that the changes to the immigration and integration policy are of great importance because these questions have been central to public debate in Denmark for a long time. The efforts to concentrate on the labor market as the key to integration should be welcomed. However, it is just as important to create opportunities in the labor market for immigrants as it is to make sure that the immigrants are motivated to seek work.

Changes and Results

France:

Three-year plan to balance the budget of the unemployment insurance system

Trade unions and employers organizations agreed on a three-year plan to balance the budget of the unemployment insurance system. For 2002 the unemployment insurance system reported a deficit of €3.7 billion and projected a cumulative deficit of €15 billion for the period 2003–2005.

To balance the budget, social insurance contributions will be increased by an additional 0.6 percentage points on top of the increase for the period July–December 2002 already agreed on. Total contributions to the unemployment insurance system are now 6.4 percent (an employer contribution of 4 percent and an employee contribution of 2.4 percent).

Furthermore, the eight determining factors for unemployment benefits (e.g., age, seniority at last job, duration of employment, etc.) will be reduced to four, and eligibility for benefits will be tightened (a minimum of six months of contributions is required to be eligible for benefits versus four months previously). These measures will result in estimated additional revenues of €9 billion from unemployment contributions and €6.5 billion in savings in unemployment benefits. In addition, a “regulation fund” has been created to compensate for major cyclical fluctuations between benefits and contributions.

➤ Experts claim that the agreement is capable of balancing the unemployment insurance system’s budget, but they question the capabilities of the “regulation fund.” The effective increase of the early retirement age supplements other policies aimed at increasing employment among people aged 55 and older. Without a system to encourage older workers to remain employed, though, these measures might not be enough to keep them in the labor force.

Germany:

Newly introduced active labor market programs

Germany has implemented several reforms to encourage taking low-paying jobs by reducing employees’ social security contributions. High social security contribution rates combined with relatively generous and unlimited unemployment and social assistance are considered important reasons for the low levels of employment among people with low earnings potential.

Previously, low earnings were exempt from employees' social security contributions up to a monthly threshold of €325 under the so-called "marginal employment" regulation. Earnings exceeding this amount were subject to the normal rate of employees' social security contributions (about 21 percent of gross earnings). In essence, mostly housewives and students benefited from this regulation by being able to augment their household income on a "gross equals net" basis.

In contrast, recipients of social assistance suffered from a benefit withdrawal at a rate of 85 to 100 percent of earnings exceeding a small allowance of around €75. On top of that, at earnings of €325 and above, the marginal burden of beginning social security contributions amounted to far more than 100 percent. This had the effect of preventing employees from crossing this threshold. Welfare recipients were hence locked in the poverty trap.

The "Mainzer Model" reform (cf. Issue 6, p. 61; Issue 5, p. 51) can be viewed as a first attempt to avoid an excessively high marginal tax burden during the initial re-entry phase into regular employment. Social security contributions of a single person with monthly earnings exceeding €325 but below €810 (or €1,620 for married persons) and a weekly working time of at least 15 hours were subsidized at a decreasing rate.

At the lower end, the subsidy exactly offset social security contributions, thus removing the formerly excessively high marginal burden. The subsidy then declined linearly with increasing earnings, falling to zero at the upper end of the bracket. Although social assistance withdrawals according to increased earnings did not change, the amount of the "Mainzer Model" transfer was not affected by other welfare benefits.

The transition from marginal employment to regular employment covered by the social security system thus became easier, whereas disincentives for social security recipients to take up jobs remained. Therefore, the low number of 11,000 newly created jobs within one year on account of the program is hardly surprising.

Following proposals by the "Hartz Commission" (cf. Issue 7, p. 45), new regulations have been implemented. They replaced the "Mainzer Model," which ended on March 31, 2003, after being in

effect for only 13 months. Starting on April 1, 2003, threshold earnings for marginal employment went up from €325 to €400 per month. Employers must pay 11 percent of gross earnings to the employee's public health insurance, 12 percent to the public pension system and two percent on income tax. The total of 25 percent is about four percentage points above the usual employer-paid social security contributions.

In return, employers are compensated for higher labor costs by a simplified social security administration. Additionally, labor costs for workers in private households, such as gardeners and household help, reduce employers' income tax liabilities. The employers' share of social security contributions amounts to only 12 percent in such cases.

In the subsequent bracket of gross monthly earnings between €400 and €800, the employer pays the ordinary social security rate of roughly 21 percent. The employee's contributions, on the other hand, start at a reduced rate of 4 percent of gross earnings. They then increase linearly to 21 percent at the end of the range, thus restoring Germany's social security cofinancing principle.

The main benefit of this new regulation is its better integration into the existing system of social security financing. However, the employment effects of this design, especially for less skilled workers with low earnings potential, are expected to be similar to those of the "Mainzer Model."

