



2016 EU-CHINA HIGH LEVEL EVENT ON SOCIAL PROTECTION REFORM

**PERSPECTIVE OF
EMPLOYMENT POLICY AND SOCIAL SECURITY REFORM
2016 – 2020**

BEIJING, 28-29 SEPTEMBER 2016

Vol. III – European Country Profiles

On 28 and 29 September 2016, the EU-China Social protection reform project SPRP and the Chinese National Development Reform Commission organized in Beijing – Diaoyutai Hotel – a High Level Event to discuss Perspectives of Employment Policy and Social Security Reform in China and in Europe between 2016 and 2020. This period corresponds to that of the Chinese XIIIth five-year Plan, and to the horizon chosen for the Europe 2020 Strategy for smart, sustainable and inclusive growth. The EU Ambassador to China and Mongolia, Mr. Hans Dietmar Schweisgut, and Mr. Wang Xiaotao, vice-chairman of the NDRC, opened the meeting, where Mr Michel Servoz, Director General of the European Commission Directorate General for Employment, Social Affairs and Inclusion delivered a keynote address on the Perspectives of Employment policies and Social security in the EU. Over a hundred participants, at parity between Chinese and European specialists coming from 11 countries and international organizations, discussed a variety of crucial topics for the sustainability of social protection reform and its contribution to employment promotion including in times of financial and economic difficulties. In total, some 20 communications were made by renowned Chinese and European experts and decision-makers, over five sessions co-chaired by high level Chinese and European personalities.

This Volume III of the Event's Report presents the Country profiles prepared by all seven European member countries of the Consortium leading the project – Belgium, the Czech Republic, France, Italy, Poland, Romania and Spain – to respond to the queries of their Chinese counterparts on relations between employment and social security policies. Its is a cooperative production of the Chinese National Development and Reform Commission and the EU-China Social Protection reform project.

WHAT IS THE EU-CHINA SOCIAL PROTECTION REFORM PROJECT?

As a successor to the EU-China Social security reform project (2006-2011), the European Commission and the Government of China have formulated the “EU-China Social Protection Reform Project”, a new cooperation initiative aimed at promoting social equity and inclusiveness of economic development throughout Chinese society – as well as cooperation and dialogue between the EU and China in the same field. The Commission has decided to implement the action through a grant contract to be concluded with a consortium of specialized public authorities and mandated bodies of the EU Member States in the area of social protection. The consortium is led by Italy, and groups institutions from Belgium, the Czech Republic, France, Poland, Romania and Spain. The purpose of the EU-China Social protection reform project is to contribute to the improvement and inclusiveness of China's social protection system through strengthening the institutional capability for developing policies, for implementing legal and regulatory frameworks and for supervising systems of social insurances, social assistance and financial management in the area of social security. In particular, the Project's purpose will be pursued through the following three components, in relation to which specific Chinese government entities playing the role of partner of the consortium have been identified: Component 1: Consolidation of institutional capacity for social protection policy development and reforms in collaboration with the National Development and Reform Commission (NDRC); Component 2: Enhancing of institutional capacity for financial management and supervision concerning social security funds in collaboration with the Ministry of Finance (MoF); and Component 3: Improving of legal framework and policy for social assistance in collaboration with the Ministry of Civil Affairs (MoCA).

This document was jointly prepared by the NDRC Employment and Income distribution Department, by the NDRC International Cooperation Center, by the EU-China Social protection reform project Beijing Office and by the Component 1 technical team of the EU-China SPRP. Special thanks go to Ms Tang Ling, Mr Chang Hao, Ms Wang Yue, Ms Wang Yingsi, Ms Ma Lan, Mr Fang Liangquan, Mr Zhang Guoqing, Ms Valentina Pignotti, Ms Xu Chenjia, Ms Li Lingxi for their contribution to the organisation of the Event and to the contents of the document. Thanks also to the translators who made this bilingual version possible, and to the company that helped design the layout.

*This publication has been produced with the assistance of the European Union.
Its contents are the sole responsibility of the EU-China Social Protection reform Project,
and can in no way be taken as reflecting the views of the European Union.*

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INTRODUCTION

To facilitate mutual understanding and policy dialogue between Chinese and European specialists on the occasion of the High Level Event, the project team drafted a list of topics of specific interest to the Chinese audience, according to the items on the agenda of the Event. Countries member of the European Consortium managing the project on behalf of the European Union were then invited to produce national country reports, describing the situation in their respective countries on each of the concerned topics.

The reader will therefore find hereafter:

- The technical note used as guidance for country reports (page 6)
- The country profile from Belgium (page 12)
- The country profile from the Czech republic (page 28)
- The country profile from France (page 37)
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Background Note

for 2016 High Level Event

Perspective of Employment Policy and Social Security Reform **— 2016 to 2020** **(Beijing - September 28 to 29, 2016)**

This Note intends to offer a general introduction to participants in the High Level Event about the main concerns of the Chinese side related to specific points on the Agenda.

The purpose of the EU-China Social protection reform project SPRP is to contribute to the improvement and inclusiveness of China's social protection system through strengthening the institutional capability for developing policies, for implementing legal and regulatory frameworks and for supervising systems of social insurance, social assistance and financial management in the area of social security.

In particular, the Project document specifies that international gatherings of Chinese and European experts and decision makers would be arranged every year as High-level events (HLEs), to exchange views and information on topics of mutual interest.

As part of the project Plan of activities it was decided that the 2016 HLE, to be organized in close collaboration with the Chinese National Development and Reform Commission, would address the Perspective of Employment and Social security reform – 2016-2020.

Since the late seventies China has progressively introduced a « modern » social protection system as a key element for China's transition to a market economy and the Chinese leadership intends to further expand it as part of a transition to an internal consumption centred economic model. At the same time it is clear that the « new normal » economy and the desirable shift from a two-digit, export-oriented basis to a more modest, internal consumption centred economic model is a challenge for both the labour market, and the social security system. As China implements reforms under the “new normal,” maintaining stability in the labour market is a priority. Thus, the Chinese leadership is looking for an approach that balances the needs and limitations of a restructuring labour market, with the need to provide its citizens a better access to social protection and social services. The XIIIth five-year Plan for National Economic and Social Development that was adopted earlier in 2016 by the National People's Congress therefore devotes a particular interest to issues related to employment and social protection, including their relations and mutual influence.

The Europe 2020 Strategy which happens to henceforth cover the same period as the Chinese thirteenth five-years plan also includes in its headline targets employment and social inclusion, thus marking a remarkable convergence in preoccupations between the two entities.

The structure retained for the HLE provides for presentations by both Chinese and European experts over 5 sessions related to various aspects of employment promotion and social protection development, namely the prospective macro-economic situation during the period under review; the strategies to support employment and job creation; the relations between employment and social security policies, and the objective of universal coverage; the social efficiency of social security and its contribution to income distribution; and, the sustainability of social security systems, including financial considerations.

1. Session One - Macro Socioeconomic Situation during the period 2016-2020

The *Chinese 13th Five-Year Plan 2016-2020* (often named “13-5”) is the major tool to provide information on the prospective macro-economic situation¹.

1.1 Major aims for Macro socioeconomic development

The year 2020 is a critical milestone in China’s long-term development, as it will mark the first 100 year of China’s “two 100 years”². Among China’s various long-term social and economic programmes, many decisive results are scheduled to be attained by 2020

The overarching goal of the 13-5 Plan: building a “moderately prosperous society”

The expectation is to achieve medium-to-high economic growth throughout the period. An average annual economic growth rate at 6.5% or above would mean doubling GDP and per capita income by 2020 from 2010 levels.

The main headings of the Plan are as follows:

i. *General improvement in living standards and quality of life*

- moving closer to full employment
- improving access to public services
- eradicating poverty

ii. *Culture and civilization*

- promoting public moral values such as patriotism and collectivism

iii. *Environmental protection*

- encouraging low-carbon production and “green” lifestyle,
- raising energy efficiency
- reducing pollution

iv. *National governance system*

- developing sectorial governance systems
- respecting the rule of law
- establishing the credibility of the judiciary
- paying due attention to human rights and property rights

¹ While the English text of the Plan was not yet published at the time of writing this Note, very useful details can be found in the report presented by NDRC to the National People’s Congress in 2016, which can be accessed from <http://sprp-cn.eu/reports/NDRC-NPC2016EN.pdf> (pp. 20 sqq.)

(Chinese version: <http://sprp-cn.eu/reports/NDRC-NPC2016CN.pdf> pp. 21 & sqq.)

² China’s “two 100 years” makes reference to the Chinese dream popularized in 2012 by president Xi Jinping with first the material goal of China becoming a “moderately well-off society” by 2021, the 100th anniversary of the Chinese Communist Party, and second the modernization goal of China becoming a fully developed nation by about 2049, the 100th anniversary of the founding of the People’s Republic.

1.2 Employment policy

In Chapter 62 of the 13th five-year plan “*Implementing the strategy of employment as priority*” it is notably foreseen to:

- **Promote employment quality.** To provide sufficient employment will be one of the major aims for economic and social development. To improve employment, supporting policies will be strengthened for college graduates, rural migrant workers and the self-employed, as well as vulnerable groups. Working conditions and labour regulations will be improved, and harmonious labour relations should be promoted.

- **Strengthen the service capacity for public employment and entrepreneurship.** Improve the service system for employment and entrepreneurship, and implement a vocational training system based on lifelong education. The plan of *Employment Promotion Action* includes such support policies as promoting labour force quality, work opportunities for college graduates, skills training for migrant workers, training programmes for special groups (young people in poor families, old-age unemployed, veterans, and the disabled).

1.3 Social security

In Chapter 64 “*Reform and Improve social security system*” it is foreseen to:

- **Improve the social insurance system.** Major reform measures include extending coverage for eligible workers, cutting contribution rates and introducing incentive mechanism for contribution, develop a multi-layered pension system, realizing nation pooling on basic pension, improving individual accounts system, promoting favourable taxation for pension insurance, introducing a benefit adjustment mechanism, facilitating portability, improving sustainability by increasing funding and investment of social security funds and so on.

- **Strengthen the social assistance system.** Improve the Minimum Living Guarantee System (“Dibao” system³) and other social assistance schemes for special groups, realizing the goal of full coverage for all eligible families in need. Develop a comprehensive social assistance work system which will provide “one stop” service for all beneficiaries.

- **Support the social welfare and charity system.** Strengthen family support policies for old age, disabled, children and poor groups. Promote welfare facilities and improve social contributions’ mechanism for charities.

1.4 Specific points for Inclusive Development contained in the Plan:

- Improve supply of public goods and services, especially in less-developed and poor rural areas
- Implement two-children policy to counter aging population

³ The Dibao programme (literally “low guarantee” or minimum protection) provides regular cash and/or in-kind support to poor households up to a locally defined poverty line that is based on a means test. Some details to be found on http://www.euchinasprp.eu/images/documents/Component3/C3_baseline_data_audience_reports/prefinal_baseline_data_report_C3.pdf

- Increase the size of funding dedicated to poverty reduction and improve infrastructure and public service in poverty-stricken regions
- Expand middle-income group and significantly raise income for lower income group
- Improve employment support policy and services, and provide vocational training to raise labour quality
- Expand middle-income group and significantly raise income for lower income group
- Improve social insurance system to cover all residents in China and lower insurance rates to a reasonable level
- Improve public health system through deepening medical reform

1.5 Main matching interest points from EU side

- The EU 2020 growth strategy
- EU's objectives on employment, innovation and social inclusion
- EU's social-economic reform situation after 2008 debt crisis
- EU's development perspective after British exit

2. Session Two - New-type Urbanization And Support Policies for Employment and Job Creation

2.1 New-type Urbanization

This means a harmonious overall planning between urban and rural areas. Urbanization is the one of the most important driving force for China's future growth which involves rural-urban and inter-urban population migrating, land use, Hukou⁴ reform, development of and access to public services and so on. A major concern is employment and social security policies for migrant workers, whose number is about 270 million in 2015.

2.2 Support Policies for Employment and Job Creation

As China economic growth slows down, pressure on employment and job creation come into light in the "new normal" era. The government has put forward the strategy of employment priority and tried to improve the business environment by supply side reform which includes the reform measures on releasing administration approval, providing access for small business through finance credit, cutting taxes and social security contributions, promoting entrepreneurship and innovation, poverty alleviation vocational training programs for unemployed and so on.

2.3 Main matching interest points from EU side

- Labour Market Policies in the European Countries including active policies and passive policies and their experiences on employment and job creation.
- Coordination policies for migrant worker within EU countries.
- Unemployment insurance protection in EU countries and its reform.

⁴ "Hukou" refers to the system in force in China of household registration system which de facto limits freedom of movement and installation of Chinese citizens inside the country, from rural to urban areas and across urban areas.

3. Session Three - Universal Coverage of Social Security System and Adaptation to Mobility

3.1 Universal coverage of social security system

Currently, China has almost realized a full coverage aim of social protection. For instance, health care is accessed to all urban and rural population; public pension has covered 850 million insurers. In the 13th Five Year Plan, the government has put forward a plan of “All citizens enrolment in social security” which means that by 2020 everyone eligible will participate in the social security system. A main concern is how to integrate different social security schemes thus providing a universal protection system for rural and urban workers especially for those migrant workers.

3.2 Adaptation to Mobility

This is a special issue for China’s social security system. A major reason behind that is the low level of social pooling on social security funds⁵, which results in portability problems when worker move across provinces. Another reason is the fragmentation of social security schemes. To solve those issues, EU’s coordination policies on social security system could provide helpful experience.

3.3 Main matching interest points from EU side

- Mutual relations between social security and employment policies in EU countries
- Coordination Policy of Social Security System and Labour Market in EU
- Universal Coverage in European social security schemes
- Integration of social security measures for EU migrant workers

4. Session Four - Social efficiency and Inclusive Growth

4.1 Social Equality issues in social security

Social security in China has to establish a delicate balance between equity (paying individual cash benefits related to individual contributions) and efficiency (paying benefits keeping recipients out of poverty) considerations. Chinese presentations in this session will focus on social equality and the redistribution function of social security system. Major aims in the 13th Five Year Plan include notably 70 million poor people exit from poverty, to provide equalized services for the public, to realize a full employment and social protection coverage. Discussed topics on social security system may include among others national pension (non contributory pension) system; the relationship of social pooling and individual account system and their distribution function; social assistance schemes and their poverty alleviation effects.

⁵ A “pooling area” is the competent zone for collecting contributions and paying social security benefits. There are several dozens of pooling areas across China, ranging from the city to the provincial level. The Chinese social security system can therefore be described as legally unified but administratively fragmented.

4.2 Main matching interest points from EU side

- EU's experience with the redistribution function of social security
- EU's public pension reform models and their effect on social cohesion
- EU's views on the relationship between benefit adequacy, fiscal capacity and social equality

5. Session Five - Sustainability of Social Security System and the Financial Reform

5.1 Sustainability of social security system

There are some indications showing that sustainability has become a major issue of China's social security system in recent years. The growth of fund revenue is much slower than that of the expenditure and some province have undergone fund deficits. As population is ageing and labour force shrinking, more pressure will be exerted on the social security system. The 13th Five Year Plan has put forward some proposals to improve the financial balance of the social security system such as for example better consideration of the requirements of actuarial balance, more efficient investment of social security funds, the introduction of incentives for contribution compliance.

5.2 Financial reform topics⁶

Those topics may include notably the possible consideration of Notional Defined Contributions pension reform for China; investment of reserve funds; the adjustment mechanism of social security benefits; postponing retirement age.

5.3 Main matching interest points from EU side

- Challenges for Social Security Financing, and Reform Experiences in EU
- Debt crisis and its influence on social security system
- EU's parametric reform measures on public pension systems and their effect
- Influence of EU's automatic adjustment mechanisms on social security finances

Beijing, 9 July 2016

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⁶ Previous project research works on these topics can be accessed from the project website under URL <http://www.euchinasprp.eu/index.php/en/components-en/component1-en> (2015 Assessment report)



COUNTRY PROFILE Belgium

1. MACRO-ECONOMIC SITUATION DURING THE PERIOD 2016-2020

Compared with the macro-economic situation in 2015, the economic conditions are less favourable: growth estimates and forecasts for 2016 and 2017 are revised downwards. Also employment growth estimates and forecasts for 2016 and 2017 as well as the productivity growth forecasts have been revised downwards. Inflation forecasts are revised markedly upwards. Growth and employment prospects over the medium term are slightly revised downwards.

For the short term, the projection relies on the Economic Budget of 2016, which has been adjusted to take into account some recent developments. These developments include decelerating private and public consumption.

In 2015, growth stood at 1,4 %. For 2016 the prospect is slightly lower with growth at 1,2 %. The output gap⁷ should gradually close by 2020. The employment rate should gradually rise from 67,6 % in 2015 to 69,5 % in 2020.

Until 2015 inflation remained markedly low due to the wage freeze in 2015, the sharp decrease in oil prices (in euros), the negative output gap and low international inflation. In 2015 and 2016 this downward pressure was partly neutralized because of the increase of value-added tax on electricity and of certain excise taxes. From 2017 the oil price would gradually increase on yearly basis. It is estimated that the inflation in the period 2017-2020 will be on average 1,6 %.

⁷ The output gap assessment is derived from a potential output estimate calculated according to the European Union's method, but applied to statistical concepts and forecasts of the Belgian Federal Planning Bureau.

Table 1: Key figures of the macroeconomic scenario 2016-2020
Evolution in %, except when mentioned otherwise

	2015	2016	2017	2018	2019	2020
GDP	1.4	1.2	1.5	1.6	1.5	1.5
Consumer price index	0.6	1.3	1.5	1.6	1.6	1.6
Health index	1	1.5	1.3	1.4	1.5	1.6
Domestic employment (evolution in thousands)	37	31.5	35.5	30.9	29.3	41.1
Domestic employment (evolution in %)	0.8	0.7	0.8	0.7	0.6	0.9
Employment rate (20-64 year)	67.7	67.9	68.1	68.4	68.9	69.5
Unemployment rate (Eurostat definition)	8.3	7.9	7.9	7.9	7.8	7.5
Productivity per hour	1	0.2	0.5	0.8	0.9	0.7
Output gap (level)	-1.1	-1.2	-1.1	-0.8	-0.4	-0.1
Current account balance (National Accounts) (in % of GDP)	0.7	2	2.7	2.9	3.1	3.3

Source: Federal Planning Bureau, National Accounts Institute, March 2016.

AREAS FOR REFORM

The federal government and the regional governments confirm their determination to achieve the EU2020 targets. The structural measures as listed in the National Reform Programme 2016 aim at the sustainability of our societal model in the medium and long term. For the governments, the structural and budgetary measures of course form one and the same package, which sets the following priorities.

The first priority concerns the tax shift. A lower taxation of labour is believed to be essential to increase our employment rate. Both the macroeconomic forecasts and the independent analyses of the Federal Planning Bureau and the National Bank of Belgium indicate that the pursued policy paid off in the field of employment. A modernisation of labour law and paying special attention to target groups will also boost the employment rate.

In the past few years, the increase in wage costs has been constrained by a temporary suspension of the indexation mechanism and by limiting the increases in gross wages excluding indexation. Consequently, the competitiveness of the labour cost has improved substantially. A discussion on the reform of the 1996 law on wage setting will take place before the summer.

SUMMARY OF STRATEGY 2020 OBJECTIVES

2020 OBJECTIVES	EU TARGET	BELGIUM LAST OBSERVED	BELGIUM TARGET
Employment rate (in %)	75%	67.3 %	73.2 %
R&D (in % of GDP)	3%	2.46 %	3 %
Emissions reduction targets (compared to 2005 level)	20%	17.44 %	15 %
Renewable energy (in % of gross final energy consumption)	20%	7.9 %	13 %
Energy efficiency	20% (Max. 41,2 TOE of primary energy consumption)	47,4 TOE	18% (Max. 42,23 TOE of primary energy consumption)
Early school leaving in %	<10%	9.8 %	9.5 %
Tertiary education in %	40%	43,8 % (30-34 years old)	47 % (30-34 years old)
Reduction of population at risk of poverty or social exclusion (in number of persons)	20.000.000	21,2 % of the population (2.375.248 persons)	- 380.000

2. LABOUR MARKET POLICIES

2.1 IMPROVING THE FUNCTIONING OF THE LABOUR MARKET

Implementation of the European Council Recommendation to Belgium (recommendation n.3)⁸

« THE COUNCIL RECOMMENDS that Belgium take action in 2015 and 2016 to improve the functioning of the labour market by reducing financial disincentives to work, increasing labour market access for specific target groups and addressing skills shortages and mismatches. »

Making work pay

Within the framework of the tax reform ("tax shift"), since the 1st of January 2016, the labour costs will decrease and thus the net income of workers will increase. For low wages (less than € 1,500 gross per month), this reduction will gradually increase to reach in 2019 an increase of € 140 per month. In addition, the synergy between supporting the unemployed and supervising their search efforts has been increased, by transferring the two functions to the public employment services of the Regions⁹.

A simplified and adapted target group policy

The weak position of different groups in the Belgian labour market is primarily related to its general functioning. Which led in recent years to a strong segmentation: the "insiders" can count on attractive, well-paid and well-protected jobs. The "outsiders" are faced with high barriers to enter the labour market, and when they succeed, they are often found in jobs with less security and high flexibility, resulting moreover in a less favourable social security status in case of job loss.

In order to remedy this, first and foremost the general functioning of the labour market needs to be improved. The groups that are the least well integrated now, primarily the low-skilled, shall thus benefit the most. The job creation that will result from the tax reform and sustained wage moderation including the measures within the framework of the 'agile, viable work' agenda are therefore crucial. In addition, specific groups need an extra push. That goes for newcomers and people of foreign origin. As part of the recent Sixth State Reform, every region has selected a limited number of target groups for which there are reductions in social security contributions. In this way, employment policy can be more strongly adapted to the regional labour market situation. To ensure the consistency and coherence of this policy, a cooperation agreement will be concluded this year between the regions.