The new regulations have also introduced an alternative instrument to the "transition allowance" ("Überbrückungsgeld"), a subsidy paid to previously unemployed people who become self-employed. This payment, which has been in existence for several years, is equal to the previous monthly unemployment benefit plus associated social security contributions formerly paid by the employment office. The transition allowance is paid for a period of six months. This subsidy is intended to pave the way to complete self-employment and includes the exemption from social security obligations.

The new start-up subsidy, originally termed "Me, Inc." ("Ich-AG"), is likewise targeted at previously unemployed people who seek to become self-employed. In this case, however, social security obligations remain effective. To be eligible for this subsidy, the annual earnings of the newly self-employed must not exceed €25,000. It is

paid for a period of three years with decreasing subsidy levels. In the first year, the monthly subsidy is €600, reduced to €360 and €240 in the second and third years, respectively.

Contributions to the public pension system are mandatory but calculated differently from those of dependent workers. Membership in the public health insurance system may be obtained at a relatively modest rate (€160 per month). Unemployed low-skilled or part-time workers are the main target groups addressed by this start-up support because they benefit relatively little from the transition allowance. Entrepreneurs with families should opt for the start-up subsidy as well because of the continued health insurance coverage for the whole family provided in the public system.

In conjunction with this new subsidy, the regulation on so-called “ostensibly self-employed” (“Scheinselbstständige”) from 1999 has been relaxed in order to facilitate the transition from unemployment to self-employment. The regulation had been enacted originally in order to prevent dependent workers from circumventing social security obligations.

Furthermore, a so-called “Small Business Act” has been envisaged, providing relaxed accounting requirements as well as lower and simplified taxation for small businesses.

➤ Critics and experts alike argue that subsidies of social security contributions cannot be exclusively targeted at people with low earnings potential (i.e., those earning low wages), as they are also highly attractive for those who choose to work few hours (e.g., housewives or students). Furthermore, these subsidies cannot be limited to currently unemployed people because people could become unemployed on purpose in order to profit from these regulations.

Also, labor supply flexibility is generally estimated to be too small for these subsidies to induce large increases in labor force participation rates. Some of the currently employed with earnings within or marginally above the subsidy range may reduce their hours worked to profit from the degressive subsidy or to become eligible in the first place. Even if there was a noticeable increase in the labor supply, employment could only increase if labor demand changed accordingly. The new regulation, however, does not provide for a reduction in employers’ social security contributions, and reductions in direct labor costs

are usually opposed by the country's trade unions. If there is downward inflexibility in overall wage costs, the increased labor supply will only translate into higher open unemployment in the worst case. In any case, open unemployment may not fall if the additional labor supply originates mainly from marginally attached workers who had not been actively looking for work previously. Critics also make the point that there is little room for additional expenditures on labor market programs and that the government's assumption that the reform is self-financing is unrealistic. It is therefore feared that the reforms will have no significant positive effects on the employment prospects of Germany's unemployed.

Spain:

Strong public opposition forces changes in unemployment legislation

Despite much resistance and a general strike, Spain's unemployment protection reform was implemented in December 2002 (cf. Issue 7, p. 49). However, strong public and trade union opposition forced the government to modify essential aspects of the initial law during the legislative process.

Under the initial terms of the new reform, unemployment benefits were to be paid only to those who make a written commitment to accept all proposals which would help them find work. They must then accept the first offer of a "suitable job" within 30 kilometers of their home, or one which requires a travel time of less than two hours (providing that the journey does not cost more than 20 percent of their wages).

According to the modified law, the written commitment is to be introduced on a voluntary basis for the first 100 days of unemployment, and rejecting a job during this time will not automatically be penalized. A "suitable job" is defined in more detail as "one which resembles the last activity performed for a period of 3 months or longer." Failure to find such a job within 12 months forces the unemployed person to accept any job that the unemployment services regard as suitable. Travel time should take into account professional and personal circumstances, such as family responsibilities, job specifics, available means of transportation and characteristics of the local labor market.

Furthermore, in the initial bill, the introduction of means-tested unemployment benefits defined unemployment benefits as "incom-

patible” with other income. This means that unemployed people who receive income from assets and investments would not be eligible to receive unemployment benefits.

The modified law maintained the spirit of the original proposal but excluded severance pay from the list of incompatible income. The new law also reinstated unemployment benefits for part-time seasonal workers (hotels, catering, tourist services, etc.), which were excluded under the original terms of the law because they were regarded as “permanent” part-time workers.

The initial law also would have entitled workers who are laid off to receive their entire unemployment benefit entitlement in a lump sum. They could then either invest this into a new business activity or use it as a quarterly subsidy to their social security contributions. This has been slightly changed so that the benefit can be split between business activities and social security subsidies.

The unions managed to remove the clause stipulating that dismissed workers were to be considered unemployed from the first day of unemployment. The National Institute of Employment would then have had to pay unemployment benefits during the statutory notice period. Normal wages will now have to be paid again by the companies during the notice period.

➤ The initial bill elicited strong opposition from the Spanish trade unions, who considered it an attack on the fundamental right to social protection. The subsequent strike pressured Spain’s President into replacing his Minister of Work and Social Affairs and into renegotiating the reform. The unions managed to completely or partially reverse most of the aspects of the original reform that they found objectionable.

Experts point to the following major issues regarding the law and the activities leading up to its finalization:

- The underlying motive of the government—reform of the country’s system of industrial relations—met with strong opposition, which forced the government to reintroduce more dialogue between the country’s business and labor social partners.
- The intention to strengthen rights and obligations has failed in part because most of the radical measures were abandoned; nevertheless, the spirit of the original bill is retained in the law.

- Public employment services formerly had a very small role in job placement for those in high-risk groups. Their enhanced role, as mandated by the original bill, was reduced again by the final law.

Experts also point out that the reform might simply be used to reduce the number of beneficiaries by offering jobs with very low qualifications, stability and salaries. Active support in search for employment is a common objective, but to many this reform package does not seem to be the best way to achieve it.

3 Industrial Relations

In the United Kingdom, the continued implementation of EU directives regarding employment entails a fundamental change in industrial relations. The directives require legislation for areas scantily regulated previously, such as part-time work, agency work and workers' information and consultation. This leads to frictions between unions and employers but also between the government, which is trying to follow a minimalist approach, and EU institutions.

Details are available on the project Web site, www.reformmonitor.org.

The continued implementation of EU directives regulating employment since the Maastricht Treaty⁵ has implied a shift towards a

5 The Maastricht treaty is officially known as the "Treaty of the European Union," and with it the EU came into existence. By adding two new areas (justice and home affairs, and a common foreign and security policy) to the existing European Community, the so-called three pillars of the Union were established. The treaty also introduced integration in employment and social issues. The United Kingdom negotiated an opt-out of the so-called social chapter—a part of the treaty which was eventually adopted as a protocol and which covered issues such as workers' pay, health and safety. However, in 1993 the Commission's Working Time Directive was passed into law. It was introduced not under the Social Chapter but as a single market measure, thereby circumventing Britain's exemption. On coming to power in 1997, Tony Blair's Labour government carried out its manifesto pledge to cancel the British opt-out, clearing the way for the incorporation of the Chapter into the main body of the Treaty of Rome by way of amendments in the Treaty of Amsterdam.

United Kingdom:

Adaptation of labor market regulation to EU directives

Innovation ****
Impact ****
Interest *****

much more legally defined regime in Britain. As a consequence, employment law is now a much more important element in British industrial relations than ever before.

At the same time, British governments, both Conservative and Labor, have tended to resist new EU legislation. Hence, the transposition of EU directives into British law has proved contentious. This has been evident with the current debates over regulation of “atypical” employment, the implementation of the information and consultation directive and the extension of the working time directive.

Employment in the United Kingdom has historically been regulated neither by detailed individual rights defined by law as in most of Europe, nor by comprehensive industry-wide collective agreements, as in the Nordic countries. Rather, “voluntarism” in Britain has entailed that most aspects of employment relations depended either on agreement between the individual employee and the employer, or on single- or multi-employer collective bargaining where it existed.

In practice, there was considerable coverage by collective agreements (roughly 75 percent of the workforce in the 1970’s), which then served as benchmarks for the labor market as a whole. The Thatcher and Major governments abolished or weakened many of the already limited employment rights defined by law, while at the same time undermining the coverage of collective bargaining. They also presided over a rise in unemployment which led to a deterioration of labor market conditions in the growing non-collective bargaining sector.

Although the Blair government has introduced some new positive employment rights, notably the national minimum wage (cf. Issue 1, p. 43; Issue 3, p. 53) and the procedure for trade union recognition (cf. Issue 2, p. 46; Issue 4, p. 64), it has declared that the British labor market remains “the most lightly regulated” in any industrialized country.

While the United Kingdom is obliged to implement EU social legislation, it has, like all member states, considerable discretion in the way it chooses to put into practice any directive. Accordingly, there is significant debate over whether the government should adopt a “minimalist” approach, which conforms as narrowly as pos-

sible to the letter of a directive, or regulate more broadly in order to meet its spirit.

In general, the narrow approach has prevailed. In some cases this has led to charges that the United Kingdom has failed to meet the requirements of EU legislation. In the case of the parental leave directive, for example, this resulted in a challenge by the European Court of Justice, after which the United Kingdom was compelled to revise its legislation (cf. Issue 5, p. 50). Likewise, it would also be possible to take the adoption of an EU directive as an occasion to initiate a comprehensive review of a policy area or purely to address the specifics of the European legislation.