Wallonia focuses its initiatives on low and medium-skilled young people who are unemployed for more than six months, the long-term unemployed and the older workers (55+). Flanders has also picked the low- and medium-skilled youths and workers older than 55 as the main target groups, and included the

⁸ COUNCIL RECOMMENDATION of 13 May 2015 on the 2015 National Reform Programme of Belgium and delivering a Council opinion on Belgium's 2015 Stability Programme, 2015 http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_belgium_en.pdf

⁹ Belgium consists of 3 Communities and 3 Regions. Communities have person-related competences (culture, education, language, well-being, health, sport,...) while the Regions have territory-related competences (environment, spatial planning, housing, mobility, infrastructure, economy, employment,...). The 3 Communities are the Dutch-speaking Community, the French-speaking Community and the German-speaking Community. The 3 Regions are the Flemish Region (Flanders), the Walloon Region (Wallonia) and the Brussels-Capital Region (Brussels). In Flanders the competences of both the Community and the Region are exercised by the Flemish government. In Wallonia there are 2 governments: one for the Community and one for the Region. In Brussels there are 3: 2 for the Communities (1 for the Dutch-speaking Community and 1 for the French-speaking community) and 1 for the Region. See also: http://www.belgium.be/en/about_belgium/government/federale_staat/map

disabled as well. Brussels will firstly implement a thorough analysis of the former federal measures before reforming it. However, the conditions for granting social security contributions reductions for older workers (55+) have been redefined. The German-speaking Community also focuses on low and medium-skilled young people and older workers (55+), and included the disabled as well. The new measures will be starting this year or early next year.

An improved match between education and labour market

Through industry-level collective agreements a system of ingrowth jobs has been introduced. Half of the contribution for risk groups must now be allocated to initiatives aimed at providing a first job for young workers through training in the workplace, recruitment incentives or other measures. 40 sectors have already concluded a collective labour agreement on this. Moreover, an intersectoral budget of 12 million euros financed by the sectors that do not take any initiatives enables to cover 13 additional sectorial projects during the period from 2015 to 2016. These initiatives help in total over 8,000 young people find a first job.

Education and lifelong learning on the one hand, and the labour market on the other are too often two very separate worlds. The Regions and Communities are aware that much more than is the case today bridges will have to be built. Therefore in recent years the necessary consultation structures have been set up, agreements have been concluded and the existing networks of the joint training centres have been strengthened. Furthermore, work was done in the field of the identification of the training needs to fill in today's and tomorrow's bottleneck vacancies and agreements were made on improved cooperation, for example in the context of the definition of the learning objectives in education (the "end terms" in the Flemish Community) or by defining the priority areas for industrial policy (the "clustering" in the Walloon Region). This work should now translate into greater cooperation in practice.

This requires, in the first place, a common framework. Therefore a qualification structure has been developed by the Communities and Regions, so as to establish systematically for any profession the necessary qualifications, thus rendering it possible to use them throughout all education and training levels and in the workplace, or for other acquired prior learning. In this way the European Recommendation on the validation of non-formal and informal learning into practice is implemented.

Concretely in the first place all combinations of work and training are strengthened. Starting from the dual learning in secondary education, scheduled to become a strong and positive pathway in learning. The French Community, the Walloon Region and the French Community Commission have developed a uniform contract for the young people in question, while the Flemish Community works towards a uniform status as well. In addition the necessary quality guarantees have been developed, aiming first and foremost at an adequate preparation for the labour market. The German-speaking community continues to build on its strong tradition in this area and further expands the number of professions that can be taught through dual learning.

The training policy pays particular attention to entrepreneurship and to the so-called "STEM" (Science, Technology, Engineering, Mathematics) qualifications, especially targeting girls and young people with a disadvantaged socio-economic background, and focussing the further training of teachers and the updating of the equipment in technically oriented schools.

Just as was the case for the target group measures, the remaining forms of training aid were also transferred to the Regions and Communities. This permits to achieve a greater synergy and improved co-ordination of the various forms of aid. Thus the Flemish Community plans to bring existing tools under a

single framework, and the Walloon Region is working together with the social partners on an integrated system. The federal government remains responsible for the training efforts to which the social partners have committed themselves. In order to set a new target, the Government will start a discussion with the social partners based on the recent report of the Expert Group on Competitiveness and Employment.

Structural reforms of the labour market

In April 2016, the government approved a plan to modernise labour law within the framework of the “Agile, Viable Work” project. This will be submitted as a bill to the council of ministers before the summer break (i.e. before July 2016), after consulting the social partners¹⁰. The objective of the bill is to modernise labour law, create additional possibilities for firms concerning work flexibility and stimulate viable work for workers.

The bill will be voted in Parliament in the autumn of 2016 so that the legal framework will enter into force before the start of the cross-industry and sectoral negotiations for the period 2017-2018.

1. The general measures, to be directly applied by firms, relate to the adjustment of the reference period for the calculation of the average weekly working time (1). The statutory period will be changed to 1 year, whereby the daily working time may not exceed 9 hours and the weekly working time may not exceed 45 hours. The minimum internal limit is 143 hours, unless other-wise agreed within the sector concerned. Moreover, all workers get a credit of 100 overtime hours per year (2) which they do not have to compensate, but which they can convert into cash or record in their career account. In addition, investments in training (3) are and remain important for every firm. The current cross-industry objective of 1.9% of the wage bill is converted into a cross-industry objective of five training days on average per fulltime equivalent. This replaces the current training efforts requirement of 1.9% of the wage bill. In the absence of a sectoral labour agreement or of an individual training account, each worker enjoys an individual right to training each year.

For all sectors, this individual right to training consists of 2 days per fulltime equivalent, calculated at firm level.

Finally, a legal framework will be developed for granting and determining the workers’ rights e.g. concerning the reimbursement of expenses and the insurance of accidents at work, as well as an administratively simple system for occasional telework (4) during one or several working days or during part of the working day.

2. The bill will also contain a set of measures, some of which can be chosen and activated by the sectors. For example, sectors can make use of departures from the legal basic schemes generally in force. This is an overall reform of working times (1), with a role for the sectors and subsidiarily for firms. It will be possible to depart from daily and weekly working time limits to raise them to 11 hours and 50 hours respectively and to set the start of night work at 22:00 at the latest. The working time rules determined by the law, the sector and the firm (according to the departures provided by the law) will be materialized in the work schedules mentioned in the working regulations. The reference period of 1 year can be extended within a sector to a maximum of 6 years for activities to be specified by law, so that the working time can match the production cycle (generalization of the plus/minus account system).

¹⁰ This consultation is currently ongoing (9/8/2016)

The possibility for temping agencies to conclude open-ended contracts (2) will also be provided. This offers job and income security to agency workers and allows temping agencies to work with a partially stable workforce of which they know the expertise and experience.

The reform of the employers' grouping system (3) is the third measure. This allows firms to collectively hire workers. The social partners are currently studying this measure.

The regulation of part-time work is simplified (4). Along with a series of administrative simplifications, this implies that changes brought to the work schedule at the worker's request are no longer considered as overtime potentially subject to additional pay. The existing notification deadlines exceeding the minimum of 1 day regarding the work schedule determined in sectoral labour agreements, are maintained. The use of the overtime credit will also be made more flexible.

Concerning the career savings account (5), it will be possible, in a first phase, to agree, at sector level, on a framework for saving holidays and overtime hours at firm level. The sector determines which days can be saved up, the period during which they can be saved up and the way by which workers can take up these days. In the absence of a sectoral agreement and provided a request has been filed by a representative organisation at sector level or by an individual firm to the president of the joint committee to which the firm is subjected, a collective agreement may be concluded at firm level.

The law proposals concerning the adjustment of leave schemes (6), currently discussed in the Parliament, will be supported by the government, provided they are neutral for the budget. Additionally, and equally within a budget-neutral framework, the entitlement to (an allowance for) time credit motivated by care for a family member has been extended with 3 months and the entitlement to (an allowance for) time credit motivated by palliative care with 1 month.

The bill concerning flexible work schedules (7) will be adapted according to the advice of the social partners. As a consequence, workers will enjoy more flexibility for choosing the time they start and stop working.

Finally, it will be possible for workers to give some of their holidays (8) to colleagues whose children are very ill.

In the horeca¹¹-sector, it has become possible as from December 1, 2015 to employ at cheap rate a worker who already has a job elsewhere (at least 4/5 of full-time working hours). Meanwhile, declarations for one or more days have been made for more than 10,000 workers. Moreover, the amount of overtime performed in this sector may be extended. Moreover, in order to encourage e-commerce activities, also additional opportunities for night work have been created. In trading, food, distribution and the logistic sectors, sectorial collective agreements have been concluded that allow at company level night work for such activities.

2.2 UNEMPLOYMENT INSURANCE

The unemployment insurance scheme was originally founded by the trade unions. It was a private scheme that provided a replacement income in case of unemployment of their members. After the

¹¹ Hotel-restaurant-cafes

second world war (1940-1945) the scheme was nationalized and from then on financed by the general budget. The three major trade unions however remained and still remain an important actor as they are entitled to act as payment institution for the unemployment benefits.

Alongside the trade union's payment institutions the Belgian government founded, in 1952, an independent payment institution thus avoiding that you had to become member of a trade union in order to receive an unemployment benefit.

Organizational structure

Currently the National Employment Office is the institution responsible for the granting and control of unemployment benefits. The payment of the benefits is in the hands of the three major trade unions and the independent governmental payment institution.

The competences related to direct service to jobseekers and providing vocational training are regionalized: in Flanders the VDAB (Flemish public employment service) is competent for both direct service to jobseekers and vocational training; in Wallonia the FOREM (Walloon public employment service) is competent for both direct service to jobseekers and vocational training; in the German community the ADG (German public employment service) is competent for both direct service to jobseekers and vocational training.

In the Brussels region the situation is more complex: Actiris (Brussels public employment service) is competent for direct service to jobseekers (for both Dutch and French speakers); VDAB (Flemish public employment service) is competent for providing vocational training for Dutch speaking jobseekers and Bruxelles Formation is competent for providing vocational training for French speaking jobseekers.

The National Employment Office is governed by a management committee consisting of representatives of employers and employees (trade unions) and of the federal government.

Financing

The unemployment insurance scheme is financed through contributions paid on earnings. In 2015 the total amount of unemployment-related expenses of the National Employment Office amounted to 8.571.000.0000 €.

Benefits

There are three paths a claimant can follow to enter the unemployment benefit system:

- A. On the basis of paid employment in the past: in this case the claimant will have to proof a certain amount of working days within a certain timeframe¹²

¹² Person younger than 36 years old: 312 days in 21 months before the claim / 468 days in 33 months before the claim / 624 days in 42 months before the claim. 36-49 years old: 468 days in 33 months before the claim / 624 days in 42 months before the claim / 234 days in 33 months before the claim + 1.560 days during 10 years right before the 33 months / 312 days in 33 months before the claim + for each day missing to reach 468 days 8 days worked in the 10 year right before the 33 months count as one day. 50 years and older: 624 days in 42 months before the claim / 312 days in 42 months before the claim+ 1.560 days during 10 years right before the 42 months / 416 days in 42 months before the claim + for each day missing to reach 624 days 8 days worked in the 10 year right before the 42 months count as one day.

- B. On the basis of completed studies: claimant is between 18 and 25 years old and has completed secondary schooling (or higher). Completed studies means that claimant has attended the courses and took the tests. The claimant does not have to successfully pass the tests unless he is younger than 21 years old at the moment he claims the benefit. If the claimant younger than 21 years old did not pass the tests (so he has not successfully completed his secondary schooling) he can only claim the benefit once he turns 21 years old. All claimants that claim a benefit after studies have to wait 310 days (excluding Sundays) before receiving the benefit
- C. On the basis of having benefitted in the past from unemployment benefits: once you have received the unemployment benefit (even if it was only for one day) you can reopen the right afterwards regardless if you have worked after receiving the benefit or not.

In order to receive benefits the claimant also has to satisfy the following conditions:

- Being unemployed involuntarily and without income
- Be registered as a jobseeker with the regional public employment service (VDAB, FOREM, Actiris or ADG – see above)
- Be and remain available for the labour market
- Be physically fit for work
- Reside in Belgium

Replacement income

In situation A and C the amount is calculated on the basis of 3 criteria:

1. Household situation: claimant is living alone / living together without parental or familial obligations / living together with parental or familial obligations.
2. The amount of the last wage the claimant earned: this amount is limited to 2.547,39 € for the 1st until and including the 6th month of unemployment. This amount is lowered from the 7 month until 12th to: 2.374,21 €. From the 13th month for persons living together (with or without parental/familial obligations): 2.218,65 €. From the 13th month for persons living alone: 2.170,36 €.
3. The claimant's employment history: the amount of working days

The amount of the unemployment benefit decreases over time.

Year 1

Month 1-3: the claimant receives 65% of last wage, limited to the maxima cited here above.

Month 4-6: 60%

Month 7-12: 60%

Year 2 up to maximum year 4

This period starts with 2 month + 2 month for every year of proven employment (based on the employment history). It cannot exceed 36 months (3 years).

The first phase consists of maximum 12 months: 2 months (standard) and 10 months (based on employment history). In this phase the claimant receives:

- If the claimant is living together with parental or familial obligations: 60 % of the last wage, limited to the maxima cited here above (2.218,65 €)
- If the claimant is living alone: 55% of the last wage, limited to the maximum cited here above (2.170,36 €)

- If the claimant is living together without parental or familial obligations: 40 % of the last wage, limited to the maxima cited here above (2.218,65 €)

The second phase consists of maximum 24 months (4 times 6 months): in this phase the unemployment benefit is in 4 steps lowered to a flat rate benefit

At the earliest in year 2 and at the latest in year 5

In this period the claimant receives a flat rate benefit, solemnly based on the household situation.

Situation B is different.

In this case the claimant receives a flat rate benefit depending on the household situation:

- If the claimant is living together with parental or familial obligations: 1.150,24 €/month
- If the claimant is living alone: younger than 18 years old: 326,82 €/month. 18-20 years old: 513,76 €/month. 21 years old and older: 850,98 €/month.
- If the claimant is living together without parental or familial obligations: younger than 18 years old: 277,42 €/month. 18 years old and older: 442,78 €/month.
- If the claimant is living together without parental or familial obligations but its partner only has a replacement income: younger than 18 years old: 293,54 €/month. 18 years old and older: 471,64 €/month.

Effective date and length of award.

Payment begins in situation A and C once all conditions are met. In situation B there is always a waiting period of 310 days (excluding Sundays).

The benefit payments are not limited in time.

2.3 MIGRANT WORKERS

Access for migrants to social security and healthcare in Belgium is closely linked to the socio-economic context, with the initial objective being to facilitate immigration of foreign workers in Belgium to fill workforce needs.

For social insurance programs, the general rule is that everybody who works and resides legally in Belgium, is entitled to social security benefits, provided that they fulfil the general conditions of eligibility such as waiting periods and minimal contributions.

When it comes to social aid or guaranteed minimum resources, all legally resident immigrants are covered by the residual social aid program, but depending on their status, will be excluded from some specific sub-programs.

In accordance with the principles of freedom of movement and equality of treatment, European nationals affiliated to the social security system in Belgium benefit from the same rights as Belgian nationals.

In addition to European instruments for the coordination of social security legislation, Belgium has signed bilateral agreements for social security coordination with the aim to facilitate worker mobility and guarantee continuity of social security rights (both for foreign workers in Belgium and Belgian workers abroad).

25 agreements of this type have been signed between Belgium and third countries, as part of economic relations that have varied over time. The first agreements aimed to facilitate the immigration of a foreign workforce to Belgium and ensure that those workers received certain benefits, notably old-age pensions, when they returned to their home country.

3. UNIVERSAL COVERAGE AND ADAPTATION TO MOBILITY

3.1 RELATIONS BETWEEN SOCIAL SECURITY AND EMPLOYMENT POLICIES

The Belgian social security system is a hybrid system, containing both bismarckian and beveridgean elements. Pensions for example are based on the contributions paid during the whole career (Bismarckian) but everyone is entitled to get part of their health care expenses reimbursed (Beveridgean).

The social assistance system in Belgium is also Beveridgean: everybody is entitled to receive social assistance benefits.

Belgian social protection expenditure expressed in percentage of GDP is 19,7 % for 2014¹³.

Social protection financing relies predominantly on contributions based on salaries (61,5 % in 2014). Among contributions, so-called employers' contributions represent 38.7 % and employees' contributions 22.7 %. 17,9 % was sourced from the revenues of the value-added tax¹⁴ (a percentage of these revenues are used for financing social protection expenditure). 20.7 % came from the general budget.

In 2015 total expenditure on social protection amounted to 68.657.000.000 € while the total of contributions and alternative financial sources amounted to 69.024.000.000 €.

The level of unemployment in Belgium is currently at 8.5%. This is slightly below the EU 28 average of 8.6 %. The Government has over the years alleviated the burden of employers' contributions with the objective of generating employment. At the moment there is on the one hand a structural deduction in place which is calculated on the basis of the wage, the type of employment and the actual amount of working days of the employee. This structural deduction is calculated on the basis of the 3-monthly statement of the employer's social security contributions. This deductions ranges from 400 to 471 € per employee (per 3 months).

On the other hand specific deductions are in place for specific target groups. These target groups are: older persons (57 years old and older), younger persons (until 18 years old / until 19 years old and low-skilled / low-earning youngsters between 19 and 30 years old), persons that are employed by first-time employers (the employers that are employing persons for the first time are benefitting from reductions for the 1st, 2nd and 3rd employee), long-term unemployed persons, employees that are employed by an employer that decides to reduce their working hours and for employees that have worked for an enterprise that went bankrupt (contributions are reduced for their new employer).

The Government is also keen to control the overall level of social security expenditure. To this end the government has for example started major pension reforms (see point 5), has tightened the conditions to

13 source: <http://www.indicators.be/nl/indicator/sociale-zekerheid-sociale-uitgaven>

14 The value-added tax is a consumption tax that is placed on a product whenever value is added at a stage of production and at final sale

be fulfilled in order to receive unemployment benefits and has temporarily suspended the indexation mechanism¹⁵.

3.2 UNIVERSAL COVERAGE

The Belgian social security system started to develop at the end of the 19th century with first laws on old-age pensions and wage protection.

In the beginning of the 20th century an insurance against accidents at work was put in place. These first systems were voluntary with the government subsidizing the entry into the insurance scheme. Afterwards the insurance became obligatory for all workers.

In the period before the Second World War the already existing insurance schemes were improved and social assistance schemes were put in place, in particular old-age pensions and survivor's pensions were improved and child benefits put in place. These schemes were also made obligatory before the Second World War.

In 1944 these schemes (accidents at work, old-age pensions and survivor's pensions and child benefits) were improved and two new schemes were put in place: obligatory insurance against sickness and disability and insurance against unemployment. This was codified in the law of 28 December 1944, thus creating the general framework for social security for employees.

Some key dates in the early Belgian history of universal social security:

1895: first law on old-age pensions

1903: law with regard to accidents at work and compensation for the victims

1907: instalment of unemployment benefits

1924-25: compulsory pension insurance for all workers and employees

1930: instalment of child benefits for the self-employed and all employees

1944: law laying down the general framework for social security for employees and foundation of the National Social Security Office

1956: instalment of old-age pensions for self-employed

1967: Self-employed have to pay social contributions for, and have access to, old-age pensions, child benefits and sickness insurance

1969: guaranteed income for the elderly and instalment of disability benefits

¹⁵ In 2015 the federal government has prevented an automatic indexation. This prevented all wages and social assistance benefits from increasing with 2%. The indexation mechanism is an automatic system that links all wages and social assistance benefits to the actual cost of living in Belgium.

Belgium progressed quite quickly towards the goal of universal coverage. Compulsory pension insurance for workers and employees was already in place as early as 1925. But it was not until 1956 that self-employed were included in the compulsory pension insurance.

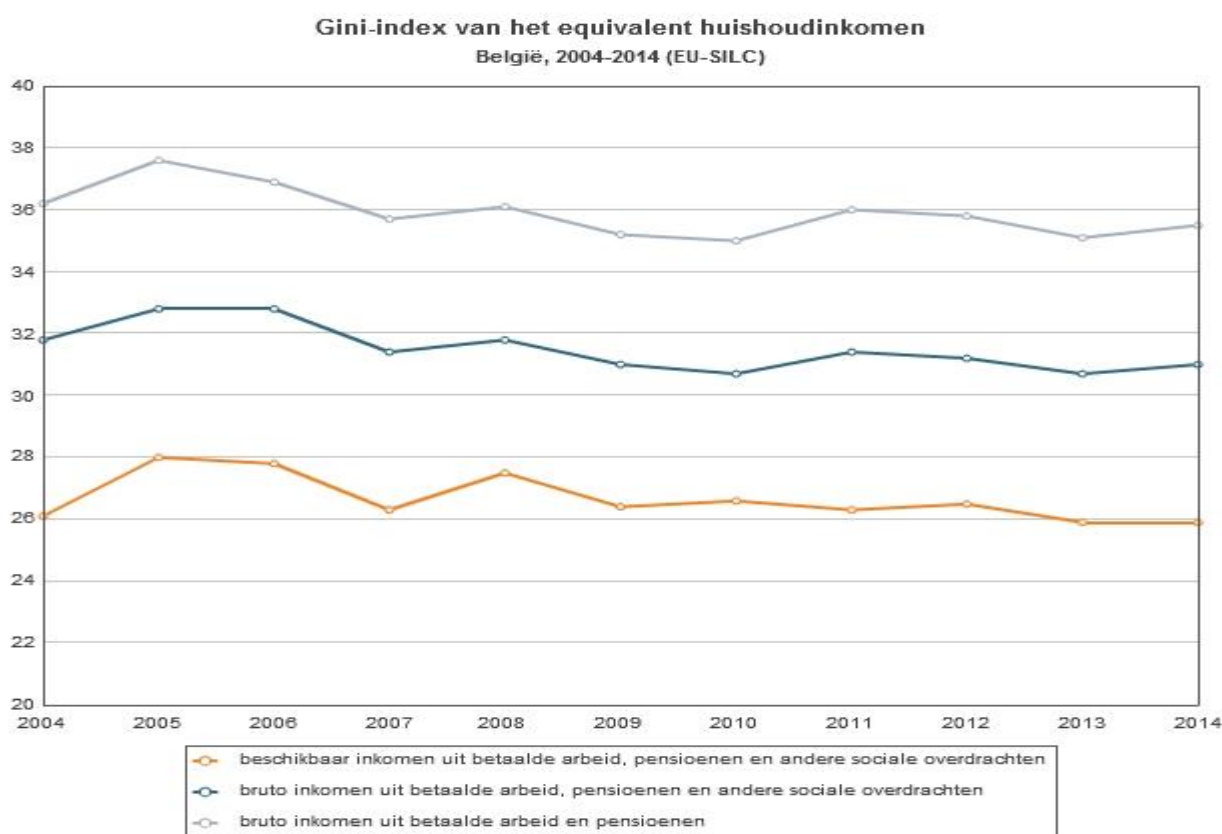
The insurance against sickness and disability that was made compulsory in 1944 guaranteed every person residing in Belgium financial compensation for health expenses and a replacement income in case of disability. From 1944 also unemployment benefits were available to everyone.