The 1997 directive on part-time work was implemented by regulations issued in 2000. Some commentators alleged that the provisions fell short of the requirements of the directive (cf. Issue 3, p. 44). Two amendments were adopted in 2002 concerning full-time workers as benchmarks for the working conditions of part-time employees and access to occupational pension schemes. The 1999 directive on fixed-term contracts was also implemented by regulations which came into force in October 2002.

The proposed directive on temporary agency work, currently the subject of mediation between the European Parliament and the Council, has been particularly contentious in the United Kingdom. There have never been significant legal constraints on agency employment in the United Kingdom and some 700,000 workers are estimated to be employed on this basis, far more than in any other member state. The employers organization CBI (Confederation of British Industry) has strongly resisted the proposed directive, and it is largely because of British government pressure that the current draft directive excludes those employed on assignments of under six weeks from parity of pay and conditions.

The United Kingdom has never had a works council system. Employee representation at the company level has normally been through shop stewards or other trade union representatives where these are recognized by the employer. Declining trade union membership has resulted in a growing representation gap. The European Works Council directive of 1994 was thus a major innovation in British industrial relations.

Despite the ‘Maastricht opt-out,’ many British companies met the requirements for inclusion under the directive through their employment practices elsewhere in Europe. In fact, a minority of companies which established works councils attempted to exclude their British employees from membership. Following the end of the opt-out, all “community-sized” enterprises in the United Kingdom are subject to the terms of the directive.

The 2002 directive on information and consultation in national-level companies was strenuously resisted by British employers and also the British government, which tries to attenuate the effects by allowing an extended implementation period for smaller companies and by diluting the penalties for non-compliance.

In July 2002, the government issued a discussion paper entitled “High Performance Workplaces: The Role of Employee Involvement in a Modern Economy,” inviting opinions on the implementation of the directive. The initial consultation period ended in December 2002, but as of April 2003, the government’s detailed proposals are still being awaited.

The 1996 Working Time Directive was unsuccessfully challenged in the European Court of Justice by the Conservative government. Its Labor successor agreed to comply and issued regulations in 2000 which adopted a minimalist approach. Notably, individual employees were allowed to “opt out” of the 48-hour limit on the average work week. Even where the limit applied, employees could work “voluntary” unrecorded extra hours.

In April 2002, it was reported that the European Commission was taking the initial steps towards legal proceedings against the British government for non-compliance. Concurrently, the government is preparing for the implementation of the 2000 extension directive covering transport workers and junior hospital doctors who were previously excluded. Draft regulations were published in October 2002, with a consultation period that ended on January 31, 2003.

➤ The CBI has been the member of UNICE (Union of Industrial and Employers Confederations of Europe) most vehemently and most consistently opposed to EU employment regulation. It has argued for example that the agency workers directive would destroy 160,000 jobs and that companies should decide for themselves whether to

introduce structures for employee information and consultation. It also maintains that the working time directive is “one of the worst pieces of EU employment legislation in the statute book.” The key themes of its arguments are “flexibility and choice.”

Experts point out that the controversies over EU regulation and its implementation in the United Kingdom are in part a confrontation between employers and trade unions. The latter emphasize the need for individual employment protection and insist that to allow individuals to opt out of prescribed conditions exposes them to exploitation by employers. They also argue that EU social regulation, effectively implemented, can stimulate a modernization of British work practices and improve economic performance.

Conversely, the CBI is mounting a largely defensive—but politically effective—resistance to all constraints on employers’ discretion.

At a different level, the issue at stake is the relationship between an Anglo-American model of employment relations and a European “social model.” Whether, and how, the British system may become “Europeanized” is a major issue for policy analysis. British industrial relations have certainly become more similar to continental European practice in some respects, but change has been slow and is likely to remain so. To a great extent this is due to the minimalist approach of the British government.

Changes and Results

Tripartite agreements between the government, labor and business social partners contain arrangements for the prevention of work-related risks, absence from work and early and effective reintegration into the workforce (the so-called “Arbo Convenanten,” or working condition covenants). By adopting a tripartite agreement, the partners share the responsibility for improving working conditions and for bearing the associated financial costs. Support is widespread, especially since these agreements can be incorporated into collective bargaining agreements.

In improving working conditions, special interest is given to work-related risks, such as heavy lifting, repetitive strain injuries,

Netherlands:

Tripartite agreements to improve working conditions

hazardous noise, work-related stress and exposure to solvents, allergenic substances and quartz. These risks should be reduced by reaching agreements in those sectors where they are most prevalent. The objective is to set standards for exposure and the extent to which companies must plan to take precautionary measures. Specific quantitative targets for prevention and implementation are important factors for the success of these tripartite agreements.