4. SOCIAL EFFICIENCY AND INCLUSIVE GROWTH

The efficiency of the Belgian social security system as a redistributive system is clearly shown when we compare the Gini-indexes describing the incomes of all Belgian households.

Three Gini-indexes are established on the basis of the following incomes:

- available income from paid employment, pensions and social transfers (orange line)
- income from paid employment, pensions and social transfers (before taxation) (dark blue line)
- Income from paid employment and pensions (before taxation and transfers) (light grey line)



As shown in the table above, social protection and taxation policies in Belgium decrease significantly the income inequality among Belgian households. The policies currently in place have also prevented an increase of income inequality in the period 2004 – 2014 despite sometimes challenging economic conditions.

Figures show that social security provisions and taxation policy account together for a 25% decrease in income inequality.

A Gini-index of 25.9 places Belgium in the 5th position in the ranking¹⁶ of EU countries, preceded only by Slovenia, Czech Republic, Sweden and Finland.

The federal government is committed to increasing the social efficiency and ensure inclusive growth through the improvement of accessibility of the social benefit systems and by increasing the employment rate.

The federal government will make sure that social assistance and social security benefits evolve in the same direction as the general standard of living, in order to prevent an increase in income inequality.

The federal government will also raise all social assistance and social security benefits by 2%.

The government has also raised the minimum pension for self-employed workers to the level of salaried workers.

5. SUSTAINABILITY AND FINANCIAL REFORM

The National Social Security Office (NSSO) is constantly monitoring the receipts as well as the expenses. This is called the National Social Security Office's 'Global Management', in place since 1995.

The receipts are distributed among the different social security institutions on the basis of the perceived needs. These needs are actualized constantly. Together with the budgeted expenses for the next month the NSSO verifies for every day of the next month what will be the daily balance on her accounts.

The NSSO manages daily surpluses or deficits by investing or borrowing, while complying with the regulations in place to prevent high-risk investments. The NSSO also manages the reserves of the 'Global Management'.

The NSSO reports to the 'Management Committee of Social Security'. This Committee consists of representatives of employers, employees and the federal government. It is also this committee that is responsible for reporting to the federal government, so the government can prepare the yearly budget and can ensure budgetary control. To this end the committee provides information to the government about the evolution of receipts and expenses and about the balance.

In 2015, the consolidated social security expenditure exceeded receipts (employer's and employee's social security contributions) by 21.714.000.000 € (31,6 % of total expenditure). Therefore the federal government also earmarks a percentage of the receipts of the value-added tax for social protection expenditure (in 2015 this amounted to 5.555.000.000 €). In addition to that extra resources are attributed from the general budget.

Over the years the pension system has succeeded in guaranteeing social stability and has improved living conditions for retirees. The population of retirees at-risk-of-poverty has dropped from 23% in 2006 to 16% in 2014, thanks to an increase of the lowest pensions.

The federal government adopted a major reform of its pension system with the aim of reducing the difference between the effective and the actual retirement ages and raising the latter.

Until now the government has already implemented the following measures:

- Statutory civil servants will no longer have the advantage that the years they studied in order to obtain a degree which they needed to enter into public service are taken into account for

¹⁶ Ranking on the basis of the equality of available incomes with Slovenia being the EU country with the highest income equality (Gini-index of 25).

the calculation of their pension. This so-called 'bonification' is fading out and will be no longer existing as from 2022 for a study period of 1-2 years, as from 2024 for a study period of 3-4 years and from 2030 for a study period of 5 years and longer.

Officials who would like their years of study to be taken into consideration when calculating their pensions will be asked to make a regularising contribution as is the case in the pension regimes for private-sector employees and self-employed persons. Taking this into account will therefore no longer be free of charge.

- Early retirement is no longer possible at 60 years old with a career of 35 years. The age limit is gradually increased to 63 years old with a career of 42 years (2016: 62 years / 2017: 62,5 years / 2018: 63 years). There are some exceptions for persons already having a longer career at the date of their retirement than is required (these persons can still retire at 60 years old)
- The retirement age is gradually increased from 65 years old to 67 years old (2025: 66 years old / 2030: 67 years old)
- Before the 1st of January 2015 persons that continued working after the date that they could retire received a higher pension (this was meant as an incentive to encourage persons to keep working). This bonus no longer exists as from 1/1/2015.
- Conditions for survivor's pensions are tightened: currently you can be entitled to a survivor's pension from the age of 45 years old. In 2025 the age is increased to 50 years old and in 2030 it will be 55 years old.

Moreover, to confirm the importance of a second pension pillar to complement the first pillar, the federal government took measures to assure all auxiliary pension stakeholders, that is, the employers, the sectors, the pension organisations and the workers, regarding the level of performance guarantee provided by the law from the employers and industries who offer workers an auxiliary pension. The level of this guarantee as set by the legislation presented a challenge to the pension organisations if they wanted to cover the performance guarantee paid by employers and industries given the low bond interest rates. The federal government, working with social partners, with effect from 1 January 2016, reviewed the level of the performance guarantee set by the law.

The federal government furthermore took measures allowing for payment of the auxiliary pension benefits only once the retirement conditions were met to prevent some from being tempted to leave the labour market and apply for their auxiliary pension benefits to wait, thanks to this income, for their pensions to start. Moreover, auxiliary pension plan provisions that encourage early retirement are prohibited.

The federal government decided, pursuant to the government agreement, to begin complementary structural reforms as from 2016.

Preferential bonuses (portion of career that gives more weight to the years worked as regards both the career condition for starting early retirement and the pension calculation), which certain categories of officials receive, will be reviewed when more favourable pension provisions for the functions that are recognised as heavy work are adopted following the discussion of this issue within the National Pensions Commission.

Public service employees, appointed as officials during their careers, may no longer include their years as public service employees in the calculation of their state pensions. From now on, they will receive a salaried employee's pension for the years they were employed as public service employees and a public-sector pension for the years they were employed as officials after their appointment as such. Along with

this reform, the federal government decided to adjust the legal framework for auxiliary pensions to foster its development for public service contractual staff. The federal government will set the example by offering an auxiliary pension with a sufficient contribution level to contractual staff of various public services under the federal State.

The automatic pension scheme for reasons of physical incapacity in the public sector, which hinders professional reintegration of staff members who benefit from it, will be replaced by a workers' compensation scheme of the same type as that which exists for private-sector employees.

The condition that provides for an official to have at least five years of effective service to claim a public sector pension will be eliminated so that this condition is no longer a hindrance to staff mobility.

Finally, it is the intention to introduce, by the end of the government term, a retirement scheme based on points with adjustment mechanisms that correspond to demographic or economic evolution, like an increase in life expectancy or a change in the economic dependency ratio.



COUNTRY PROFILE Czech Republic

1. MACRO-ECONOMIC SITUATION DURING THE PERIOD 2016-2020

The Czech Republic economy has recovered from the impact of the crisis which hit our country in the end of 2008. Due to conservative strategies implemented before 2008, there was no financial crisis and financial sector remained stable and sound. Economic downturn was caused mainly by fall of demand abroad and consequently, decrease in the domestic demand.

Currently, the Czech Republic experiences a solid economic growth coupled with decrease in unemployment. Atypical feature of this trend is low inflation (below 1 %) which is caused by fall in prices of raw materials, especially oil.

The Czech Republic as an open export-oriented economy is likely to copy trends in major economic partners (mostly the Euro Area countries). Moreover, the Czech economy has a large share of car manufacturing industry. This makes it vulnerable to shocks in that particular area.

The volume of investments experienced in 2015 was unique for several reasons and is not likely to be achieved again soon. It is also expected that the growth of public investments will be faster than growth of private investments after 2020. Due to increase of proportion of household consumption, the economic growth should be more balanced after 2016. This trend would likely push inflation to 2 %, which is the target set by the Czech National Bank.

However, as the Economic Outlook of the Czech Republic prepared by the OECD indicates, there is stagnation of labour productivity in Czech Republic. There seems to be a structural cause based in skills mismatch in the labour market (plus remaining structural unemployment in areas where mining and heavy industry had been concentrated before 1990, i.e. northern Bohemia and Northern Moravia). Although there is a high number of people attaining tertiary education in the youngest cohorts there is lack of people educated in technical fields. There is also lack of people of certain professional qualifications (craftsmen, i.e. secondary education).

GDP growth since 2008

2008	2009	2010	2011	2012	2013	2014	2015
+3.1 %	-4.5 %	+2.5 %	+1.8 %	-1.0 %	-0.9 %	+2.0 %	+4.3 %

The current Czech Government, whose mandate will end in October 2017 has – inter alia - adopted or prepared measures to fight corruption. A new Public Procurement Act was prepared and is to entry into force on 1st October 2016. Further legislative changes now discussed by both Parliament chambers are an amendment to Act on Conflict of Interests or amendment to Act on Organizing in Political Parties can be mentioned. Those and other measures have improved the results in the CPI Index (indicator based on the perception of corruption) from 53rd to 37th place in the world.

In early 2014, the position of Deputy Prime Minister for Science, Research and Innovation was created. The aim was to centralize the coordination and responsibilities in the Research and Development field under single central body. Steps related to introduction of coordination in the Research and Development are to be followed by steps aimed at strengthening the link between research and business (2017-2018) and establishment of centres for applied research (2020).

A new legal regulation (proposal was submitted to the Government in April 2016) aims at increasing the attractiveness and prestige of teachers' profession. New rules are to be set for competencies of the teachers, their remuneration, education (and examinations) etc. Introduction of the new rules is to be accompanied with increase in teacher's salaries.

Areas for reform:

- Economic growth is largely determined by the output of car manufacturing industry;
- Reduction of the administrative burden for businesses;
- Research, development and innovation policy and investments;
- Structural limitations in the labour market (skills mismatch, limited geographical mobility), better linkage between the labour market and education system;
- Pension scheme relies heavily on the first pillar;
- Take further steps to fight corruption;

2. LABOUR MARKET POLICIES

The positive development led to improvement of the labour market situation. In terms of unemployment, the Czech Republic approaches the numbers experienced before the crisis and the trend remains positive. As of 31st July, there were 392,667 unemployed people and 135,758 vacant jobs registered by the Labour Office of the Czech Republic. Of the unemployed, 53.8 % were women (211,150 persons), 4.1 % (15,925 persons) were young people and graduates and 14.2 % were people with disabilities (in absolute numbers 55,850). According to the latest EUROSTAT data (of June 2016), the unemployment rate in the Czech Republic was 4.1 % (for the whole EU, the indicator was 8.4 %). The national indicator – share of unemployment, comparing the number of the unemployed against the whole population in age group 15 – 64 was 5.4 %.

With regard to employment, the Czech Republic has a large proportion of secondary sector (industry and construction), which represented 38.0 % of employment in 2015. The tertiary sector (services) had 59.1% share and the primary sector (agriculture, forestry) accounted for 2.9 % of employment in the same year. The employment rate for age group 20-64 was 74.8 % in. In absolute numbers, there were 5,041,900 thousand people carrying out a gainful activity (employment, entrepreneurship) of which 4,167,700 (82.7 %) were employees and 874,300 entrepreneurs, majority of which are the self-employed persons (666,200). The number of economically active people (including jobseekers) was 5,309,900 in 2015.

A major reform was made in 2011 when the structure of public employment services was revised. Before 2011, there were 77 Labour Offices on the level of districts. In 2011, these were merged into single authority, the Labour Office of the Czech Republic. The Labour Office of the Czech Republic is a central body with headquarters (Directorate-General) in Prague and with Regional Branches in each of the 13 regions and in Prague. To provide accessibility, the Labour Office has several hundred contact centres. This step was to streamline the functioning of the whole apparatus as well as unifying the methodology. Moreover, the Labour Office of the Czech Republic became the authority responsible for all non-contributory social benefits, i.e. it accepts the applications, decides upon them and pays the benefits. Before 2012, the Labour Offices/Labour Office of the Czech Republic have been responsible for family benefits (other benefits have been administered by municipalities).

Employment targets

	Target for 2020 (EU 2020 Strategy)	Value attained in 2015
Employment rate for population in age 20-64	75 %	74.8 %
Employment rate of women in age group 20-64	65 %	66.4 %
Employment rate for older workers (age group 55-64)	55 %	55.5 %

Since 2010, several measures were introduced in the Employment Act in order to motivate jobseekers to cooperate with the Labour Office of the Czech Republic and to accept and keep a suitable job:

- Unemployment benefit is lower if the jobseeker left his or her previous employment by giving notice himself/herself without a serious reason;
- If a jobseeker does not cooperate with the Labour Office of the Czech Republic or refuses a suitable job without having serious reason to do so, he may be exempted from the jobseekers' registry for 6 months. That means the loss of entitlement to unemployment benefit as well as the assistance from the Labour Office of the Czech Republic. Moreover, such person must pay social security contributions and health insurance premiums by him/herself (registered jobseekers have those paid by the state). Similar sanction is due to a person who was given immediate notice for serious breach of legal regulations pertaining to his/her work.

In 2015, the conditions for providing investment incentives – financial support to creation of new jobs – were loosened. Currently, the support may be provided in regions where the share of unemployment is 25 % higher than national average (previously, the condition was 50 % higher share). In regions with share of unemployment 25-49 % higher than national average, the support may reach CZK 100,000¹⁷ per one job created. In regions with share of unemployment 50 or more per cent higher than national average, the support may be up to CZK 200,000 per new job. In advantaged industrial zones, the amount may reach CZK 300,000 per new job.

Nowadays, a new active labour market policy measure is being prepared – regional mobility allowance for those jobseekers who accept a job outside their place of residence (other conditions must be met as well).

¹⁷ Exchange rate August 2016: 1 euro = 27 Czech korun (CZK). 1czk = 0,278 RMB yuan

The Czech Republic also implements projects aimed at anticipation of labour market needs in terms of qualification and skills. Following on previous projects, the current project KOMPAS strives to create comprehensive predictive system which would engage public employment services as well as other partners (including the employers), especially on the regional level.

This year, a legislative proposal concerning social entrepreneurship was prepared. The law would set definitions of social enterprise – an enterprise which integrates people with health or social disadvantage while operating on the open market (i.e. it is still an enterprise with the aim to make profit).

The current government made the effort to promote reconciliation of family and working life. The impact of maternity on the employment rate of women is the largest in the OECD. In more than 98 % of cases, it is the woman who stays at home with the child. Usually, the length of absence from work is 3 years (maternal and parental leave combined). One of the obstacles is insufficient supply of childcare facilities for children under 3 years of age. Another obstacle is the limited possible of flexible working arrangements such as part-time jobs or home-office of flexible working hours.

The lack of childcare capacity was addressed by introducing a new type of childcare facility – children's group. In 2016, the Ministry of Labour and Social Affairs starts a project within which a new type of childcare facility for small children from 6 months of age (so called micro-nurseries) will be piloted.

Also the capacity of existing kindergartens was increased. An amendment has been discussed in the Parliament which would oblige the kindergartens to accept children older than 4 years of age in 2017. In 2018, the threshold would be moved to 3 years of age and in 2020 to 3 years of age for kindergarten founded by a municipality or an association of municipalities. Furthermore, kindergarten attendance will be changed from voluntary to mandatory after reaching 5 years of age (this should help integration of children from disadvantaged environment). The amendment is expected to come into force during 2017.

The rules for drawing of the parental benefit, which often determines the length of the parental leave, are to be made more flexible soon if the relevant amendment is approved. The parent drawing the benefits has a target amount of CZK 220,000. So far, the monthly amount could be chosen by the parent between CZK 3,800 and CZK 11,500. The upper limit is proposed to move to CZK 33,000 to enable faster exhausting of the whole amount, possibly in 6 months.

The current government currently considers another increase in the amount of minimum wage. The minimum wage was unchanged from 2007 till 2013 when it was CZK 8,000 per month (reduced rate is applicable to persons with disabilities). In 2013, increase to CZK 8,500 was decreed by the Government of Mr Jiří Rusnok. The current Government followed with two increases so far, to CZK 9,200 and later to CZK 9,900 per month (effective since 1 January 2016). The target laid down in the Government's Policy Statement is to set the minimum wage close to 40 % of the average wage. Discussion on further increase and possibly on setting a clear mechanism of minimum wage indexation is underway between the Government and the social partners (employees' organizations propose further increase in minimum wage, employers are not in favour of simple increase and propose setting an automatic indexation mechanism fixing the minimum wage as a rate of another indicator – such as certain percentage of average wage or other).

3. UNIVERSAL COVERAGE AND ADAPTATION TO MOBILITY

The Czech pension system is based on the first pillar which is run by the state and based on the pay-as-you-go principle. It is also defined by benefits system. Participation in the first pillar is mandatory for all

employees as well as other people economically active in the Czech Republic. The system has virtually 100 % coverage.

The first pillar is a part of the state budget (i.e. contributions are on the income side, pensions paid are part of the state budget expenditure. The contributions are collected by the Czech Social Security Administration (CSSA), which also pays the pensions. The CSSA is under the umbrella of the Ministry of Labour and Social Affairs.

The calculation of benefits is based on solidarity principle, i.e. the replacement rate decreases for persons with higher income. The benefit is based on a formula taking into account the previous income (indexed) and length of contributions period(s). There are two reduction limit which are used when calculating the personal assessment base from the previous income. Amount below the first reduction limit (CZK 11,883 per month) is calculated fully. The amount between the first and second reduction limit (CZK 108,024) is reduced to 26 %, the amount above the second reduction limit is not taken into account at all.

Average old-age pension in 2015 was CZK 11,331, average gross wage CZK 26,467, i.e. the ratio was 42.8 %. However, the old-age pension is not subject to taxation or other contributions as wage is.

There is a voluntary third pillar – supplementary pension savings run by private pension funds. However, role of the third pillar is negligible due to low contributions.

As for the employees, the pay 6.5 % of their gross wages, contribution of the employer is 21.5 %. Premiums are being paid to the Czech Social Security Administration by the employer (the employee does not have to administer his/her contributions, it is the responsibility of the employer). Self-employed persons pay the same percentage rate (28 %).

The unemployed as well as mothers on maternal leave and parents on parental leave are also covered. The time spent in the jobseekers' registry/on maternal/paternal leave is being calculated in the contributions history (but it is not taken into account when determining the pension amount in order not to dilute it).

The entitlement to pension is conditioned by reaching the retirement age and the required number of contribution years. The retirement age has been increasing gradually since 1995. Retirement age for men increases by two months each year. For women, the tempo is 4 months a year as the retirement age for women was set lower (the more children a woman reared, the lower the retirement age was). The target retirement age is 67 years for all men and women (i.e. the differentiation of retirement age based of reared children is being phased out). In 2016, the retirement age is 63 years for men, 62 years and 4 months for childless women, and decreases by 1 year per each reared child (maximum limit is 5 children, the corresponding retirement age in 2016 is 58 years and 4 months).

At the same time, the required number of years in insurance is increasing to target of 35 years (including supplementary periods such as sickness leave, unemployment, maternal and/or parental leave etc.) in 2018. Person, who has accumulated 30 or more years of insurance without having to calculate also supplementary periods (i.e. through employment or entrepreneurship) is also entitled to old-age pension.

As for migrant workers, large majority of them are EU or European Economic Area citizens that have free access to the Czech labour market and are also covered by EU legislation on coordination of social security. The Czech Republic has also concluded bilateral social security agreements with many countries of origin and negotiates with other (with China, the negotiations started in 2012). The aim is to cover the countries with significant number of citizens residing or working in the Czech Republic or vice versa. The complete list may be found at www.mpsv.cz/CS/1275 (in Czech).

4. SOCIAL EFFICIENCY AND INCLUSIVE GROWTH

The Czech social protection system is relatively cheap. The costs are close to 20 % of GDP while the income poverty rate is among the lowest in the world. The share of people whose income is below 60 % of mean income is below 10 % in the long-term. The main reasons are the social transfers.

Poverty rate and social protection related expenditure

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Poverty rate in the Czech Republic (%)	10.4	9.9	9.6	9.0	8.6	9.0	9.8	9.6	8.6	9.7
Social protection expenditure in % of GDP	18.4	18.3	18.2	18.3	20.2	20.1	20.1	20.4	19.4	19.1
Poverty rate in the whole EU	16.4	16.5	16.5	16.6	16.4	16.4	16.8	16.8	16.6	

In terms of another EU indicator, the risk of poverty and social exclusion, the situation in the Czech Republic very good – the relevant indicator stood at 14.8 % (1,532,000 people) in 2014 while it was 15.3 % in 2008 – before the crisis. The rate for the whole EU is 17.2 %.

Because of the positive development, the Czech Republic revised her target within the EU 2020 Strategy. Originally, the Czech Republic made the commitment to decrease the number of people at risk of poverty and social exclusion by 30,000 in comparison with the year 2008. This was achieved in 2013. Now, the target is to decrease the number by 100,000 people.

While having extremely effective social transfers in cash, there is much to improve in social services and social work area. Social Services Act adopted in 2006 introduced many modern features in the welfare system. However, 10 years of experience revealed many issues which need to be addressed. The Ministry of Labour and Social Affairs is preparing a major amendment to the Social Services Act to reflect the 10 years of experience as well as the new trends in the social services area. The aim is to streamline and simplify the system of social services and clarify some moments where different interpretations are now possible.

One of the issues insufficiently covered is the area of social work. A clearer distinction between the social work and social services must be made. The Ministry of Labour and Social Affairs has prepared a legislative proposal to regulate the social workers profession (including the definition of a social worker, the requirements and conditions for the profession etc.). After inter-departmental discussion upon this intention, a legislative proposal is to be submitted in September.

Another gap in the Czech social protection system is the lack of policy regarding social housing. Social housing is now fully in the competence of the municipalities. That means that each municipality has different criteria for provision of social housing.

So far, the state provided social benefits related to housing (supplement for housing and housing allowance). However, the experience showed that the benefits, which in theory could enable a family to rent decent housing, helped create so called “business with poverty”. Many families thus live in

residential hostels and the costs are being paid by the state through the housing benefits. The hostels thus increased the prices, often to the level for which a larger flat could be rented in the same town.

Therefore, the Ministry of Labour and Social Affairs is now preparing a bill on social housing following on the Social Housing Concept 2015 – 2020 approved in 2015. The legislative proposal is now being finalised at the Ministry and will be soon sent to other Government bodies within the interdepartmental comments procedure. The new law should set the framework for social housing – set the standards and define the groups eligible to social housing. Social housing is to be combined with social work, social services and with the housing-related social benefits.

Concerning the inclusion of disadvantaged children, an amendment to the Education Act of approved in 2015 brought several changes towards keeping children with specific educational needs within the mainstream education. Supportive measures were also introduced and promoted. The changes and new methodology will be implemented since September 2016, i.e. the start of the new school year.

5. SUSTAINABILITY AND FINANCIAL REFORM

Deficit of the state budget is a long-term feature of the public finance sector of the Czech Republic. In 2015, the deficit of the state budget was CZK 62,8 billion, i.e. 1.4 % of GDP. The government debt was 41.1 % of GDP (CZK 1,863 billion) in 2015. In 2014, the government debt stood at 42.7 % of GDP (the hitherto highest value in terms of % of GDP was in 2013 – 45.1 %). Since 2013, the Czech Republic has met both Maastricht criteria (government debt under 60 % of GDP and state budget deficit below 3 % of GDP).

The Government strives to decrease the deficit and the government debt (at least in the terms of % of GDP). It has been successful so far in both of those aspects. The current economic growth provides room for manoeuvre by increasing the income of the state budget. Nevertheless, to increase tax revenues, the Government strives to increase the efficiency of tax collection especially the VAT.

Around 80 % of state budget expenditure is mandatory. Large share of the expenditure is on pension benefits. Revenues from pension insurance are lower than expenditure. The Czech society is ageing fast, therefore the deficit is likely to grow which increases pressure on public finance. The current expenditure of 9.0 % of GDP is expected to increase to 9.7 % of GDP by 2060.

The Government decided to join the EU Fiscal Pact in 2014. The Government has submitted the relevant legislative proposals aiming at strengthening of the national budgetary framework in early 2015. However, the Chamber of Deputies has not decided upon the proposals yet.

When joining the EU in 2004, the Czech Republic accepted the obligation to join the Euro Area. However, there is no plan nor timetable for it.

The previous government led by Mr Petr Nečas introduced a second-pillar of the pension scheme. It was funded pillar with 11 pension funds participating in. The opt-out from the first pillar was voluntary and the person which opted for the second pillar transferred 3 percentage points of his/her social security contributions to the second pillar and was obliged to pay 2 percentage points more. However, the number of participants in the second pillar was much lower than expected and perhaps only one pension fund would have enough clients to be viable. The current government has abolished the second pillar.



In 2014, the Czech National Bank decided to intervene and set the CZK/EUR exchange rate to CZK 27/EUR 1 (the rate then was around CZK 24/EUR 1). This target is still being pursued. The rationale for this step was to promote the Czech export. When and how will this measure be phased out is still unclear.

Annex: Overview of the progress toward national targets set in EU 2020 Strategy

Area	National target	Referential value (year)	Progress by the latest data
Employment	Increase general employment rate of persons from 20 to 64 years of age to 75 %	70.4 % (2010)	74.8 % (2015)
	Increase employment rate of women (20-64 years) to 65 %	60.9 % (2010)	66.4 % (2015)
	Increase employment rate of older workers (55-64 years) to 55 %	46.5 % (2010)	55.5 % (2015)
	Decrease unemployment rate of young persons (15-24 years) by one third	18.3 % (2010)	12.9 % (3Q/2015)
	Decrease unemployment rate of persons with low qualification (ISCED 0-2) by one quarter in comparison with 2010	25 % (2010)	21.9 % (3Q/2015)
Poverty and social exclusion	Decrease in number of persons at risk of poverty, material deprivation or living in households with very low working intensity by 100,000	1,566,000 (2010)	Decrease by 34,000 (2014)
Education	Decrease in number of people leaving education early to 5.5 %	4.9 % (2010)	5.8 % (2015)
	Attain at least 32 % share of people with tertiary education in population in age 30-34 years	20.4 % (2010)	29.5 % (2015)
Research, development and innovations	Increase public expenditure on science, research and development to 1 % of GDP	0.62 % (2010)	0.66 % (2014)
Climate and energy policy	Decrease greenhouse gas emissions – maximum possible increase of emission outside EU ETS system by 9 %	+ 1.3 % (2005)	- 0.9 % (2010)
	Increase the share of renewable energy resources in final energy consumption (13 %) and the share of renewable resources in transport (10 %)	6 % (2005) 0.5 % (2005)	13.4 % (2014) 6.1 % (2014)



COUNTRY PROFILE France

1. MACRO-ECONOMIC SITUATION DURING THE PERIOD 2016-202

(SOURCE: National reform programme 2015 – contribution to the Europe 2020 Strategy http://ec.europa.eu/europe2020/pdf/csr2015/nrp2015_france_resume_en.pdf)

Executive Summary of the French National Programme 2015 (Prime Minister's Office)

“The French economy has many strengths, including its institutional framework, the top-rate infrastructure across its territory, its financial system, the quality of its workforce and its positive demographic trends, and its productivity per hour worked is one of the highest in the world. All those aspects are essential for its competitiveness and thus growth, both now and in the future. However, those unquestionable qualities cannot mask considerable economic challenges. France knows that it needs to address them; it continues, and will continue to undertake ambitious reforms .

For example, the competitiveness of businesses has gradually worsened since the early 2000s, leading to a slump in the margins of companies and a fall in our export market share. Over the same period, control of our public expenditures has been insufficient, to the extent that they represent a very considerable portion of national wealth, which limits the government's room for manoeuvre. These developments limit France's ability to build on its strengths. France's economic agenda therefore aims to curb those imbalances with determination so as to create the conditions for a sustainable, fair and job-rich growth, in-line with the “Europe 2020” strategy and the economic and social goals that it lays down. Moreover, the coordination of economic policies is absolutely necessary in a monetary union, and the aim of this national reform programme is also to serve as a basis for debate in the framework of the European Semester.

France is therefore implementing a long-term reform strategy, undertaken in consultation and in a spirit of social dialogue that contributes to generating and strengthening the economic recovery in France and the eurozone. The approach was deliberately chosen not to be a sharp break-away; on the contrary it involves generating momentum through a series of targeted, coordinated and effective reforms that all have one ambition: modernizing, simplifying and freeing up economic activity, so that it can restart fully

and sustainably. The public finances strategy ensures that the public deficit falls back below 3% of GDP in 2017. It is described in the stability programme, while the economic reform strategy is detailed in this national reform programme. The latter is implemented through determined efforts, especially as regards price competitiveness, with reduced employer contributions and taxes, as well as non-price competitiveness with simplification of administrative procedures, the repeal of unnecessary regulations that are a barrier to activity, support for investment and innovation, and improved functioning of the labour market. Above and beyond the strategy to restore business competitiveness, the government's reform agenda (<http://www.gouvernement.fr/agenda-reformes>) includes two other priorities: combating inequality and preparing for the future. Fighting inequality is vital, especially as the financial crisis has contributed to increasing precariousness, which in turn affects economic activity. Preparing for the future is just as important, as the strength of our economy will increasingly reside in its ability to prepare, in particular, for ecological and demographic challenges. In that respect, the French agenda is fully consistent with the European one.

The first results are already being felt. The current account deficit has thus got smaller, representing only 1.0% of GDP as of 2014, while the rate of taxes and contributions paid by businesses began to fall the same year. The margin of businesses, for its part, is set to increase considerably in the first half of 2015 thanks to control of the cost of labour. And, after three years of stabilization, foreign direct investment decisions in France increased by 8% in 2014, which is a sign of improved attractiveness.

Overall, these reforms should strengthen the French economy's potential and long-term resilience. In October 2014, the OECD assessed the impact of the reforms already undertaken at 3 GDP points in a 10 years' time horizon. Taking into account all our reforms, including those which will be undertaken by early 2016, on-going assessment work suggests that the impact should be at least around 4 GDP points by 2020, with significant effects on short-term potential growth. Between 800,000 and 900,000 additional jobs would thus be created. This assessment encourages us to continue determinedly along the same lines; indeed, almost half of that impact on GDP will come from on-going or future reforms.

For the government, bringing about far-reaching reform aims to address several essential requirements. “

AREAS FOR REFORM

- improving businesses' price competitiveness
- simplifying administrative formalities for businesses
- adapting regulations on the goods and services market
- investing and supporting innovation
- improving the functioning of the labour market
- combating inequality and preparing for the future

SUMMARY OF STRATEGY 2020 OBJECTIVES

2020 OBJECTIVES	EU TARGET	FRANCE LAST OBSERVED	FRANCE TARGET
Employment rate (in %)	75%	69% (66% for women)	75% (70% for women)
R&D (in % of GDP)	3%	2.23 %	3 %
Emissions reduction targets (compared to 2005 level)	20%	8 %	14 %
Renewable energy (in % of gross final energy consumption)	20%	14 %	23 %
Energy efficiency	20% ¹⁸	250 (primary)	236.3 (primary)
Early school leaving in %	<10%	9.7 %	9.5 %
Tertiary education in %	40%	44,1 % (46,8% of 17-33 years old)	50 % (17-33 years old)
Reduction of population at risk of poverty or social exclusion (in number of persons)	20.000.000	18.1% of the population (11.2 million persons)	1.900.000

¹⁸ Max 1474 Mtoe of primary energy or no more than 1078 Mtoe of final energy

2. LABOUR MARKET POLICIES

2.1 IMPROVING THE FUNCTIONING OF THE LABOUR MARKET

Implementation of the European Council Recommendation to France dated 8 July 2014 (recommendation n.6)¹⁹

« Take further action to combat labour-market rigidity, in particular take measures to reform the conditions of the 'accords de maintien de l'emploi' to increase their take up by companies facing difficulties. Take additional measures to reform the unemployment benefit system in association with social partners, in order to guarantee its sustainability while ensuring that it provides adequate incentives to return to work. Ensure that older workers benefit from adequate counselling and training and re-assess the relevant specific unemployment benefit arrangements with respect to their situation on the labour market. »

(From French Prime Minister's Office, French National Programme 2015)

France has faced persistently high unemployment for the past 30 years, which means it is necessary to re-think employment policy to make it more effective. Government action is structured around several complementary areas, with the overall aim of facilitating professional development and increasing effective security for employees.

Enhancing and decentralizing social dialogue

The job security act of 14 June 2013 was a breakthrough, as it introduced a French form of flexi-security. New rights for employees have been set up and companies' capacity for adaptation was increased through an ambitious simplification of part-time activity, a reform of collective redundancy procedures and the possibility of adapting salaries and work hours by agreement in the event of economic difficulties. (...) The government believes that improving the quality of social dialogue will help companies to become more competitive. (...) As a whole, these reforms are part of a continuous process of profound transformation of the labour market and the nature of social dialogue, which must be enhanced at both sector and company level.

Increasing career flexibility and security through individualized rights

Recent advances have simplified the legal framework (simplified dispute procedures, amicable termination of contracts, mass redundancy plans agreed jointly, out of court, within a strictly regulated time frame). The growth, economic activity and equal economic opportunity bill supplements these measures by simplifying certain obligations related to collective redundancy and by reforming the employment tribunals, which are responsible for handling individual disputes. This major reform will speed up judges' decisions and make them more predictable and less costly to businesses. These

¹⁹ COUNCIL RECOMMENDATION of 8 July 2014 on the National Reform Programme 2014 of France and delivering a Council opinion on the Stability Programme of France, 2014

http://ec.europa.eu/europe2020/pdf/csr2014/csr2014_council_france_en.pdf

measures are accompanied by efforts to increase career security by introducing individualized rechargeable entitlements to unemployment benefits and improving access to vocational training for those most in need of it. As of 1 January 2015, all workers have a personal training account allowing them to receive training throughout their career.

The government aims to go further by setting up a personal activity account from 1 January 2017. This will bring together all the entitlements acquired by a worker (personal training account, occupational risk account, entitlements to unemployment benefits, etc.) in an account that the worker can use throughout his or her career. This account will offer greater career security, greater mobility, and better career development prospects.

Promoting the development of vocational skills

The vocational training reform adopted on 5 March 2014 helped to reform training policy governance by strengthening the role of regional authorities and relaxing the legal framework that companies must respect with regard to employee training. It thus clarifies the training financing system and makes it more effective. This is also true of the government's policy to promote apprenticeships: apprenticeship financing channels have been simplified and the government has set itself the target of reaching 500,000 apprentices by 2017 by offering greater assistance to businesses

Improving incentives for returning to work and maintaining employment

Many measures have been taken to increase the employment rate and limit hysteresis effects, including the introduction of "rechargeable" entitlements under the 2014 unemployment convention and the merging on 1 January 2016 of the earned income supplement (*RSA Activité*) and the employment bonus (PPE) into an activity bonus, which is simpler and promotes activity more effectively (especially due to a monthly payment mechanism); this system is included in the social dialogue modernization bill presented on 22 April. In addition, from 2016, the new unemployment insurance convention will set compensation rules that incentivize people to return to work, boost career security and ensure that the system is financially sound (€2 billion per year, taking into account the reforms launched since 2014).

2.2 UNEMPLOYMENT INSURANCE

Source: CLEISS – Center Of European And International Liaison For Social Security
http://www.cleiss.fr/docs/regimes/regime_france/an_5.html

The unemployment insurance scheme is the product of a negotiated agreement between the two sides of industry (national and multi-industry employers' and employees' organizations).

Organizational structure

The public employment service is organized around two bodies: the bipartite body UNEDIC (National Professional Union for Employment in Industry and Trade), which will continue to perform its task of administering the unemployment insurance scheme and organizing the benefits payment system, and the service for jobseekers ("Pôle emploi").

Pôle emploi brings all employment services under a single body, with a single point of contact for registering, counseling, training, placing and paying benefits to jobseekers.

Financing

The unemployment insurance scheme is financed through contributions paid on earnings: subject to the limit of 4 times the monthly social security ceiling (€12,872 in 2016).

Benefits

The amount and duration of benefit payments depend upon the period during which the claimant has contributed to the scheme and total contributions paid.

To qualify for unemployment benefit (Return to employment benefit or ARE), the claimant must satisfy the following conditions:

have involuntarily lost their job (termination by the employer, the end of a fixed-term employment contract or an assignment contract, termination by mutual agreement or resignation for a valid reason),

be physically fit for work,

be registered as a jobseeker with "Pôle emploi" and comply with a personal return-to-work plan,

be actively seeking employment,

have worked at least 122 days or 610 hours (4 months) in the last 28 months, or in the last 36 months for jobseekers aged 50 and over) before becoming unemployed,

be below the legal minimum retirement age (60 or 62 depending on year of birth) or the qualifying age for a full pension (between 65 and 67 depending on year of birth),

accept "reasonable" job offers (sanctions apply if a jobseeker refuses more than two such offers).

Replacement income

The daily return-to-work allowance ("Aide au retour à l'emploi"/ ARE) is calculated partly on the basis of a daily reference wage (SJR). The reference wage is based on earnings subject to contributions during the 12 calendar months prior to the last day of paid work, up to a limit of 4 times the social security ceiling (€12,872 per month). It is calculated as follows:

$SJR = \text{Reference salary} / \text{Number of days of membership in the scheme (up to 365 days)}$

The daily ARE rate is equal to the highest of the following amounts:

40.4% of the SJR + a set amount (11.76 €)

57% of the SJR

This amount cannot be below 28.67 € or exceed 75% of the SJR.

Effective date and length of award.

Payment begins on the day following the waiting period and any deferred compensation period(s).

The waiting period is 7 days long. It applies to all unemployment insurance compensation and is in addition to any:

Deferral for "paid vacation," calculated based on the "paid leave" compensation that is paid at the end of the employment contract,

"Specific" deferral, calculated based on "non-statutory" (higher than the legal minimum) termination compensation that is paid when an employment contract is terminated (the upper limit is generally 180 days, 75 days when the employee has been laid off for economic reasons).

The duration of benefit payments is based on the principle of "a day of work equals a day of compensation." Benefits are paid for a minimum period of 122 days (4 months) and a maximum period of 730 days (24 months) for private-sector employees aged under 50, and 1,095 days (36 months) for employees aged over 50.

Return-to-work incentive measures

The May 14, 2014, agreement on unemployment compensation set forth measures that encourage jobseekers to return to work, even on a short-term contract. They are applicable from October 1st 2014.

2.3 MIGRANT WORKERS

Migrant access to social security and healthcare in France is closely linked to the socio-economic context, with the initial objective being to facilitate immigration of foreign workers in France to fill workforce needs. Introduced in the 1980s for family benefits, the condition of legal residence was generalised by the law of 24 August 1993. In accordance with Article L.115-6 of the Social Security Code, the residence permit is the determining factor for access to social security for a third- country national who has come to live in France. Subject to being declared to the authorities for work and being legally resident, third-country nationals broadly benefit from the same rights to social security as French citizens.

In accordance with the principles of freedom of movement and equality of treatment, European nationals affiliated to the social security system in France benefit from the same rights as French nationals

In addition to European instruments for the coordination of social security legislation, France has signed bilateral agreements for social security coordination with the aim to facilitate worker mobility and guarantee continuity of social security rights (both for foreign workers in France and French workers abroad). Nearly 40 agreements of this type have been signed between France and third countries, as part of economic relations that have varied over time. The first agreements, signed mainly with former colonies, aimed to facilitate the immigration of a foreign workforce to France and ensure that those workers received certain benefits, notably old-age pensions, when they returned to their home country. A new series of agreements was signed in the 2000s to accompany the growth in exchanges with OECD countries and encourage mobility of managers in large companies.

Social security payments abroad made by France represented in 2014 some 7 billion euros (50 billion yuan RMB) out of which 48% were paid outside EU member States. Payments concerned pensions up to 90% and health care for some 8%.

3. UNIVERSAL COVERAGE AND ADAPTATION TO MOBILITY

3.1 RELATIONS BETWEEN SOCIAL SECURITY AND EMPLOYMENT POLICIES

The French social security system is of Bismarckian type, where social risks are covered mainly by social insurances based on an employment and principally funded by social contributions. This creates a very strong link between social security and employment policies.

French social protection expenditure expressed in percentage of GDP are in Europe second only to Denmark (33.6%). Social protection financing relies predominantly on contributions based on salaries (63.3% i.e. 7 percentage points higher than on average in Europe). Among contributions, so-called employers' contributions represent roughly 70% of the total as against some 45% in Germany (where social security financing relies on contributions to a similar extent).

Notwithstanding the above, there is no clear evidence that the alleged cost of social security would have an adverse impact of French employment levels which are comparable to those found on average in other countries of Europe, while work productivity is consistently higher in France than in a number of its European competitors. French unemployment rates are however higher than those registered in other European most developed countries, while atypical forms of employment including very part time and lower paid employment is less frequent.

The Government has over the years constantly transferred the burden of some employers' contributions to general or specific taxation mechanisms – notably for low paid employment – which might have contributed to the creation or preservation of 400 to 600.000 jobs over the last 15 years²⁰. The Government is also keen to control the overall level of social security expenditure, through a number of means of action related to benefit levels, eligibility conditions, indexation rules, benefit formulae. Most recent developments affected legal retirement age, pension formula, access to early retirement including for arduous occupations.

Within social security provisions and benefits, unemployment insurance plays a significant role in promoting and facilitating return to occupation by the unemployed, or access to the labour market by first-job seekers. Support to enterprise creation and vocational rehabilitations also play an important role in the overall social security system. Finally, specific rules allowing for the accumulation within certain limits of unemployment or social welfare benefits with income derived from salaried occupation aim at creating a favourable environment for progressive return to work of social security beneficiaries.

3.2 UNIVERSAL COVERAGE

Despite its Bismarckian fundamental features, the French social security system also embodies characteristics of universal social protection. Universal coverage was indeed one of the advocated goals of the social security system created at the end of WW II by the French Resistance National Council.

²⁰ High Council for Social Security Financing, March 2014 http://www.securite-sociale.fr/IMG/pdf/point_d_etape_hcfips_05032014-2.pdf

It took some time however to progress towards this goal of universality. While all elderly having or not contributed to social security were since the beginning of the system entitled to a minimum pension, the generalisation of compulsory membership in contributory schemes was progressively introduced, to be completed in 1972 for old-age, invalidity and survivors benefits. Also in 1972, the membership in supplementary pension schemes was made compulsory for all salaried workers (with retroactive effect concerning free validation of periods of work).

Since 1975, practically all persons meeting age qualifying conditions are entitled to an old-age pension, since contributions during one quarter are enough to access to a pension benefit – which, beyond the amount of pension, of course extremely low for very short contributory periods, opened access to health care. Generalisation of health insurance to all residents intervened in 2000. Universal coverage had been instituted on 1 January 1978 for family benefits (subject to means testing for some benefits).