By November 1, 2002, 33 tripartite agreements had been settled, declarations of intent had been signed for 19 sectors, and preliminary talks were being held in four sectors. The agreements cover a wide variety of arrangements, with most focusing on work-related stress and quick and effective reintegration into the workforce.

In 21 agreements, approaches have been developed to mitigate workplace pressure, while 24 agreements include measures addressing early reintegration and the reduction of workplace absenteeism. More than one-third of Dutch employees are currently covered by one of these agreements.

Preliminary results regarding the implementation of the agreements indicate that they appear to be effective in reducing the number of days of absence due to sickness. For example, for 70 percent of the schools falling under an agreement, the average sick leave percentage has dropped from 14.5 to 11 percent. Due to these and other preliminary results, the Ministry has announced increased promotion of the tripartite agreement approach.

➤ The introduction of the “Arbo Convenanten” is a step towards a more efficient social security system, and it gives employers and employees a tool for improving working conditions. Instead of simply trying to restrict accessibility (cf. Issue 7, p. 24), the covenants focus more on the core of the problem.

This is a response to the observation made by the government’s official Occupational Disability Advisory Committee that the causes of the disability problem are primarily found in accessibility criteria and that strategies preventing people from becoming unfit for work have virtually vanished. Furthermore, to make the agreements a structural success, it is the task of both the labor unions and employer organizations to set differences of opinion aside and reach a consensus on how to improve working conditions.

Reform Tracker

Health Care

- Australia
 - Private health insurance rebate, issue 1, p.13; issue 2, p.13; issue 3, p.13; issue 4, p.16
- Austria
 - Health care for rural regions, issue 3, p.10
- Austria
 - Hospital financing, issue 1, p.13; issue 4, p.16
 - Flat copayment for outpatient treatment in hospitals, issue 5, p.9; issue 8, p.14
 - Work leave to care for terminally ill relatives, issue 7, p.14
- Canada
 - Health care inquiry report, issue 6, p.10
 - Health care funding increased substantially, issue 8, p.9
- Denmark
 - Quality indicators, issue 1, p.17, issue 3, p.14
 - Public health program, issue 3, p.10; issue 5, p.13
 - Services and welfare, issue 3, p.11
 - Cancer and psychiatric treatment, issue 3, p.11
 - Hospital waiting period reduction, issue 6, p.13; issue 7, p.17; issue 8, p.16
 - Monitoring retirement homes, issue 6, p.14
 - City councils with new care role, issue 7, p.10
 - Private home nursing introduced, issue 7, p.11
 - Free choice of retirement homes across city limits, issue 7, p.10

- | | |
|----------------|---|
| France | <ul style="list-style-type: none">– Universal health care coverage, issue 1, p. 15; issue 6, 21 |
| Germany | <ul style="list-style-type: none">– General health insurance reform, issue 2, p. 10– Health care reform, issue 1, p. 10, issue 2, p. 13– Electronic health pass, issue 6, p. 15 |
| Italy | <ul style="list-style-type: none">– Health care reform, issue 1, p. 10; issue 2, p. 14, issue 3, p. 14– Abolition of copayment system, issue 4, p. 12– Expenditure cuts and decentralization, issue 6, p. 17– Reduction and control of pharmaceutical expenditures, issue 7, p. 12; issue 8, p. 16 |
| Japan | <ul style="list-style-type: none">– Medical insurance reform, issue 1, p. 11, issue 3, p. 15; issue 4, p. 17– Long-term care insurance, issue 1, p. 18, issue 2, p. 15– Medical fee cuts and copayment increases, issue 6, p. 18; issue 7, p. 18– Complete overhaul of public health system proposed, issue 8, p. 13 |
| Netherlands | <ul style="list-style-type: none">– Health care organization reform, issue 1, p. 12– Demand-directed care system, issue 1, p. 18 |
| Spain | <ul style="list-style-type: none">– Health care consolidation and administration reform, issue 1, p. 12, issue 3, p. 15; issue 4, p. 18– Fees for public social services, issue 1, p. 19 |
| Sweden | <ul style="list-style-type: none">– Abolition of health care fees for families, issue 1, p. 15– Sickness insurance inquiry, issue 4, p. 13; issue 5, p. 13– Profit restrictions for hospitals, issue 4, p. 14– Cap on care fees, issue 7, p. 13 |
| Switzerland | <ul style="list-style-type: none">– Health insurance revision, issue 1, p. 14– Hospital financing, issue 1, p. 14 |
| United Kingdom | <ul style="list-style-type: none">– NHS plan, issue 4, p. 9– Proposed shift to privatization of public services, issue 5, p. 11 |

- Free long-term nursing and social care in Scotland, issue 6, p. 19
- USA – Subsidized health insurance for children, issue 1, p. 16
- Health insurance coverage expansion, issue 2, p. 11
- Medicare 2000: voluntary prescription drug benefit, issue 3, p. 12
- Health care credit for workers affected by import-related competition, issue 7, p. 15