The evolution of the system toward universal coverage was accompanied by some changes in its financing principles. While special taxes earmarked for the financing of specific non contributory benefits existed for a long time (eg. 1956, tax on cars to finance minimum non contributory old age pensions), the most important development was the introduction in 1991 of a general tax for social security financing based on all income of all persons subject to taxation. Already in 1983 a contribution levied on public officials treatment was earmarked as a solidarity contribution towards the financing of unemployment insurance.

4. SOCIAL EFFICIENCY AND INCLUSIVE GROWTH

Decile	1	2	3	4	5	6	7	8	9	10	Overall
Average living standard	8 917	12 796	15 188	17 405	19 628	21 938	24 672	28 193	33 812	57 859	24 041
Unemployment and pre-retirement (%)	9	7	6	5	4	4	3	2	2	2	4
Retirement pensions (%)	15	23	26	27	27	24	23	22	24	21	23
Family benefits (%)	17	10	7	5	4	4	3	3	2	1	6
Housing benefits (%)	18	8	3	1	1	0	0	0	0	0	3
Social welfare benefits (%)	13	5	3	2	1	1	0	0	0	0	3
Total social protection benefits compared to income (%)	71	53	46	41	37	32	29	28	28	24	39

As shown in the above table²¹, social protection benefits represent a decreasing proportion of family income as the overall wealth increases, from 71% in the first decile to 24% in the 10th decile. The redistribution effect of social security benefits therefore appears quite strong, but uneven according to branches. For example, pension benefits account for a relatively stable proportion of family income, clearly marking the link of pensions with contributions based on salaries. Housing and family benefits, together of course with social welfare benefits are means tested, and therefore have a very strong redistributive effect.

The above table does not account for the redistributive effect of medical insurance, which is real since financing varies according to income, while benefits occur on the basis of universal access to health care.

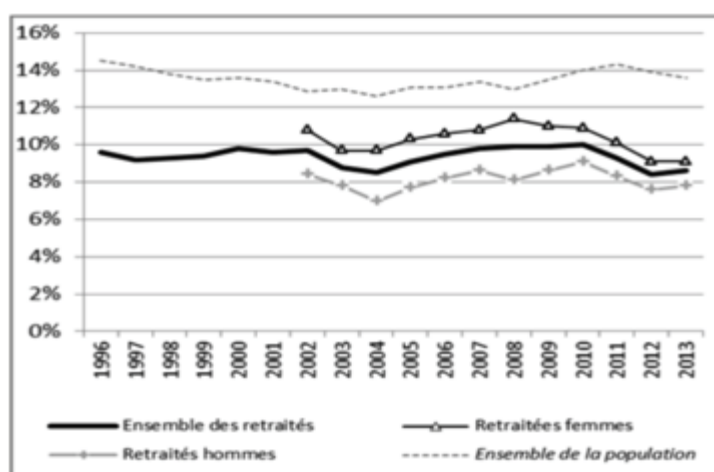
²¹ Social protection in France and in Europe, DRESS 2016

However studies shows that a significant percentage of the population²² are still deterred to make full use of available medical care they would need because of cost reasons – the deductible remaining sometimes quite high.

5. SUSTAINABILITY AND FINANCIAL REFORM

Social security accounts are checked and evaluated by a special Commission established in 1979, which reports to Parliament. Since 1996, Parliament votes every year on a law called Social security financing law. This law treats under a specific chapter of medical care, through a mechanism called National Objective for Health Insurance Expenditure ONDAM. In 2015, prospective consolidated expenditure exceeded receipts by some 10 billion euros (between 2 and 2.5% of expenditure). Four “High-level Councils” dedicated respectively to health insurance, family, pensions and social security financing monitor the situation in their respective sectors and put forward recommendations as appropriate.

In fact, the pension system seems to have been quite successful over the years in guaranteeing decent living conditions to retirees, since the poverty rate among the retired population is consistently lower than that among the general population (data from the Council on Pensions Orientation).



Source : série INSEE 1996-2012, extrapolée à 2013.

It is therefore expected that the adjustments made in some parameters of the pension formula will not, when coupled with the stabilising effect of extension of contributory periods through increase in legal retirement age and reduction in early retirement facilities, act too much negatively on retirees’ future standards of living.

The most recent (2014) reform brings in the following changes:

Increase by one quarter every 3 years from 2020 to 2035 of the threshold to benefit from full pension (43 years of insurance, generations borne 1973 and after).

²² In 2008, 15% of the adult population renounced to some health care for financial reasons – from report on National Health Accounts, 2011

Increase by 0.30 % of the contribution rate (equal sharing between employers and employees) over a 4 years period (0.15%+ 3 times 0.05%)

A new individual account (arduous occupation account) is created with effect of 2016 to take into account all the specific periods where any worker went through several types of arduous working conditions, this building up a possible entitlement to early retirement²³.

The previous (2010) reform included:

Progressive increase over 6 years starting in 2011 (4 months per year) of legal retirement age from 60 to 62 years

Progressive increase from 65 to 67 years of age of the threshold after which having contributed less than the required minimum of quarters for full pension does not attract a penalty in terms of replacement rate.

²³ Before the reform, early retirement for arduous working conditions was linked to occupations, not individual criteria.



COUNTRY PROFILE Italy

1. MACRO-ECONOMIC SITUATION DURING THE PERIOD 2016-2020

(SOURCE: National Reform Program 2015 - Contribution to the Europe
2020 strategy

[Http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_italy_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_italy_en.pdf))

Executive Summary of the Italian National Programme 2015:

Italy entered the crisis with long-standing structural weaknesses. During the decade leading up to the crisis, deeply rooted structural weaknesses significantly constrained Italy's growth potential; Italy's annual real GDP growth averaged 1.5 %, around 2/3 percentage points below the euro area average, due primarily to sluggish total factor productivity. The high public debt ratio and the negative and worsening current account balance further limited the Italian economy's capacity to withstand the negative economic shock.

The legacy of the crisis constitutes a challenging starting point. Despite significant measures taken at the national and European level, the economy continued to contract until 2014. In 2015, Italy's real GDP had fallen back to the early 2000s levels, while the euro area GDP was more than 10 % higher. Investment fell sharply and more deeply than in the rest of the euro area on average. Unemployment and long-term unemployment increased substantially, while total factor productivity continued to decline and the participation rate remained among the lowest in the EU. As a result, Italy's gap in potential growth vis-à-vis the rest of the euro area widened. The public debt ratio increased to over 130 % of GDP in 2014 from around 100 % in 2007. Export market shares fell significantly until 2009 and competitiveness has not improved, thereafter, due to the slow responsiveness of wages and prices to the economic shock. While the financial sector proved to be relatively resilient during the global financial crisis, the prolonged recession led to the accumulation of a substantial stock of non-performing loans, weakening the banks' capacity to support the recovery.

A gradual recovery started in 2015 but risks persist. Economic activity expanded slightly in 2015 and is set to strengthen in 2016 and 2017. The positive outlook is backed by improving financing conditions and confidence, a supportive fiscal stance, better labour market prospects, and low oil prices. However, the recovery is weaker than in the euro area as a whole and subject to downside risks. In particular, the slowdown in emerging markets and the recent financial market turmoil weigh on the outlook.

Employment, both in headcount and hours worked, started to increase already in mid-2014 and the unemployment rate has been declining since end-2014.

Structural weaknesses still hold back Italy's capacity to grow and adjust to economic shocks. Productivity growth remains sluggish, mainly due to the continued presence of structural obstacles to the efficient allocation of resources within the economy. The resulting low growth makes the reduction of the high public debt and the recovery of competitiveness more challenging. In turn, the high public indebtedness continues to weigh on Italy's economic performance and to expose the country to external shocks.

Overall, Italy has made some progress in addressing the 2015 country-specific recommendations. A comprehensive reform of the labour market was undertaken in 2015. Important measures were adopted to reform the governance of the banking sector and to address the stock of non-performing loans. The education sector was reformed with a view to better rewarding merit and strengthening work-based learning and vocational training. Measures to reduce the administrative burden for citizens and businesses were taken. Furthermore, the parliament is discussing a law on competition and has passed an enabling law for the reform of the public administration. While implementation of some reforms is still on-going, these are important steps to address Italy's long-standing weaknesses. The full impact of these reforms may materialise only over time but early signs are positive. In some key areas there is scope for further action. Targets for spending review savings have been further reduced. The cut to property taxes on first residences from 2016 is not consistent with repeated Council recommendations to shift taxation away from productive factors onto property and consumption, while key elements of the country-specific recommendations, such as the revision of cadastral values and of tax expenditures have not been implemented. Social partners have not yet found an agreement on the delayed reform of collective bargaining. Regarding the statute of limitations, the legislative process on the long-awaited systematic revision is not completed.

Regarding the progress in reaching the national targets under the Europe 2020 Strategy, Italy has either

Renewable energy (in % of gross final energy consumption)	20 %	16,7 %	17 %
Energy efficiency	20 % ²⁴	153.7 (primary)	158 (primary)
Early school leaving in %	<10 %	15 %	16 %
Tertiary education in %	40 %	23.9 %	26 % - 27 % (30-34 years old)
Reduction of population at risk of poverty or social exclusion (in number of persons)	20.000.000	28.1 % population (60 .6 million persons)	2.200.000

SUMMARY OF STRATEGY 2020 OBJECTIVES

²⁴ Max 1474 Mtoe of primary energy or no more than 1078 Mtoe of final energy.

reached or is making progress towards its targets on reducing greenhouse gas emissions, increasing the share of renewable energy, improving energy efficiency, reducing early school leaving and increasing the tertiary education attainment. More effort is needed regarding increasing the employment rate, investment in research and development and the fight against poverty and social exclusion.

AREAS FOR REFORM

- Public finances and taxation;
- Infrastructure investment and EU funds;
- Public administration and justice system;
- Financial sector;
- Labour market, wage setting and education;
- Simplification and competition.

020 OBJECTIVES	EU TARGET	ITALY LAST OBSERVED	ITALY TARGET
Employment rate (in %)	75 %	60.4 % (50.5 % for women)	67 % - 69 %
R&D (in % of GDP)	3 %	1.29 %	1.53 %
Emissions reduction targets (compared to 2005 level)	20 %	22 %	13 %

2. LABOUR MARKET POLICIES

2.1 IMPROVING THE FUNCTIONING OF THE LABOUR MARKET

Source: <http://www.oecd.org/italy/Employment-Outlook-Italy-EN.pdf> <http://www.naspi.biz/anpal-il-portale-governativo-per-i-disoccupati/>

In general, after many years of crisis in the OECD area, labour market conditions are beginning to improve, and although many differences still exist between countries and groups of workers, the average employment rate is expected to return to pre-crisis levels in 2017, almost ten years after the onset of the global financial crisis. Wage growth in real terms has, however, been weak since 2007, highlighting the risk of lasting wage stagnation.

In Italy, the labour market "is slowly improving". This was stated by the OECD in its annual employment report. "The employment rate for the population aged between 15 and 74 years is on the increase again from the first quarter of 2015 and now stands at 49.4 %": however, it is envisaged that this rate will remain below pre-crisis levels even in 2017.

Meanwhile, the unemployment rate fell from a peak of 12.8 % to 11.5 %, and is projected to fall to 10.5% by the end of 2017.

The long-term unemployed, namely people seeking employment for more than one year, are the 58.7% of the total unemployed, a lower share of 3.5 percentage points over the peak reached in 2014.

With the labour market reforms and particularly the Jobs Act, the OECD states that Italy has managed to avert the risk of "short-term undesirable effects", both because of its highly segmented market and the promotion of the *Increasing law protections employment contract* (permanent employment contract with increasing protection related to the tenure) which has fostered "a clear creation of jobs".

The Employment Outlook 2016 analyses in detail the effects of structural reforms included those related to the labour market.

"In the Italian case, in particular, the Jobs Act has stimulated the use of Increasing law protections employment contract instead of temporary contracts with a clear creation of jobs. Moreover - the Paris-based organisation continues - the new rules only apply to new employees and therefore encourage recruitments without the elimination of existing positions. Finally, the Jobs Act has extended unemployment benefits coverage and reinforced active support policies for job searching."

The Italian Stability Law 208/2015 has introduced measures to assist older workers. Such workers may request a reduction from 40% to 60% in working hours while maintaining the same contributions that were ensured by the full-time employment. These people receive a supplement with their pay cheque from the Company corresponding to the amount of contributions that the company would have had to pay in relation to the amount of compensation that will cease to be paid as a result of the reduction in working hours. The coverage of the missing contributions is notionally recognised and financed through general taxation.

Those affected are private sector employees recruited on a permanent contract who, from 2016 to 2018, will be 63 years and 7 months of age and reach the statutory retirement age for the old-age pension by the end of 2018 (however, the rule does not apply to early retirement), and are already in possession of the minimum

requirement of 20 years of contributions, taking into consideration any contribution paid or otherwise credited, even notionally.

To access the benefit, the worker concerned must request a certification to INPS that attests the possession of the contributory requirements and the maturation of the personal data requirement by 31 December 2018. On the release of the certification by INPS, the worker and the employer shall draw up into a “*Favored Part-time contract*” (contract with facilitated access to part-time work) in which the extent of the reduction in working hours is indicated. The contract duration is equal to the period between the date of access to the benefit and the date in which the worker reaches the age of entitlement to an old-age pension.

The reform must therefore continue “to make the National Agency for Active Labour Market Policies (ANPAL) fully operational”.

ANPAL, the National Agency for Active Labour Market Policies, was recently established with the **Jobs Act, Labour Reform Law** that, in the case of unemployment, provides the **NASpl (New Social Insurance Provision for Employment)**.

The ANPAL coordinates the new National Services Network for Active Policies in Italy and involves the main institutions involved in the provision of welfare support provisions such as *INPS*, *INAIL*, and the *Chambers of Commerce*, but also the institutions operating as intermediaries in the **employment market**, such as schools and universities.

The **ANPAL**’s tasks include the establishment of active policy programmes financed by the ESF (European Social Fund), the supervision of the National Network, the archiving of all workers’ personal files and the maintenance of a register of private employment agencies.

The relevant aspect for citizens is that an unemployed person (who has been dismissed or has resigned for just cause) may be entitled to the NASpl just by registering with the ANPAL.

Registration to ANPAL is carried out by Job Centres **during an interview with the unemployed person**: the Job Centre has 2 months from the date of dismissal (or resignation for Just Cause) to summon the worker for an interview. After being summoned, the unemployed person has 15 days to report at the **Job Centre**, or risk losing a quarter of the unemployment allowance.

During the interview at the Job Centre, the unemployed person must also sign **a service agreement**, namely a programme for the person’s **outplacement on the employment market**. As long as the unemployed person does not find a new job, his commitment in training and outplacement is monitored by a tutor

2.2 IMPROVING INCENTIVES FOR RETURNING TO WORK AND MAINTAINING EMPLOYMENT

THE SIA (SUPPORT FOR ACTIVE INCLUSION) EXPERIMENT

Support for Active Inclusion (SIA) is a measure to counter poverty and an active labour policy according to Art. 1, paragraph 386 of Italian Law No. 208/2015 (Stability Law 2016) which provides for the granting of a financial subsidy to financially disadvantaged families in which minors, disabled children or pregnant women are present.

The measure extends to nationwide level, with some special features, the experimental Social Card, according to Art. 60, Italian Decree Law No. 5 of 9 February 2012, implemented on an experimental basis in Municipalities with more than 250,000 inhabitants. Instead, the operative range of the SIA foresees the direct involvement of all the over 8,000 Italian Municipalities.

The subsidy – paid in the form of a periodic deposit on a purchasing card - is subject to a personalised social and work activation project organised by the Municipal social services together with the employment services, health services and schools, as well as with private entities and non-profit organisations.

In fact, the SIA involves all family unit members and provides specific commitments for adults and children on the basis of an overall assessment of issues and needs. The objective is to help families to overcome poverty and gradually regain autonomy.

The decree entrusts to Municipalities the operational management of applications and the related acceptance/rejection, while INPS is required to carry out checks on the situations of the applicants in order to verify that they meet the requirements established by the law.

To gain access to the SIA, a multidimensional assessment of the needs of the family unit members together with the establishment of an agreement with the Municipal social services are necessary. This pact entails, as far as the social services are concerned, the taking charge of improving the family's well-being and the creation of conditions to lift poverty. It provides, with regard to the beneficiaries, a commitment to the agreement with the consequent adoption of a series of good practices, such as active job searching, participation in work inclusion projects (internships, work experience grants, etc.), school attendance for under-age children, and adherence to specific courses possibly identified by specialist services (for example, preventive and treatment procedures for the protection of health, rehabilitation processes, etc...).

The financial benefit is granted every two months, depending on the composition of the beneficiary family unit, according to the following breakdown:

FAMILY UNIT	MONTHLY SUM (EUR)
1 member	80.00
2 members	160.00
3 members	240.00
4 members	320.00
5 or more members	400.00

The residents of the Regions and Autonomous Provinces can supplement the National Fund for the SIA in order to increase the benefit granted and/or broaden the number of beneficiaries by reducing the selectivity of the requirements necessary for access.

INCENTIVE FOR EMPLOYMENT AND REDUCTION OF LABOUR COST

Art. 1, paragraphs 118 to 124 of Italian Law No. 190/2014 ("Stability Law 2015"), introduced a direct incentive to promote forms of stable employment, consisting in the exemption from payment of social security contributions in charge of employers for new hirings with a permanent contract starting in 2015. The benefit has a duration of 36 months starting from the date of hiring and the maximum amount of subsidy for each single year is equal to €8,060.00.

The incentive has also been modified for hiring made during the year 2016 by Italian Law No. 208/2015, ("Stability Law 2016"), but to a lesser extent: the exemption from the payment of social security contributions in charge of employers is equal to 40% (with the exclusion of bonuses and INAIL contributions), in the limit of €3,250 on an annual basis and for a maximum period of 24 months.

2.3 MIGRANT WORKERS

Source: <https://www.inps.it/portale/default.aspx?itemDir=9575&p7=2>

In the current phase of opening up markets at international level, more and more workers are relocating for work reasons. In recent years, migration has assumed a consistent quantitative dimension and significance in the productive and social sector, such as to require coordinated policies and interventions from public bodies to facilitate the integration process and the protection of the rights of migrant workers.

Italy accords to foreigners who meet the following conditions the same treatment that is granted to Italian citizens on public assistance, labour legislation and social security:

EU citizens and their family members who are dependents;

Non-EU foreigners or stateless people who are holders of a "residence permit" or a "long-term EC residence permit" (Italian Legislative Decree No. 3 of 8 January 2007, which transposed Directive 2003/109/EC);

Foreigners or stateless people who have been granted "political refugee" or "subsidiary protection" status and their reunited spouses (Arts. 2 and 22 of Italian Legislative Decree No. 251/2007).

The fundamental principle of Italian social security legislation is that of equal treatment for foreign workers and Italian workers.

According to Art. 37, Royal Decree Law No. 1827 of 4 October 1935, Italian social security legislation provides for the territoriality of compulsory insurance, under which "people of both sexes and any nationality [...] who undertake paid employment as employees of third parties" are subject to social insurance.

The principle of equal treatment does not only apply for pensions, but also for other social security and pension benefits, naturally in compliance with the requirements and conditions laid down by Italian legislation.

Due to this principle, foreign workers legally residing in Italy have the same rights as Italian citizens; they can, therefore, enjoy the rights accrued in the Italian legal system even in the absence of Social Security Agreements with the worker's country of origin. In other words, once foreign workers have reached the requirements of age, contributions and other conditions laid down by Italian law, they can gain social security and pension benefits just like an Italian citizen.

Concerning the retention of rights accrued for social security in the case of workers who change the employment country without having acquired in a single country the necessary contributory requirements for an autonomous pension allowance, European legislation on the coordination of social security systems provides for the possibility of aggregating contribution periods and payment of the allowance through a 'pro-rata' system.

Within the European Community, the matter is governed by new EU regulations for workers who have been subjected to social security legislation in EU Member States:

EC Regulation No. 987/2009 laying down the rules for application of EC Regulation No.

883/2004;

EC Regulation No. 988/2009, which amends EC Regulation No. 883/2004;

From 1 January 2011, the provisions provided for by the aforementioned Regulations also extend to third country citizens in the event of residence and work in two or more Member States, by virtue of EU Regulation No. 1231 of 24 November 2010;

According to Decision No. 76/2011, adopted on 1 July 2011 by the EEA Joint Committee with effect from 1 June 2012, the new EU regulations (EU Reg. No. 883/2004 and EU Reg. No. 987/2009) also apply to EEA countries (Iceland, Norway and Liechtenstein);

According to Decision No. 1/2012, adopted on 31 March 2012 by the Joint Committee on the free movement of people, established according to the Agreement between the EC and its Member States on the one hand, and the Swiss Confederation on the other, with effect from 1 April 2012, the new EU regulations (EU Reg. No. 883/2004 and EU Reg. No. 987/2009) also apply to Switzerland;

For non-EU Member States, the possibility of aggregating contributions for the achievement of the pro-rata benefit is foreseen by bilateral international agreements between the Italian Republic and the countries listed in the table below.

ARGENTINA	MEXICO
AUSTRALIA	MONACO
BRAZIL	SAN MARINO
CANADA	UNITED STATES
CAPE VERDE	SWITZERLAND (until 10 May 2002)
KOREA	TUNISIA
CROATIA	TURKEY (European Convention on Social Security)
JERSEY – CHANNEL ISLANDS	URUGUAY
EX-YUGOSLAVIA	VATICAN CITY
ISRAEL	VENEZUELA

For the citizens of Bosnia and Herzegovina, Serbia and Montenegro, the Italian-Yugoslav Agreement signed on 14.11.1957, still applies. The same Agreement also extends to the citizens of Republic of Macedonia, pending the ratification of the specific agreement between Italy and Macedonia.

The Italian Government has ratified social security bilateral agreements between Italy and:

Turkey, ratified with Italian Law No. 35 of 11 March 2015;

Israel, ratified with Italian Law No. 98 of 18 June 2015;

Japan, ratified with Italian Law No. 97 of 18 June 2015 (the agreement with Japan does not provide for the aggregation of contributions for the achievement of benefits);

Canada, ratified with Italian Law No. 93 of 16 June 2015 (which replaces the previous agreement that is still in force).

Moreover, the renegotiation of bilateral agreements currently in force with the United States is in progress, as well as the ratification of bilateral agreements already signed with Chile and New Zealand.

It is worth noting that, even in the absence of bilateral agreements, Art. 18 of the Italian Immigration Law No. 189 of 30 July 2002 stipulates that “in the event of repatriation, the non-EU worker retains the pension and social security rights earned and can benefit from them regardless of the validity of a reciprocal agreement upon the maturity of the requirements laid down by applicable law”.

Furthermore, for non-EU workers who repatriate definitively, the contributory requirement for the old-age pension varies depending on whether the pension is calculated using the contributory or payment system:

If the worker has accrued contributions as of 31 December 1995, the pension is calculated using the payment or mixed system and at least 20 years of contributions are required, equivalent to Italian workers;

If the worker started employment after 31 December 1995, the pension is calculated using the contributory method and is granted even if the person concerned has not reached the minimum payments provided for by the details of applicable law for other beneficiaries. In other words, general legislation provides that the old-age pension can only be granted in the presence of at least 20 years of contributions provided that the benefit amount is not 1.5 times lower than the amount of the social benefit or, if the above threshold amount is not complied with, at 70 years and 7 months in the presence of at least 5 years of actual contributions. Instead, for non-EU workers registered for social security after 31 December 1995 and who are definitively repatriated, in the absence of international regulations that stipulate otherwise, Italian Law No. 189/2002 also provides for the possibility of access to a pension regardless of the number of contributions paid.

This safeguard measure has also been confirmed in the application of Italian Law No. 214/2011 on the pension reform, which has provided for new age requirements and has introduced new adjustment mechanisms of the pensionable age to the change in life expectancy.

Currently, the old-age pension is due to non-EU workers at the age of 66 years and 7 months for both men and women.

In the Italian legal system, the payment of old age, disability and survivor benefits is guaranteed to all Italian and foreign pensioners, even abroad. Currently, INPS secures the payment of about 380,000 pensions in approximately 170 countries in the world, irrespective of the beneficiary's nationality. In this context, it emerges that, among the various continents, the majority of these (47.78 %) are assigned to people resident in Europe. These are followed by North America (26.27% of total pensions paid abroad are disbursed in Canada and USA), Oceania (12.82% of the total paid abroad is paid in Australia), and South America (Argentina alone enjoys 7.43% of the total that INPS pays outside national borders).

3. UNEMPLOYMENT INSURANCE

Source: <https://www.inps.it/portale/default.aspx?itemdir=11316>

Generally, income support benefits are defined as those benefits paid by INPS to ensure financial support to workers or their family members against risks arising from the loss or suspension of an employment contract: among these instruments, social safety nets are defined as all the support measures for employment income in the event that the employer is unable to pay wages due to the suspension or termination of employment.

Protection is provided by the laws and regulations in the Italian social security legislation within the framework of a compulsory insurance scheme.

The protection scheme covers all workers who are insured under the compulsory insurance scheme, but does not correspond to the entire economically active population:

Number of insured workers (Year 2014): 14,754,000

Total number of workers (Average Year 2013): 16,878,000

3.1 SOCIAL INSURANCE FOR EMPLOYMENT (ASpl AND MINI-ASpl)

Italian Law No. 92 of 28 June 2012 "Labour market reform in a growth perspective" has established, among the Temporary Management of Benefits to workers, a new instrument for the income support of employed people who have involuntarily lost their jobs: Social Insurance for employment (ASpl).

One of the ASpl's main features is that it is addressed to all those workers who are in a state of involuntary unemployment, including all employees of the private sector under a permanent or fixed-term contract, non-EU workers with non-seasonal residence permits, workers who have resigned for just cause, workers who have been suspended due to a transient corporate or employment crisis, apprentices, cooperative worker members with a salaried employment contract, civil servants (according to Art. 1, Para. 2 of Italian Legislative Decree No. 165/2001) with a fixed term contract of employment, and employed theatre and artistic, theatrical and cinematographic personnel (pursuant to Royal Decree Law No. 1827) of 4 October 1935).

Legislation adds another instrument to Social Insurance for Employment: the Mini-ASpl. The Mini-ASpl is the benefit which, by replacing the non-agricultural ordinary unemployment benefit subject to less stringent requirements, is paid to unemployment cases occurring from 1 January 2013.

For the periods during which ASpl and Mini-ASpl unemployment benefits are received, the imputed contributions equal to the average of the last two years' taxable earnings for social security purposes are recognized ex officio. These contributions are useful for the purposes of the law and of the measure of pensions benefits, excluding those cases in which provision is made for the computation of the single contributions actually paid. If the conditions laid down by law exist, the ASpl and Mini-ASpl beneficiary can also benefit from the family allowance.

3.2 THE NEW SOCIAL INSURANCE FOR EMPLOYMENT

The NASpl is a financial benefit established on 1 May 2015, which replaces the unemployment benefit called Social Insurance for Employment (ASpl). It is a claim for benefits for unemployment cases occurring from 1 May 2015 and is paid to employees who have involuntarily lost their employment.

This is due to workers with a salaried employment contract, who involuntarily lost their employment, including:

Apprentices;

Cooperative worker members with a salaried employment contract;

Artistic, theatrical and cinematographic personnel with a salaried employment contract;

Civil servants on a fixed term employment contract.

However, the following are not entitled to receive the NASpl unemployment benefit:

Civil Servants on an indefinite employment contract;

Agricultural workers on a fixed term and indefinite employment contract;

Non-EU workers with a residence permit for seasonal work, for which specific legislation remains in force.

Moreover, workers entitled to direct pension benefits cannot gain access to the NASpl unemployment benefit.

The entitlement is due in case of the following requirements:

Involuntary state of unemployment;

Contributory requirements;

Job requirements.

The extent of the benefit amounts to:

75% of the average monthly taxable income for social security purposes over the last four years, if this is equal to or less than an amount established by law and reassessed annually on the basis of variations in the ISTAT index (equal to €1,195.00 for the year 2015);

75% of the amount established (equal to 1,195.00 for the year 2015) summed up to 25% of the difference between the average taxable monthly salary and EUR 1,195.00 (for the year 2015), if the average monthly taxable salary is higher than the above fixed amount.

However, the benefit amount may not exceed a maximum limit that is determined annually by law (equal to 1,300.00 for the year 2015). A reduction of 3 % for each month applies to the monthly allowance, starting from the first day of the fourth month of receipt of the benefit (91st day of the performance).

The payment takes place on a monthly basis and is inclusive of family unit allowances if required and payable.

NEW EMPLOYMENT ACTIVITY

Attendant Employment:

While receiving the NASpl allowance, reemployment under an attendant employment contract from which an annual income is earned exceeding the minimum excluded from taxation²⁵ leads to the loss of the benefit if the duration of the new contract is longer than six months or is for an indefinite period. On the contrary, in the case of a contract of a duration equal to or less than the above limit, the benefit is

²⁵This limit is equal to:

- €8,000.00 for workers who are employed people, who carry out activities of coordinated and continuative collaboration or cooperative worker members;
- €4,800.00 for self-employed professionals, holders of a VAT registration number, occasional contractors and self-employed people;
- €8,000.00 for workers who simultaneously carry out work activities of both the types described above.

suspended for the entire duration of the employment contract, to be paid again for the remaining period on termination of the suspension.

Suspension also occurs in the case of a fixed-term employment contract of a duration not exceeding six months, drawn up with a foreign EU or non-EU state.

If the presumed income derived from the new attendant employment contract is lower than the minimum income excluded from taxation²⁶, the benefit is paid in a reduced amount equal to 80 % of the expected annual income, compared to the period of time between the beginning of the new activity and the final date of receipt of the NASpl allowance or, if preceding, the end of the year.

Self-employment:

In the case of self-employment, sole proprietorship or a parasubordinate contract from which an income is derived that is lower than the limit set for retaining the state of unemployment³, the extent of the allowance is reduced of an amount equivalent to 80 % of the expected income compared to the period between the beginning of the activity and the final date of the allowance.

If the annual income is higher than the limit set for retaining the state of unemployment, the allowance is revoked. The failure to communicate the expected income by the established peremptory time limit results in the benefit's revocation. Work of a purely casual nature (ancillary casual work with voucher):

The NASpl is fully combinable with income earned from the performance of ancillary work up to the overall limit of EUR 3,000 per calendar year.

In the case where the incomes exceed the above limit but are less than EUR 7,000, the NASpl is reduced of an amount equivalent to 80% of the remuneration, compared to the period between the beginning of the activity and the final date of receipt of the allowance, or if preceding, the end of the year.

Work abroad

The recipient of the NASpl benefit who goes to seek employment in a country that applies EU rules by exporting the benefit - or in a non-EU country but which has an agreement with Italy in the field of unemployment and provides for the exportability of the benefit - must register as a person seeking employment in the host State. Once employed in the aforementioned State, the person will lose the right to the NASpl (Arts. No. 7, 63 and 64 of EU Regulation No. 883 of 2004);

2. The allowance of the NASpl benefit received by recipient who moves to a country that applies EU rules - or to a non-EU country which has an agreement with Italy in the field of unemployment and provides for the exportability of the benefit – and has already signed an employment contract, will be suspended up to a maximum period of six months (in this case, in fact, the unemployed person is registered at the Job Centre at the moment in which the employment contract is drawn up). The NASpl benefit is lost in the case where the contract's duration is longer than six months. On the termination of the employment contract abroad and prior to renewing any suspended benefits, it is necessary to verify

²⁶ See note 2

that the person concerned has not registered himself to the Labour Office of the foreign State pertaining to the last employment and that he has not requested a benefit that is to be paid by this State. In such a case, the NASpl benefit can no longer be renewed;

3. If the NASpl benefit recipient moves to a non-EU country that has no agreement with Italy on unemployment, and has already signed an employment contract in the host country, the NASpl benefit will be suspended for a maximum period of six months. If, however, the person concerned moves to one of the aforementioned countries for short periods and for documented reasons, the benefit will continue to be paid even for the days spent abroad, provided that appropriate documentation is produced justifying the reasons for the sojourn (Message No. 367 of 8/1/2009);

4. In the case where the NASpl benefit recipient draws up into a attended employment contract in Italy to be executed in a country that applies EU regulations, suspension, cumulation and revocation procedures will be applied as in the case of NASpl recipients who are re-employed in Italy.

ASpl, MINI-ASpl AND NASpl FIGURES

Based on the information contained in the Institute's statistical databases, it has been possible to establish the average replacement rates for the new types of benefits introduced as of 2013. The replacement rate has been determined as the ratio between the average daily amount paid in benefits and the relative average daily wage in question (generally the average taxable wage of the previous two years), taking into account the applicable ceilings and other factors that affect the benefit level.

YEAR 2013			
	Amount of allowances	Average annual remuneration	Average replacement rates
ASpl	€1,013,849	€19,196	61 %
Mini ASpl	€402,966	€15,705	67 %
TOTAL	€1,941,092	€18,878	57 %

YEAR 2014			
	Amount of allowances	Average annual remuneration	Average replacement rates
ASpl	€1,100,180	€19,095	62 %
Mini ASpl	€549,778	€15,669	68 %
TOTAL	€2,174,442	€18,753	58 %

YEAR 2015			
	Amount of allowances	Average annual remuneration	Average replacement rates
ASpl	€353,725	€18,975	65 %
Mini ASpl	€148,706	€15,696	67 %
NASpl	€1,170,435	€17,297	65 %

TOTAL	€2,197,914	€18,519	59 %
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3.3 ASDI

With effect from 1 May 2015, Title III, Art. 16 of Italian Legislative Decree No. 22 of 4 March 2015, establishes the Unemployment Allowance (ASDI), on an experimental basis for the year 2015. Its function is to provide income support protection to workers who take advantage of the New Social Insurance benefit for Employment (NASpl) who have also benefitted from it for its entire duration until 31 December 2015, both unemployed and in a state of financial need.

In the first year of implementation, actions were primarily reserved for workers belonging to family units with minors and then, to workers close to retirement age.

REQUIREMENTS

The only recipients of the ASDI are those people who are still unemployed at the end of the NASpl applicability period and who have:

At least one minor under 18 years of age in the family unit;

An age equal to or greater than 55 years and a lack of requirements for an early old-age pension;

An ISEE with a value equal to or less than EUR 5,000.

The ASDI is revoked in the cases already specified for the previous benefits and, moreover, for:

Exceeding the maximum ISEE value threshold as a result of the ISEE recalculation for reemployment;

Failure to submit a new DSU, within thirty days from the request, following the expiry of the current ISEE validity.

EXTENT OF ALLOWANCE

The ASDI is paid monthly for a maximum duration of six months. The ASDI amount is 75 % of the last NASpl allowance received. This amount may not, in any case, exceed the amount of the social allowance²⁷ and be lower than that of the so-called Social Card²⁸.

3.4 THE DIS-COLL (on an experimental basis until 31/12/2016)

Art. 15 of Italian Legislative Decree No. 22 of 4 March 2015 on "Provisions for the reorganisation of legislation on social safety nets in the case of involuntary unemployment and the outplacement of

²⁷ For the year 2016 the full amount of the social allowance is equal to EUR 448,07 for 13 instalments.

²⁸ The Social Card is worth EUR 40 per month and it is refill with EUR 80 every two months (EUR 40 euro x 2) on the basis of allocations that are gradually available.

unemployed workers, in implementation of Italian Law No. 183 of 10 December 2014" establishes, in relation to unemployment events happened in the calendar year 2015, a monthly unemployment benefit called DIS-COLL for coordinated and continuative coworkers, and also independent contractors, with the exception of administrators and statutory auditors registered exclusively under separate management, non-pensioners and VAT exempt, who have involuntarily lost their employment in the period between 1 January and 31 December 2016, are registered exclusively under separate management and jointly meet the following requirements:

They are unemployed at the time of submitting the benefit application pursuant to Art.19 of Italian Legislative Decree No. 150 of 2015;

They have paid at least three months of contributions in the period between 1 January of the calendar year preceding the state of unemployment and the event that caused this state ;

They can assert, in the calendar year in which the termination of the collaboration relationship, that they have paid one month of contribution or, alternatively, a coordinated and continuative contract with a duration of at least one month and which yielded an income that is at least equal to one-half of the amount that entitles to the crediting of one month of contributions.

The extent of the benefit is equal to:

75% of the average monthly income, as determined above, in the case where the income is lower - for the year 2015 - than the amount of EUR 1,195, reassessed annually on the basis of variations in the ISTAT consumer price index for the families of workmen and employees referred to in the previous year;

75% of the set amount – EUR 1,195 for 2015, reassessed annually - increased by a sum amounting to 25 % of the difference between the average monthly income and EUR 1,195, if the average monthly income that constitutes the DIS-COLL's basis of calculation is higher than the aforementioned amount.

In any case, the allowance amount may not exceed the monthly maximum limit of EUR 1,300 for the year 2015, reassessed annually.

Starting from the fourth month of receipt (91st day), the DIS-COLL allowance is reduced by an amount equivalent to 3 %.

The following are not entitled to the DIS-COLL unemployment benefit:

Coworkers earning a pension or who are insured by other forms of compulsory pensions funds;

Administrators and statutory auditors;

Holders of a VAT Registration Number;

Postdoctoral Researchers and PhD students with scholarships.

The following are excluded:

Executives

Outworkers

Workers with an apprenticeship contract for the qualification and the professional diploma, the upper secondary education certificate and the specialised technical high school certificate;

Workers with an apprenticeship contract for higher education and research.

3.5 ORDINARY UNEMPLOYMENT INSURANCE EARNINGS (CIGO)

This is granted if a company's productivity issues are due to temporary events (lack of work, weather conditions etc.) and production is definitely expected to resume.

The financing of this benefit occurs through the payment of a contribution made by companies that is commensurate to taxable remuneration for social security purposes and through an additional contribution to be paid only by companies that submit an application for wage integration linked to the effective use of the treatment.

Duration of the benefit

The authorised CIGO periods must simultaneously comply with the following conditions:

They do not exceed 52 weeks in the mobile two-year period²⁹;

The number of authorised hours do not exceed the limit of 1/3 of ordinary working hours in the mobile two-year period with reference to all the production unit³⁰ workers employed on average in the six months prior to the application;

They do not exceed 24 months (30 for the construction sector) in the mobile five-year period also considered for any periods of extraordinary wage integrations.

3.6 EXTRAORDINARY UNEMPLOYMENT INSURANCE EARNINGS (CIGS)

This is due when the company is undergoing restructuring (technological upgrading), reorganisation (changing the internal organisation chart), retraining (change of activity) or crisis. Moreover, this extraordinary allowance may be requested in the event of the company's bankruptcy, a composition with creditors, compulsory administrative liquidation and extraordinary management. This may be extended for a longer period than the ordinary allowance depending on the severity of events.

The allowance is financed by a fixed contribution paid by all employers, and by public contribution.

This allowance is paid to workmen, employees and managers employed by industrial companies (including construction companies), by catering services providers and cleaning companies (only if more than 15 workers are employed in the six months prior to the application); by commercial, shipping and transport companies, travel and tourism agencies with more than 50 employees (excluding apprentices and trainees); by security service companies with more than 15 employees; and, airlines.

²⁹ "Mobile" two/five year periods: namely at any moment that the application is made and going back two years or five years, it is necessary to verify that the requirement has not been exceeded.

³⁰ The production unit is identical to the registered office, establishments, branch offices and factories detached from the head office, and are organised independently. The index for independent organisation is the performance of an activity suitable to carry out the entire production cycle or one of its complete phases, together with the presence of workers employed on a continuous basis in detached head offices, establishments, branch offices and factories.

For each production unit, the extraordinary treatments paid for any reason may not exceed 24³¹ months (up to 36 in the case of Solidarity Contract) over a mobile five-year period.

Extent of the benefit

For both the ordinary and extraordinary allowances the amount of the benefit is 80 % of the total wage that the worker would have earned for hours not worked, up to a maximum of 40 hours per week.

The amount to be paid is limited to a maximum monthly sum adjusted each year on the basis of the ISTAT consumer price index.

4. UNIVERSAL COVERAGE

4.1 RELATIONS BETWEEN SOCIAL SECURITY AND EMPLOYMENT POLICIES

Source: processing of INPS internal data

Over the past thirty years, the Italian social security system was affected by structural reforms aimed at:

The progressive control of public expenditure on pensions, which was assuming large proportions with respect to the Gross Domestic Product;

The establishment of a supplementary social security system that works alongside the public one.

To understand the scope of these reforms, it is important to summarise - albeit briefly - the most important stages of the evolution of the pension system in our country.

During the Seventies, just like the majority of western countries, Italy was affected by a major slowdown in the economy, caused mainly by the oil crisis of the 1973-1976 period which shook the country's economic framework.

The State had to incur greater expenditure in support of businesses in a crisis and those who could not find employment; this contributed to create a difficult situation for public finances, caused by the strong increase in public debt.

During the Eighties, there was an increased awareness in most industrialised countries regarding the need to provide the restoration of the equilibrium of the public finances through the downsizing of current expenditure. In Italy, only at the end of the decade corrective action of budget deficits has been carried out, based on the tightening of fiscal pressure.

In the Nineties, Structural reforms were launched that also affected the pension sector.

In our country, the public pension system (INPS, INPDAP, etc.) is financed according to a pay-as-you-go system. This means that the contributions that workers and companies pay to social security institutions

³¹ Circular of the Ministry of Labour and Social Policies No. 24 of 5/10/2015.

are used to pay for the pensions of those who have retired from work. Therefore, there is no reserve accumulation to meet the payment of future pensions.

It is evident that in a system organised in such a way, cash flow revenue (represented by contributions) must be in balance with the level of expenditure (pensions paid).

In Italy, on the one hand, the progressive increase in the average life expectancy of the population has led to the payment of pensions for a longer period and, on the other hand, the slowdown in economic growth has curbed revenue contributions.

To address this situation, a series of reforms have been implemented that are all designed to bring pension expenditure under control.

In chronological order, these are the main changes introduced in Italy by the public pension reforms system and at the same time, the development of supplementary social security:

Up to December 1992: workers registered to INPS received a pension whose amount was linked to the remuneration received in the last years of employment. With an average revaluation of 2 per cent for every year of contribution, for 40 years of payments, the amount of the pension corresponded to about 80 per cent of the remuneration earned in the last period of employment. Furthermore, the payable pension was revalued in subsequent years by taking two fundamental elements into account: prices increase and the rise in real wages.

In this phase, experiences of supplementary pension schemes only existed in banks and in some companies with special pension funds set up only for company employees;

With the Amato reform of 1992 (Italian Legislative Decree 503 of 1992), the scenario changed: the pensionable age was raised, the minimum contributory requirement for access to the old-age pension increased and the period of contributions is gradually extended, which was the reference for the pension calculation; the wages taken into consideration to determine the pension amount was revalued at 1 %; the automatic revaluation of pensions payable was limited to price trends (and did not even include real wages). The Amato reform led the way to a harmonisation process of the rules between the various social security schemes, but in fact also led to a reduction in the level of pension cover with respect to the last salary earned (replacement rate).

Hence, the need to introduce an organic framework of supplementary pension schemes with the establishment of negotiated and open collective membership pension funds (Italian Legislative Decree 124 of 1993); With the Dini reform of 1995 (Italian Law 335 of 1995), Italy moved from a payment system to a contributory system. The difference between the two systems is substantial: In the payment system, the pension is calculated in relation to the worker's salary: it depends on the contribution period and wages, particularly those earned in the last period of employment which tends to be the most favourable;

In the contributory system instead, the pension amount depends on the total contributions paid by the worker in the span of employment.

The passage from one system of calculation to another occurred gradually, distinguishing workers on the basis of the contribution period. Thus, three different situations were created: workers with at least 18 years of contribution period at the end of 1995 retained the payment system; workers with a period of contribution period of less than 18 years at the same date were allocated a mixed system, namely the payment system for the contribution periods accrued up to 1995 and the contributory system for subsequent years; the contribution-based system was applied for new employees after 1995.