Pension and Social Security

- Australia – New tax system, issue 3, p. 17
- Austria – Social security coverage broadened, issue 1, p. 24
- Early retirement age increase, issue 3, p. 18; issue 8, p. 31
- Canada – Partial funding, issue 1, p. 21, issue 3, p. 26; issue 7, p. 24
- Denmark – Reduction of retirement age, issue 2, p. 16; issue 3, p. 27
- Disability pension, issue 3, p. 20; issue 4, p. 19
- Redistributive effect removed from special pension savings system, issue 7, p. 21
- One-time supplementary payment to pensioners, issue 8, p. 17
- Finland – Reduction of retirement age, issue 2, p. 17
- Retirement age increase for occupational pensions, issue 6, p. 22
- France – Pension reform, issue 1, p. 22; issue 3, p. 27; issue 4, p. 20; issue 6, p. 31
- Germany – Pension reform, issue 3, p. 20; issue 5, p. 23
- Pension system declared unconstitutional by federal court, issue 7, p. 19

- Italy
 - Tax incentives for private pension funds, issue 1, p.23; issue 2, p.20
 - Retirement age increase and stimulation of supplementary pension funds, issue 6, p.26
- Japan
 - Pension financing and benefit changes, issue 1, p.21; issue 2, p.20
 - Occupational pension schemes, issue 3, p.22; issue 5, p.21
 - Fixed premium proposed for public pensions, issue 8, p.18
 - Welfare reform for the disabled focuses on integration, issue 8, p.32
- Netherlands
 - Reform of the social security administration, issue 3, p.23; issue 7, p.24; issue 8, p.29
- Spain
 - Pension reform, issue 1, p.22; issue 2, p.21; issue 4, p.20; issue 5, p.15
- Sweden
 - Basic and supplementary pension, issue 1, p.20
 - Reform of early retirement benefits, issue 5, p.24
 - Right to work up to age 67, issue 5, p.16; issue 8, p.29
 - Dramatic increase in long-term sick leave, issue 8, p.19
- Switzerland
 - Pension fund investment flexibility, issue 3, p.24
 - Minimum rate of return for occupational benefit plans lowered, issue 8, p.24
 - Increase of women’s retirement age, issue 5, p.18
 - Occupational pension reform, issue 6, p.27
 - Invalidity insurance in financial trouble, issue 8, p.21
- United Kingdom
 - Pension reform, issue 2, p.18
 - Policy review in response to deepening pension crisis, issue 8, p.26
- USA
 - Senior citizen earnings test, issue 3, p.25

- Report on potential approaches to long-term pension system reform, issue 6, p.29

Welfare and Social Assistance

- Australia – Welfare reform, issue 4, p.21; issue 8, p.33
- Austria – Social security system assessment, issue 4, p.22
- Canada – Welfare to Work experiment successful, issue 7, p.27
- Denmark – Social activation, issue 1, p.25; issue 3, p.27
- France – Universal dependency benefit, issue 5, p.26
- Italy – Minimum income support, issue 1, p.26
 - Economic indicator introduction, issue 1, p.26
 - Integrated system of social support and services, issue 4, p.24
- Japan – Choice of welfare service, issue 1, p.27
 - First official support for the homeless, issue 7, p.26
 - Welfare reform for disabled with focus on integration, issue 8, p.32
- Sweden – Social assistance benefits, issue 1, p.27
 - Assessment of housing allowances, issue 1, p.27
- UK – Social policy for refugees and asylum seekers, issue 6, p.24
 - Income-related support replaced by Integrated Tax Credits, issue 7, p.22
- USA – State earned income credit, issue 4, p.25
 - Housing assistance for needy families, issue 6, p.32

Family issues

- Australia
 - Family benefits, issue 2, p.22
 - First child tax refund, issue 6, p.35
- Austria
 - Maternity leave benefit proposal, issue 8, p.35
 - Joint custody law, issue 4, p.28
 - Extension of child-care benefits eligibility, issue 5, p.28
- Canada
 - Child tax benefit, issue 1, p.28; issue 3, p.36; issue 4, p.33; issue 7, p.34; issue 8, p.45
 - Maternity leave extension, issue 3, p.29
 - Early childhood agreement, issue 4, p.29; issue 8, p.44
 - Ontario Employment Standards Act, issue 4, p.30
 - Family care leave benefit introduced, issue 8, p.37
 - Child disability benefit for low-income families, issue 8, p.39
- Denmark
 - Maternity/paternity leave extension proposal, issue 5, p.31; issue 7, p.36
 - Subsidies for home child care, issue 7, p.33
- Germany
 - Parental leave and benefit reform, issue 3, p.30
- France
 - Paternity leave extended, issue 6, p.39
- Italy
 - Parental leave flexibility, issue 3, p.33
- Japan
 - Maternity leave replacement contracts, issue 1, p.28
 - Non-parental care grant, issue 2, p.26
 - Child benefit extension, issue 3, p.34; issue 4, p.33
 - Parental leave proposal, issue 5, p.32
 - Childcare allowances for single mothers, issue 6, p.39
 - Extension of child care services, issue 7, p.34
- Netherlands
 - Tax deductible child care for firms, issue 1, p.28
 - Legal right to part-time, issue 2, p.28
 - Work and Care Act, issue 6, p.36