The calculation criterion just mentioned has led to a significant reduction of the ratio between the first pension tranche and the last salary earned (replacement rate): for employees with 35 years of contributions, the pension is equivalent to about 50-60 % of the last salary (instead, for self-employed workers it has a lower value) and is re-evaluated solely on the basis of the inflation rate;

With Italian Legislative Decree 47 of 2000, there has been an improvement in the tax treatment of those who joined a pension fund and, furthermore, new opportunities are also introduced for those who wish to join individual supplementary pension schemes through registration to an open pension fund or an Individual Pension Plan (so-called PIP);

With the Maroni reform 2004 (Enabling Law 243 of 2004), incentives were introduced for those who deferred the retirement pension: whoever opts for deferment may benefit from a super bonus which consists in the payment of social security contributions, through the pay cheque, that would have been paid to the social security institution (an amount equal to about one-third of the salary); it further increased the retirement age for retirement and old-age pensions; only women retained the possibility of having a retirement pension at 57 years of age wholly calculated by using the contributory system.

With the Prodi reform of 2007 (Italian Law 247 of 2007), the so-called "quotas" were introduced for access to a retirement pension, determined by the sum of the age and years worked: in 2009, the quota to be reached was 95 (with at least 59 years of age), from 2011 it moved to 96 (with at least 60 years of age), while from 2013 it rose to 97 (with at least 61 years of age); the revision of the calculation coefficients of the compulsory pension as a function of the average life expectancy calculated on ISTAT data also became automatic and performed on a three-year basis.

THE FORNERO REFORM

The latest pension system reform was introduced by Italian Law No. 214 of 2011 (Monti – Fornero Reform).

This reform became necessary at a time of severe financial crisis in Italy in that, as in all OECD countries, the pension scheme adopted by social security institutions is that of a pension system without property coverage for the latent pension deficit and, therefore, to ensure the fiscal sustainability of compulsory pension systems it intervened by decreasing the current costs of the State with a change in the rules for the attainment and the determination of social security benefits, and by increasing social security contribution rates.

The new pension system is aimed at developing a new social security culture. In fact, the results expected from the reform law aim to:

- Facilitate the transition to the defined contribution system, at virtual capitalisation;
- Accelerate the process for the raising and harmonisation of retirement requirements for all categories of workers;
- Add momentum to the necessary corrective measures to offset the demographic trends due to the aging of the population from both the financial and the benefits' adequacy point of view;
- Improve short and medium-term sustainability and free up financial resources to be allocated to covering social protection benefits;
- Based on the logic of actuarial fairness that underpins the defined contribution system (based on the principle of "the more that is paid, the higher the amount of the final benefit), obtaining greater participation in the labour market and giving continuity to the contributions' maturity process is of fundamental importance in order to combine the double need of guaranteeing both sustainability and adequacy of the system;

Empower workers to pay contributions that will establish their future pension.

The instruments through which these objectives are to be pursued are mainly:

- A benefits calculation system that is closer to the development of careers and the contribution of each of them to the social security system;
- Raising the age required for the old-age pension;
- Introduction of flexible rules for access to retirement;
- Linking access requirements to the longevity pension;
- Rules aimed at overcome the differences between genders and professional categories.

The Monti-Fornero reform has extended to all the contribution-based system for retirement insurances accrued from 1 January 2012 onwards.

The extension of the contributory method from January 2012 affects the calculation of the benefits of those who have at least 18 years of contributions at 31 December 1995.

These will be entitled to a pension calculated in accordance with the pro-rata criterion, with the application of the payment system to the matured seniorities until 31 December 2011 and the contributory system to the accrued seniorities thereafter.

However, nothing changes for those who:

- Had less than 18 years of contributions at 31 December 1995 (mixed payment system);
- Started work after 31 December 1995 (contributory system).

It was already provided that for them the pension would be calculated with the contributory system for seniorities accrued after 31 December 1995.

With the contributory method, the pension amount is commensurate to the contributions paid in accordance with the principle of "the more payments you make, the more you take". Contributions paid accumulate in a hypothetical social security current account and are revalued every year on the five-

year average growth rate of the Gross Domestic Product, specially calculated by the ISTAT with reference to the previous five years. At the point of retirement, the sum of the revalued paid contributions (the so- called total amount contributions) is converted into a pension using the coefficients (the total amount processing coefficients into an annuity) that depends on the age of retirement. In particular, the higher the age, the higher is the pension.

The contributory system, taking into account the contributions paid throughout the person's life is better suited to discontinuous careers and flexible types of contracts.

The minimum pensionable age in the past was different for men and women and the process of convergence towards a uniform age for the different management systems has been in progress for some time. The reform brings it to fulfilment.

For female public sector employees, the retirement age (subject to the adjustment of the increase in life expectancy) has been set at 66 years as from 1 January 2012

For employees and self-employed people, the retirement age (subject to the adjustment of the increase in life expectancy) has been set at 66 years as from 1 January 2012.

The retirement age of female private sector employees and self-employed females - lower than that of men and women in the civil service – has been raised starting from 1 January 2012, until it progressively reaches full equivalence in 2018.

Both the old-age pension and the early retirement pension are adequate in terms of age requirements and contribution periods to the development of life expectancy calculated by the ISTAT. The higher the life expectancy, a higher retirement age and greater contribution periods will be required.

The adjustment will be made automatically with a simple administrative measure occurring every two years.

Italy is the only country in which automatic mechanisms for the adjustment of life expectancy operate in a coordinated manner, both for access requirements to the pension and for its calculation, since even the processing coefficients, which are used in the calculation of the allowance amount, will be reviewed every two years after 2019.

In addition to the above age requirements, the worker is also required to have credited at least 20 years of contributions to attain the old-age pension.

However, for workers whose first contribution was credited after 31 December 1995, it is also necessary that the pension amount is not lower, for the year 2012, than 1.5 times the amount of the social allowance³² referred to in Article 3, paragraph 6 of Italian Law No. 335 of 8 August 1995 (the so-called

³² The Social allowance is a financial benefit, paid on demand to citizens who find themselves in a particularly difficult financial situation with incomes not exceeding the annual thresholds provided by law.

The right to the benefit is established on the basis of personal income for citizens who are single, and on the basis of income joint with that of the spouse for married citizens.

It is not reversible for surviving family members and it is not exportable. Therefore, it cannot be paid abroad.

threshold amount). In the event that a person has not attained 20 years of contributions, there is also a further possibility of accessing the old-age pension at 70 years of age if at least 5 years of actual contributions can be paid. In this case, it is not necessary for the pension amount to be higher than any threshold amount.

The second type of pension provided by the reform is the early retirement pension.

It is a benefit that is independent of the applicant's age and is granted to those who have a contribution period, as of 2016, of at least 42 years and 10 months for men, or 41 years and 10 months for women.

Contributory requirements for the early retirement pension are also subject to the adjustment of life expectancy.

A further possibility for pension access is provided for workers registered after 31 December 1995 with an age of not less than 63 years and who have paid 20 years of contributions. In these cases, access to a pension may occur if its amount is not less than 2.8 times the social allowance amount.

Even the requirements provided for the early retirement pension must be adjusted over time for changes in life expectancy.

The holder's sojourn abroad, for a period of more than 30 days, leads to the allowance's suspension. The benefit is revoked one year from the suspension. Finally, the Social allowance is not subject to IRPEF withholding.



COUNTRY PROFILE Poland

1. MACRO-ECONOMIC SITUATION DURING THE PERIOD 2016-2020

(SOURCE: National reform programme 2015 – contribution to the Europe 2020 Strategy http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_poland_en.pdf)

The Polish economy continues to experience a stable economic expansion. Driven by domestic demand, real GDP is expected to grow at robust rates of 3 ½ % per year in 2016 and 2017, well above the EU average. These growth rates will add to a long period of uninterrupted economic expansion, stretching as far back as 1992 — with Poland being the only EU country that weathered the post-2007 global financial and economic crises without undergoing any recession.

The gap in living standards and employment between Poland and the EU average has narrowed significantly, but challenges remain. In 2014, Poland's GDP per capita expressed in purchasing power standards reached 68 % of the EU average, up from 53 % in 2007. Total employment has been picking up since 2013, reaching all-time highs and pushing down unemployment. Despite this significant progress, the employment rate is still below the EU average. This gap is mostly explained by significantly lower participation rates of women and the low skilled. At the same time, the weight of the agricultural sector in total employment remains high and declines only slowly. The unemployment rate has also been decreasing and was back to pre-crisis levels. Yet, long-term unemployment accounts for about 40 % of the total. The country continues to experience rapid ageing and strong outward migration.

The overall economic outlook remains positive, while domestic risks are emerging. Private consumption is set to remain the dominant growth driver, given rising wages, employment and fiscal transfers. Private investment is expected to grow strongly as a result of an already high degree of capacity utilisation. Profit margins are set to remain strong but certain policy decisions taken or announced after the last general election may affect business confidence and investment. A new tax on the assets of financial institutions is likely to weigh on investment if banks respond by adjusting their lending rates to compensate for the

impact on their profitability. Public investment is expected to remain strong, partly due to the government's objective to increase the investment rate. How this objective will be reconciled with higher current expenditure and domestic and EU fiscal rules still needs to be detailed. Deflation is forecast to end in 2016 but price pressures are expected to remain limited until 2017. After several years of adjustment, the current account deficit is expected to have almost closed in 2015, thanks to the strong performance of merchandise exports driven by the country's cost-competitiveness, in spite of negative developments in neighbouring markets.

Regarding the progress in reaching the national targets under the Europe 2020 Strategy, Poland is performing well in reducing the greenhouse gases, energy efficiency and tertiary education, while more effort is needed increasing the employment rate, R&D investment, renewable energy, and reducing early school leaving and poverty.

2. LABOUR MARKET POLICIES

a. IMPROVING THE FUNCTIONING OF THE LABOUR MARKET

In 2016 the number of new jobs remains slightly higher than the number of jobs lost. In 2015 595.8 thousand new jobs were created (of which 9% in the public sector, and 91% in the private sector), whereas 317.6 thousand jobs were lost, mainly in the private sector (88.3%).

The registered unemployment rate at the end of June this year amounted to 8.8% and was by 1.4 pps lower than the previous year. However, it needs to be stressed that in the last 24 years the unemployment rate in June was never lower than the one noted in June this year. Therefore, given the above-mentioned positive developments, prospects are also optimistic. The period of seasonal unemployment drop began in March and is likely to last until the end of October. By the end of 2016, the unemployment rate is likely to amount to less than 9%, which will be the lowest value of the unemployment indicator noted at the end of the year, taking into account the data since 1991.

Obviously, the decrease in the unemployment rate results from a systematic drop in the number of unemployed registered in labour offices. In 2014 this decrease amounted to 15.4%, and in 2015 – to 14.3%. At the end of June this year, the number of unemployed registered in labour offices was by 229.8 thousand lower than the previous year and amounted to 1,392.5 thousand of people, which means a decrease by 14.2%. Unemployment at this level in June has not been noted since the beginning of the 1990s.

At the end of June this year, 193,5 thousand of the registered unemployed had the right to an unemployment benefit; they accounted for 13.9% of all registered unemployed. The number of the unemployed decreased by 33.8 thousand persons, i.e. by 14.9%, as compared to April 2015.

The decrease in unemployment was mainly caused by the growing number of job offers available at labour offices and the increase in the number of the activated unemployed.

In 2015 employers submitted 1,279 job offers to labour offices, which is a 16.8% increase compared to 2014, whereas the number of job offers submitted by employers to labour offices within six months of

this year amounted to 770.8 thousand and increased by 134.2 thousand, i.e. by 21.1%, compared to the analogous period in 2015. It is worth emphasising that labour offices have not had so many job offers at their disposal in the period between January and May for many years.

Undoubtedly, intensive activation measures also had an impact on the clearly better situation on the labour market. In 2015, 516.5 thousand unemployed were activated (an increase by 2.3% compared to 2014). In the first half of this year 291 thousand unemployed benefited from the labour market activation programmes and they accounted for 23.2% of the people who stopped being unemployed in that period. The number of activated persons increased by 32.6 thousand persons, i.e. by 12.6%, as compared to the analogous period in 2015.

At the same time, by means of the amendment of the Act of 20 April 2004 on employment promotion and labour market institutions, which entered into force in May 2014, the labour market, including labour offices, was deeply reformed. As part of this reform, several new solutions were introduced concerning:

- improving the labour offices performance, e.g. by profiling support for the unemployed, individualising services for the unemployed, allowing outsourcing of activation services, closer cooperation of poviats labour offices and gminas³³ social assistance centres with regard to the same customers;
- providing support for job creation and return of the unemployed to employment, including those returning to the labour market after a break related to child care, such as a teleworking grant, an activation benefit, a loan from the Labour Fund for job creation or starting an economic activity,
- providing support for the employment of young people, such as reimbursement of insurance contributions for the unemployed aged up to 30 who are taking up their first job, a training voucher, a traineeship voucher, an employment voucher, a resettlement voucher,
- providing support for employers hiring the unemployed aged 50+,
- increasing the effectiveness of use of the Labour Fund resources by taking into account the effectiveness of labour offices in allocation of the Labour Fund resources for financing the programmes of employment promotion, mitigation of unemployment consequences and labour force participation in the algorithm and providing funds for remuneration of employees of labour offices depending on the effects of work of the labour offices,
- creation of the National Training Fund, using the resources of the Labour Fund, to finance education and training of employees.

After 2 years of application of the solutions introduced by the amendment of the Act on employment promotion (...) of 2014 the Ministry of Labour reviewed them. Based on results of this revision, it will be decided whether and how extensive changes are needed.

³³ Poland is divided into provinces (voivodeships). Each voivodeship counts several poviats (counties) and each poviat several gminas (communes).

On the other hand, since 1 January 2016 poviats labour offices may execute agreements under a new labour market instrument that is expected to be an incentive for youth employment. The instrument allows reimbursing employers or entrepreneurs for 12 months for a part of costs of remunerations and social insurance contributions for the referred unemployed below 30. The employers or entrepreneurs must keep the referred persons employed full time for the period of cost reimbursement and for 12 months after reimbursement ends.

The amount allocated for the instrument financing was PLN³⁴ 2 800 million, of which PLN 700 million in 2016 and PLN 1 050 million each in 2017 and 2018. The instrument is expected to ensure co-financing for employment of approximately 100 000 young unemployed within 3 years.

2.2 UNEMPLOYMENT INSURANCE

In Poland there is no unemployment insurance. The system of benefit aid for the unemployed is based on the statutory definition of periods of work that add up to a period on which the right to an unemployment benefit depends. Unemployment benefits are financed by the Labour Fund (LF) that is a state targeted fund. The minister competent for labour administers the Labour Fund. The Fund finances not only unemployment benefits, but primarily activation of the unemployed and jobseekers registered with labour offices in Poland. LF revenue comes mainly from contributions paid by employers in the amount of 2.45% of remunerations. In addition, the LF receives state budget subsidies.

Acquisition of the right to an unemployment benefit

The unemployment benefit is due to the unemployed person for each calendar day from the date of registration in the relevant Poviats Labour Office if, during the 18 months immediately preceding the day of registration the unemployed person had a total of at least 365 days of periods of eligibility entitling to an unemployment benefit, above all periods such as:

- Employment,
- Work on the basis of civil law contracts,
- Non-farming economic activity,
- Work in the course of arrest, serving a prison sentence,
- Work in an agricultural production cooperative, cooperative of agricultural groups or cooperative of agricultural services,
- Payment of a LF contribution in connection with employment or performance of other gainful work abroad for a foreign employer in a country not being an EU Member State.

³⁴ One PLN (Polish zloty) was worth 23 euro cents or 1.75 RMB yuan in August 2016.

These are generally periods for which a LF contribution was paid from the amount which is at least the minimum remuneration for work.

At the same time, the 365 days referred to above also include periods for which the LF contribution was not paid, for example periods of:

- 1) Compulsory military service, extended military service, military training, preparatory service, trainee service, contracted professional military service, military drill, temporary military service or military service in the case of mobilisation and during the war, and obligatory service performed in civil defence and alternative service, as well as service as an officer of the Police, the Internal Security Agency, the Foreign Intelligence Agency, the Military Counter-Intelligence Service, the Military Intelligence Service, the Central Anticorruption Bureau, the Border Guard, the Government Protection Bureau, the State Fire Service and the Penitentiary Service,
- 2) Parental leave;
- 3) Receiving disability pension due to incapacity to work, training disability pension and periods of receiving sickness allowance, maternity allowance, allowance in the amount of maternity allowance of rehabilitation benefit after the termination of employment, performing other gainful work or non-agricultural activity, if the assessment base for these allowances and the benefit, including the amount of social insurance contributions, amounted to at least the minimum remuneration for work;
- 4) Provision of services on the basis of an activation agreement.

The allowance collection period shall amount to:

- 1) **180 days** – for the unemployed domiciled within the allowance collection period within the territory of a poviát if the unemployment rate within this area on 30 June of the year preceding the day when the right to allowance was granted did not exceed 150% of the average national unemployment rate;
- 2) 365 days – for the unemployed:
 - (a) Domiciled within the allowance collection period within the territory of a poviát if the unemployment rate within this area on 30 June of the year preceding the day when the right to allowance was granted exceeded 150% of the average national unemployment rate, or
 - (b) Who are aged over 50 and have the allowance eligibility period of at least 20 years, or
 - (c) Who maintain at least one child aged up to 15, and the spouse of the unemployed person is unemployed as well and lost the right to allowance due to expiration of the period for its collection after the day when the right to allowance was granted to the unemployed person, or
 - (d) Who single-handedly maintain at least one child aged up to 15.

If woman who collects an unemployment benefit gives birth to a child in the allowance period or within a month after its expiration, this period shall be extended to include the time of her eligibility to a maternity benefit in accordance with separate provisions.

The period of unemployment benefit collection is shortened by the period of active forms to which a given person was referred by a labour office, such as intervention works, internship, training, etc. and periods of benefit non-eligibility, so-called grace period.

The unemployment benefit amount is:

- 1) **PLN 831.10** per month in the first 90 days of having the right to an unemployment benefit;
- 2) **PLN 652.60** per month in the subsequent days of having the right to an unemployment benefit.

An unemployed person whose total periods entitling this person to a benefit are **less than 5 years** is entitled to a benefit in the amount of **80% of the benefit amount** defined in points 1 and 2. An unemployed person, whose period entitling this person to a benefit is **at least 20 years**, is entitled to a benefit in the amount of **120% of the benefit amount** defined in point 1 and 2.

The amount of the unemployment benefit is established annually in the Announcement of the Minister of Economy, Labour and Social Policy on the basis of the Act on Employment Promotion and Labour Market Institutions³⁵.

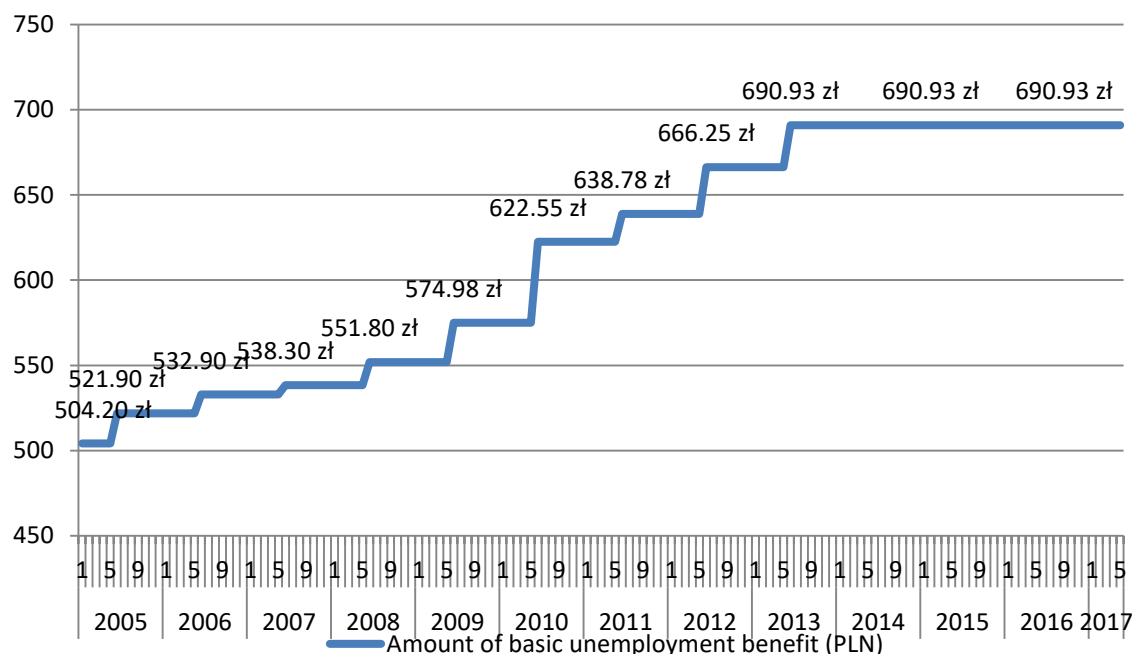
From 2010, two amounts of the basic benefit are established – a higher amount for the first three months of being entitled to the benefit and a lower amount which is applicable from the fourth month. The benefit rates are applicable from 1 June of a given year until the end of May of the next year. The aim of the differentiation of the benefit rate (its increase in the first period and decrease in the case of being registered for more than 3 months) due to increasing the difference between the amount of the benefit received and the potential (minimum) wage was to encourage the unemployed to actively seek employment, thus decreasing the probability of long-term unemployment.

Loss of the right to an unemployment benefit

Loss of the right to an unemployment benefit can be either due to the expiry of the period for which the benefit was granted or due to the loss of the status of the unemployed, because in Poland only persons with the unemployed status are entitled to this benefit.