- Spain
 - Maternity leave replacement contracts, issue 1, p.28; issue 2, p.28; issue 4, p.34
 - Parental leave and maternity protection, issue 2, p.23
 - Child benefit increase, issue 3, p.34
 - National family policy introduced, issue 7, p.31
- Sweden
 - Non-parental child daycare fees, issue 2, p.27; issue 4, p.34
 - Parental insurance, issue 4, p.31
 - Homosexual partners entitled to adoption examination, issue 8, p.41
- United Kingdom
 - Family-friendly employment policy, issue 2, p.24; issue 5, p.50; issue 6, p.40
 - Working Families Tax Credit, issue 3, p.32
- USA
 - Parental leave benefits, issue 2, p.25
 - Homosexual rights, issue 3, p.35; issue 6, p.41
 - Extension of Child Tax Credit, issue 5, p.29
 - Paid family leave introduced in California, issue 8, p.42

Labor Market Policy

- Australia
 - Labor market program decentralization, issue 1, p.34; issue 5, p.49
 - “Work for Dole,” issue 2, p.30
 - Improving transition to work, issue 5, p.36
 - Reasonable working hours regulation, issue 6, p.44; issue 7, p.55
- Austria
 - Training for new occupations, issue 1, p.40; issue 4, p.51
 - Gender mainstreaming, issue 3, p.40
 - Organizational reform of labor market services, issue 6, p.45
- Canada
 - Poverty reduction initiative, issue 1, p.36
 - Penalties removed for repeat users of employment insurance, issue 5, p.38

- Skills and learning strategy, issue 6, p.47
- Immigration policy reform, issue 6, p.49; issue 7, p.56
- Immigration as a regional development tool, issue 7, p.41
- Learning Institute to coordinate knowledge on adult education, issue 8, p.47
- Denmark
 - Right and obligation to training and education, issue 1, p.36
 - Benefit duration for unemployed, issue 2, p.36; issue 3, p.52
 - Adult and continuing education, issue 3, p.40
 - Work-service jobs, issue 3, p.41; issue 7, p.60
 - Part-time work permissible despite collective agreement stipulations, issue 7, p.54
 - Unemployment insurance and social insurance assistance to be harmonized, issue 8, p.49
 - Immigration reform, issue 8, p.52
- Finland
 - Unemployment service improvement, issue 1, p.34
- France
 - Working time reduction, issue 1, p.32; issue 2, p.40; issue 3, p.53; issue 4, p.53; issue 6, p.60; issue 7, p.58
 - Unemployment insurance reform, issue 3, p.42; issue 4, p.52; issue 8, p.54
 - Employment allowances for low-income households, issue 6, p.51
 - Reduced social security payments for firms employing young and unskilled workers, issue 7, p.52
- Germany
 - Employment Office 2000, issue 2, p.38
 - Pilot projects to encourage employment of low-skilled and long-term unemployed, issue 4, p.38; issue 5, p.51; issue 6, p.61; issue 8, p.54
 - Part-time and temporary employment law, issue 4, p.41

- New attempt to speed job placement: “Job-Aktiv,” issue 5, p.43; issue 6, p.60
- Labor market services reform proposal, issue 7, p.45
- New immigration law, issue 7, p.38
- Italy – Employment services decentralization, issue 1, p.35
- Part-time work, issue 3, p.45
- Job placement guidelines, issue 3, p.46
- Unemployment benefit increase, issue 4, p.43
- New contract relationship in cooperatives, issue 5, p.46
- Fixed-term contract directive implemented, issue 6, p.52
- Japan – Equal employment, issue 1, p.39; issue 3, p.54
- Worker dispatching law, issue 2, p.30
- Private employment services, issue 2, p.39
- Company divestiture regulations, issue 3, p.47
- Employment promotion measures, issue 4, p.43
- Netherlands – Flexicurity—flexibility and deregulation, issue 1, p.37; issue 7, p.57
- Legal right to part-time work, issue 2, p.32; issue 4, p.45
- Tax revision 2001, issue 4, p.47
- Spain – Promotion of indefinite contracts, issue 1, p.38; issue 2, p.42
- Protection and incentives for part-time jobs, issue 1, p.38; issue 2, p.41
- Equal pay for temporary agency workers, issue 2, p.31
- Immigrant rights, issue 3, p.48; issue 4, p.54; issue 5, p.53; issue 6, p.59
- Working time reduction, issue 1, p.33
- Labor market reforms decreed after social

- partners fail to reach consensus, issue 5, p.40
- Unemployment protection reform emphasizes rights and obligations, issue 7, p.49; issue 8, p.58
- Sweden – Unemployment insurance reform, issue 2, p.37
- Rehabilitation guidelines, issue 3, p.49
- Switzerland – Incentives for job placements, issue 3, p.51
- Referendum on reduction of annual working time, issue 4, p.49; issue 7, p.70
- Revision of federal unemployment insurance, issue 5, p.47
- Vocational training reform discussed, issue 6, p.53
- Treaty with EU on freedom of movement, issue 7, p.42
- United Kingdom – New Deal, issue 1, p.33
- Disability payment reform, issue 2, p.33
- Part-time work, issue 3, p.44
- Equality legislation, issue 6, p.56
- Adaption of labor market regulation to EU directives, issue 8, p.62
- USA – “Ticket to Work,” issue 2, p.34
- Wage insurance for older workers affected by import-related competition, issue 7, p.53

Industrial Relations

- Australia – Simplification of award system, issue 1, p.42
- Reasonable working hours regulation, issue 6, p.44; issue 7, p.55
- Exemption of small businesses from unfair-dismissal legislation discussed, issue 7, p.64
- Austria – Distribution option, issue 1, p.42

- “Tele.soft—jobfit for the future”: educating the unemployed, issue 2, p.47
- Employment extension for seasonal workers, issue 4, p.62
- Severance pay reform, issue 6, p.64
- First collective agreement for temporary agency workers, issue 7, p.66
- Canada
 - Public sector pays equity settlement, issue 2, p.43
 - Labor Relations Amendment Act, issue 4, p.55
 - Ontario Employment Standards Act, issue 4, p.57
 - Right to unionize for farm workers, issue 6, p.66
 - Shifting responsibility for maintaining employee rights to employees themselves in British Columbia, issue 7, p.62
- Denmark
 - EU working time directive conflicts with traditional collective agreements, issue 6, p.67
 - Cross-vocational unemployment funds to be introduced, issue 7, p.66
 - Part-time work permissible despite collective agreement stipulations, issue 7, p.54
- Finland
 - Personnel fund system reform, issue 2, p.44
 - Employment contract law, issue 4, p.58
- Germany
 - Alliance for Jobs, issue 1, p.44
 - Specific services collective agreement, issue 2, p.47
 - Works constitution act draft, issue 4, p.60
 - Five unions merged into world’s largest union, issue 5, p.57
- Italy
 - Public services strike regulation, issue 3, p.55
- Netherlands
 - Employability, issue 1, p.45
 - Framework for individualizing terms of employment, issue 2, p.45
 - Performance-based pay, issue 3, p.58
 - Top-manager compensation to be publicized, issue 7, p.69

- Tripartite agreements to improve working conditions, issue 8, p.65
- Spain – Collective bargaining agreement, issue 1, p.43
- Third agreement on continuing training, issue 5, p.55; issue 6, p.70
- Sweden – Mediation authority reform, issue 3, p.57
- Occupational injuries applications facilitated, issue 7, p.67
- United Kingdom – National minimum wage, issue 1, p.43; issue 3, p.53
- Employment relations act, issue 2, p.46; issue 4, p.64
- Performance-based pay for teachers, issue 4, p.63
- New employment bill, issue 6, p.68
- Adaption of labor market regulation to EU directives, issue 8, p.62

General and Important Developments

- Australia – New legislation to stop illegal immigration, issue 7, p.76
- Canada – Improvements for First Nation Canadians proposed, issue 7, p.75
- Denmark – New government to restructure welfare, issue 6, p.72
- France – Income tax reduction, issue 7, p.74
- Japan – New prime minister proposes bold reforms, issue 5, p.61
- Netherlands – New coalition government, issue 7, p.72
- Switzerland – Bilateral agreements enhanced, issue 7, p.78
- United Kingdom – Restructuring government responsibilities, issue 5, p.59
- Relations between Blair government and trade unions deteriorate, issue 7, p.73

Currency Conversion

All amounts expressed in national currencies have been converted into euros to make comparisons easier. Some amounts were rounded to facilitate reading. Please refer to the project Web site, www.reformmonitor.org, for exact amounts in national currencies.

€1	=	USD	1.1218
	=	JPY	133.46
	=	DKK	7.4257
	=	SEK	9.0833
	=	GBP	0.69960
	=	CHF	1.5134
	=	CAD	1.5926
	=	AUD	1.7746

Source: European Central Bank, exchange rates as of Monday, May 5, 2003