³⁵ According to the Act on Employment Promotion and Labour Market Institutions, on 1 June each year the President of the Central Statistical Office performs valorisation of the amount of the unemployment benefit, taking into account the average price level for goods and services from the previous year. However, the valorisation is not conducted where the average price level for goods and services from the previous year remains unchanged or decreases. This was the case in 2014–2015, in 2014 the price level remained unchanged compared with the previous year and in 2015 a deflation of 0.9% was noted. This means that the current benefit amount will be applicable at least until 31 May 2017 r.

Chart 1. The amount of the basic unemployment benefit in 2005–2017 (PLN)



Grace period

In Poland, certain situations have also been identified which result in the necessity to wait for the granting of the unemployment benefit after the registration in the labour office and shortening the statutory period of being entitled to the benefit – the so-called grace period. In such a case an unemployed person is eligible for the benefit, for instance, after 90 or 180 days from the day of registration in the labour office, and the period for which the unemployment benefit will be granted will be shortened by that amount of time.

This includes such situations as for instance an unjustified refusal or termination of participation in the activation of the unemployed person by the labour office, which means for example a refusal to accept the proposal of an appropriate job offer, training, internship, carrying out of public works.

On the other hand, it also includes situations where the same employee terminated an employment contract (or caused the termination of such a contract by the employer as a result of the employee's misconduct) in the period of 6 months before that person's registration as an unemployed in the poviatt labour office.

2.3. THE MINIMUM WAGE

In Poland the minimum wage has been determined by the Act of 10 October 2002 r. on the minimum remuneration for work since 1 January 2003. Pursuant to the Act, the minimum remuneration is

negotiated on an annual basis within the Social Dialogue Council composed of representatives of the government, employees (associations of trade unions), and employers. The minimum wage amount is determined on the basis of projected and actual macroeconomic values, such as for instance inflation and real gross domestic product (GDP) growth. A detailed mechanism for the calculation of the minimum amount of this remuneration is regulated by the Act. Minimum remuneration for work in Poland is a nationwide category. It is not diversified according to region, industry, economic sector or professional group. The only criterion for diversification of the minimum salary is short work experience. The Act allows employers to determine wage whose amount is below the applicable minimum for persons in their first year of employment, however, the amount of this remuneration cannot be lower than 80% of the minimum wage applicable that year.

It needs to be noted that in recent years, the ratio of the minimum pay to the average salary in the national economy has remained above 40%, and the minimum remuneration increases at a faster pace than the average pay; this year the ration will be approx. 45.4% (according to forecasts). The minimum wage for 2016 (PLN 1 850) was 131.3% higher than the minimum wage applicable as at the date when the Act entered into force (i.e. PLN 800 as at 1 January 2003), and increased by 5.7% compared to the previous year (PLN 1 750). The amount of minimum wage in 2017 in Poland, calculated as the minimum resulting from the Act, should be at least PLN 1 862 (increase by 0.65% compared with the remuneration applicable this year, 43.8% in relation to the projected average remuneration in national economy in 2017). However, having regard to the optimistic socio-economic forecasts and macroeconomic indicator levels, the Ministry proposed that the minimum remuneration was higher than the statutory minimum, proposing the amount of PLN 1,920. This proposal is currently the subject of Government work. The Table below presents the developments of minimum remuneration between 2005 and 2017.

Chart 2. Minimum remuneration for work between 2005 and 2017

Year	MR in PLN	MR increase (previous year = 100) %	Relation to the average remuneration in the national economy (%)
2005	849	3.0	35.7
2006	899.10	5.9	36.3
2007	936	4.1	34.8
2008	1,126	20.3	38.2
2009	1,276	13.3	41.1
2010	1,317	3.2	40.8
2011	1,386	5.2	40.8
2012	1,500	8.2	42.6
2013	1,600	6.7	43.8
2014	1,680	5.0	44.4
2015	1,750	4.2	44.9
2016	1,850	5.7	45.4 (forecast) ³⁶
2017	1,920	3.8	45.2

³⁶ On the basis of updated guidelines concerning forecasted macroeconomic indicators of the MF.

The above regulation applies only to employees, i.e. persons employed on the basis of an employment relationship. A separate issue is the remuneration of persons providing work based on civil law contracts.

The level of minimum wage guarantee formation will also be impacted by the entry into force of the provisions of the bill amending the Act on the minimum remuneration for work and certain other acts proceeded by the Ministry.

As part of efforts to counter the abuse of civil law contracts and protect the persons who receive remunerations at the lowest level, the Ministry took up legislative work aimed at introduction of a guarantee of the minimum remuneration also for certain contracts concluded on the basis of the civil law to the current legal order. In practice, there are situations where a person performing work on the basis of a civil contract has a fixed hourly rate at a level much lower than the minimum remuneration due for work within the framework of an employment relationship; civil law contracts often replace the employment relationship and become a practice aimed at reducing the costs of employment. The planned solutions also provide for removing the possibility of establishing a minimum wage at a level lower than the valid minimum remuneration for those with short work experience (i.e. 80% of the minimum remuneration). Also the elements of the minimum remuneration will change (exclusion of allowance for work at night from the current scope), which will result in a more fair and transparent shape of this remuneration and (in some cases) increased remuneration. These regulations will enter into force on 1 January 2017.

3. SOCIAL AND VOCATIONAL INTEGRATION OF MIGRANT WORKERS

3.1. SOCIAL INTEGRATION OF MIGRANT WORKERS

The underlying regulation of the Polish social assistance system is the Act of 12 March 2004 on social assistance. It defines the general objective of social assistance: “to enable persons and families to overcome difficult situations which they are unable to handle using their own rights, resources, and possibilities.” Social assistance is the last resort of the social security system. It is therefore not a specific system of social protection intended for those who work, are in various forms of employment or are occupationally active.

The basic condition for the grant of cash benefits from social assistance is the income criterion, i.e. income per person/family may not exceed a certain threshold. In accordance with the provisions of the above Act, income is the sum of monthly revenue (unless the Act stipulates otherwise, decreased by: monthly personal income tax, health insurance contributions referred to in the regulations on health care benefits financed from public funds and social security specified in separate regulations, and the amount of alimony provided to other people) – regardless of the title and the source.

Unless international agreements stipulate otherwise, the following have the right to welfare benefits:

- 1) People with Polish citizenship domiciled and residing in the territory of the Republic of Poland;
- 2) Foreigners domiciled and residing in the territory of the Republic of Poland:

- (a) On the basis of a permanent residence permit, a permit for the stay of a long-term resident of the European Union or a temporary residence permit or in connection obtaining a refugee status or subsidiary protection in the Republic of Poland,
- (b) In connection with obtaining a permission to stay on humanitarian grounds or consent for tolerated stay – in the form of shelter, food, necessary clothes and targeted benefit in the Republic of Poland;
- 3) Citizens of Member States of the European Union, Member States of the European Free Trade Agreement (EFTA) – parties to the agreement on the European Economic Area or of the Swiss Confederation and their family members with the right of residence or the right of permanent residence in the territory of the Republic of Poland domiciled and residing in the territory of the Republic of Poland.

In addition, on the basis of the provisions of the Act on social assistance a foreigner who was granted international protection in the territory of the Republic of Poland (refugee status or subsidiary protection) is granted aid to support the process of his/her integration. It includes, among others, a cash benefit for maintenance and to cover the expenses related to learning Polish. Support is provided under an individual integration programme.

3.2. IMPACTS OF MIGRANTS TO SOCIAL SECURITY SYSTEM

Some categories of unemployed or job seeking third country nationals (for example permanent residents, refugees, long-term EU residents) are entitled to various forms of support provided by Polish public employment services such as, among others, job placement and professional counseling. Since May 1, 2014 the scope of categories who could be beneficiaries of public employment services support has been broadened by eg. foreigners residing on the territory of Poland on the basis of visa for the purpose of work.

The vast majority of foreigners working in Poland are citizens of Ukraine performing short-term work on the basis of declaration on intention to entrust work to foreigner. The basis of their stay in Poland is predominantly visa for the purpose of work.

The above mentioned categories of third country residents have an access to labour market services (i.e. Labour Office services, vocational advisory services and job information, support in active job seeking and participation in training organized by labour offices), and they will also be subject to health insurance, i.e. they will be able to benefit from free health-care services. They will also be entitled to unemployment benefits if they fulfil the requirements for being granted the entitlement (in principle they must work and pay contributions to the Labour Fund for the total number of 365 days within the period of 18 months prior to registration).

According to the principle adopted in the Polish law, all social security benefits, except for social assistance and unemployment benefits, are transferred abroad to the domicile of a person (a foreigner or a Polish national) who is entitled to those benefits only if Poland has signed a bilateral social security agreement with the country of domicile of the pensioner concerned. In other cases the benefits are not subject to transfer and the way they are taken up depend on the type of benefit.

Poland has entered into only a few international bilateral agreements concerning the coordination of social security schemes. It is worth noting that Poland has signed such an agreement with Ukraine (2012), the country of origin of the biggest population of migrants staying in Poland.

Principle of social security system in Poland is equal treatment irrespective of nationality, citizenship and place of living with regard to:

- conditions of affiliation to insurance,
- obligations of calculation and payment of social security contributions,
- calculation of benefits,
- periods of payment of benefits and preservation of rights to them.

Chart 3. Insured persons of nationality other than Polish Q2 2015

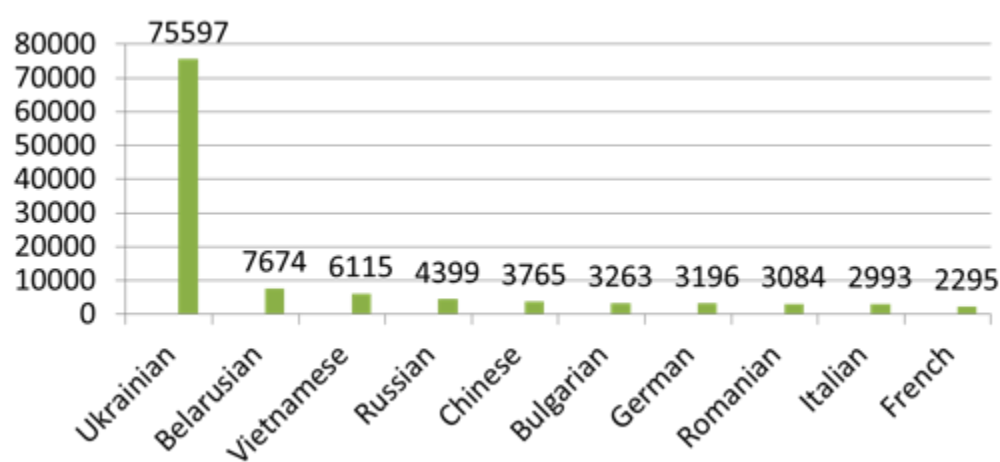
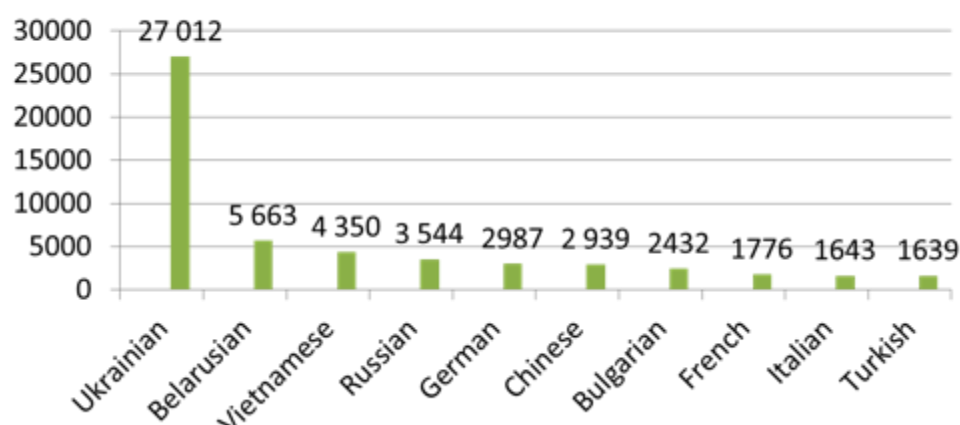


Chart 4. Insured persons of nationality other than Polish Q1 2012



Coordination of social security systems include regulations that complement the internal law in Poland, in order to protect persons employed abroad in the field of social security. These regulations - by ensuring the harmonious coexistence of the social security systems of individual

states - are designed to protect the interests of migrants who take up employment and have periods of insurance completed in the territory of different countries.

Within the European Union (EU) coordination of social security systems provide rules in the rank of the regulations of the Council and the Parliament. The rules are laid down in the following two major legal acts: REGULATION (EC) No 883/2004 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 29 April 2004 on the coordination of social security systems and REGULATION (EC) No 987/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 September 2009 laying down the procedure for implementing Regulation (EC) No 883/2004 on the coordination of social security systems.

These regulations are binding in the EU, as well as in the European Economic Area (Iceland, Lichtenstein, Norway) and in Switzerland.

The key principles, upon which the coordination of social security systems is based, are:

- principle of equal treatment,
- principle of single applicable legislation (as a general rule, applicable legislation is determined on the basis of place of work),
- principle of aggregation of insurance periods,
- principle of retention of acquired rights (principle of export of benefits).

In relations with other countries coordination of social security systems is established by ratified bilateral agreements on social security. These agreements set specific rules in relation between Poland and a third country as regards:

- legislation applicable,
- recognition of periods,
- transfers of benefits.

Currently, Poland is bound by bilateral agreements on social security with the following countries: the former Federal Republic of Yugoslavia (concerns Bosnia and Hercegovina, Serbia and Montenegro), Macedonia, USA, Canada, South Korea, Australia, Ukraine and Moldova.

Impact of migrants on finance of social security in short term is positive, due to broadening the basis of contributions, in the long term is neutral due to increased entitlements to benefits.

4. POLISH PENSION SYSTEM – PRINCIPLES AND REFORMS

General description of the system

There are two major contributory-based pension systems in Poland. Employees, persons performing work on the basis of certain civil-law contracts and self-employed outside agriculture, are covered by the general statutory pension system. In 2015 the general scheme covered 14.8 million insured people.

Farmers have a separate Agricultural Social Insurance Fund (KRUS, *Kasa Rolniczego Ubezpieczenia Społecznego*) with 1.4 million of insured. KRUS is financed mainly from taxes and only in small part from contributions. There are also separate tax-financed schemes for ‘uniformed services’ such as military, police and prison service, as well as state provision for judges and prosecutors.

On 1 January 1999 the old-age pension scheme reform came into force. As a result since 1999 two old-age pension schemes have been jointly in operation in Poland:

- pension scheme operating under the earlier rules – for persons born before 1 January 1949,
- pension scheme operating under the new rules– for persons born after 31 December 1948.

Persons born after 31 December 1948 but before 1 January 1969 had the option to stay in the pay-as-you-go pension system only or join the new pension system, consisting of pay-as-you-go scheme (first pillar) and funded component (second pillar). These persons could join the new pension system by 31 December 1999.

Construction of the system after reform

The reformed pension system consists of III pillars.

I pillar

The first pillar is pay-as-you-go scheme administered by public institution – Social Insurance Institution (ZUS, *Zakład Ubezpieczeń Społecznych*). It is based on the notional defined contribution principle, which means, that every single insured person has individual account for the purposes of accruing pension rights, and their entitlements stem from the amount of contribution paid, instead of the length of periods of insurance.

II pillar

Second pillar is made up of two parts: open pension funds and a subaccount in ZUS.

The open pension funds (OFE) are managed by private investment companies – general pension societies (PTE, *powszechne towarzystwa emerytalne*). At the end of 2015 there were 12 of these with a combined membership of 16.5 million. The value of combined assets was PLN 139.9 billion. Before 31 January 2014 membership of an OFE was compulsory for those born after 31 December 1968.

Since 1 February 2014 those starting work for the first time may choose whether they want to join some OFE or have the contribution paid to ZUS only. Persons who had already become OFE members could decide in the period from 1 April to 31 July 2014 whether a part of their contribution shall be transferred to an OFE, or the whole amount of contribution shall remain in ZUS. Another so called “transfer window”,

i.e. the period in which the insured could change its decision regarding the payment of contributions to pension funds, took place between 1 April and 31 July 2016. Next are planned at intervals of 4 years.

Sub-account is an additional account created in ZUS, which records the contributions to the second pillar pension insurance that are not subject to transfer to open pension funds. In addition, at the moment falling 10 years before the retirement age, a gradual (on monthly basis) transfer of funds from open pension fund is launched. This mechanism protects the insured against the so-called “risk of a bad date”, that is, the collapse of market rates at the time of retirement, which would translate into lower pension capital, and consequently a lower pension.

III pillar

Third pillar is administered by private institutions and affiliation with it is completely voluntary. Participation in third pillar schemes should ensure a higher level of old-age pensions in the future thanks to a supplementary contribution.

The third pillar consists of:

- Occupational Pension Programmes (Pracownicze Programy Emerytalne, PPE)
- Individual Retirement Account (Indywidualne Konto Emerytalne, IKE)
- Individual Pension Security Account (Indywidualne Konto Zabezpieczenia Emerytalnego, IKZE)

Occupational Pension Programmes are a form of voluntary group saving for retirement, organized by the employer in cooperation with employees. The basic contribution is financed by the employer, while the employee can declare the payment of additional premiums, deducted from salaries. The funds contributed to the program are managed by the financial institution, which is chosen by the employer and employees during the organization phase of the program. The participant may take up payment of accumulated funds at once or in installments, not earlier than after the completion of 60 years.

PPEs existed in the number of 1,054 as of 31 December 2015, gathering about 393 thousand members. The maximum amount of additional contributions which may be paid in by a participant to any single employee retirement programme for 2015 is PLN 17,815.50, monthly PLN 1,484.62 (as opposed to PLN 16,857 in the previous year).

On Individual Retirement Accounts and Individual Pension Security Accounts can save every person who is at least 16 years old. Under the name of IKE or IKZE are offered distinguished accounts maintained by various financial institutions. Both IKE and IKZE allow saving for retirement without the obligation to pay income tax on capital gains (equal 19%). The difference between those two types of supplementary pension provision is the time of taxation with personal income tax. In case of IKE a final payment of accumulated funds is exempt from this tax, while there is no tax exemption for payments on account. In the case of IKZE payments on this account can be deducted from the taxable income of individuals, while the flat-rate tax of 10% will be applied to withdrawals from IKZE after the end of the saving period - i.e. after reaching the age of 65 years. Payments for both types of accounts are subject to annual limitations that amount in 2016: for IKE to PLN 12,165 and for IKZE to PLN 4,866.

IKEs were introduced in 2004. In 2015 there were kept 858,725 IKE accounts, provided by:

- life insurance companies (12),
- investment funds managed by investment fund companies (16),

- entities performing brokerage activities (6),
- banks (12),
- voluntary pension funds managed by General Pension Societies (4).

Total value of these accounts amounted to PLN 5.7 billion. The number of IKEs to which payments were made in 2015, totalled 269,526, and their total value amounted to PLN 946 million. The average payment to an IKE account in 2015 amounted to PLN 3.5 thousand.

IKZEs were introduced in 2012. In 2015, there were kept 597,560 IKZE accounts, provided by:

- life insurance companies (7),
- investment funds managed by investment fund companies (13),
- entities performing brokerage activities (5),
- banks (3),
- voluntary pension funds managed by General Pension Societies (9).

Total value of these accounts amounted to PLN 621.9 million. The number of IKZEs to which payments were made in 2015, totalled 142,810, and their total value amounted to PLN 369 million. The average payment to an IKZE account in 2015 amounted to PLN 2.6 thousand.

The old-age pension insurance contribution

Pension insurance contribution is discharged at the level of 19.52% of the base (salary /income). The pension contribution is financed in equal parts by both the employer and the insured, provided that the contribution paid to open pension fund or evidenced on the sub-account comes entirely from the portion paid by the insured. Responsible for paying contributions to the Social Insurance is the employer. The pension system is based on the close correlation of benefit with the amount of actually paid contributions, as the basis for calculating the pension is the sum of pension contributions (defined contribution principle).

There are two variants of the distribution of the contributions to the second pillar:

- if the insured did not join the OFE then the contribution is recorded at: ZUS account - in the amount of 12.22%, sub-account in ZUS – at the level of 7.3%.
- if the insured decided to transfer the contributions to an account in OFE then the split of the contribution is as follows: 12.22% - recorded on account in ZUS, 4.38% - on sub-account in ZUS, 2.92% - on an account in OFE.

Contributions recorded at ZUS account (1 pillar) are indexed with the rate of increase of total yearly inflow of contributions to PAYG scheme.

Contributions recorded at the sub-account are subject to indexation with indicator of average GDP growth for the past 5 years.

Value of pension rights in OFE (existing during the accumulation phase only) depends on value of financial instruments that OFE invested in.

Eligibility criteria for benefits from mandatory old-age pension insurance

The only eligibility condition to receive a pension is age.

Statutory retirement age for women born before 1 January 1953 and for men born before 1 January 1948 is set at the level of 60 and 65 years respectively.

Starting from 1 January 2013 the retirement age is being increased and – as a target – equalised:

- for women born after 31 December 1952 and
- for men born after 31 December 1947

by 1 month three times a year, until a retirement age of 67 years is reached – for men – in 2020, and in the case of women – in 2040

In the period September 2016 – December 2016 the retirement age is 66 years for men and 61 years for women.

The retirement age of 67 years is applicable to women born after 30 September 1973 and men born after 30 September 1953.

Since 2013, apart from the standard old-age pension, the law allows people born after 31 December 1948 who have not reached the statutory retirement age, to take advantage of the so-called partial old-age pension. It is designed for persons who have completed long periods of insurance: 40 years in case of men and 35 years in case of women and reached the age of 65 years – men and 62 years – women. This benefit can be received without termination of employment, however its level is calculated as a half of the standard old-age pension calculated for that moment. So far, only men could have applied for this benefit, as the standard retirement age for women is still lower than 62 years.

Benefit calculation

The amount of old-age pension according to new rules is equivalent in value to the sum of the indexed contributions for old-age pension insurance paid after 1998, the sum of indexed initial capital (if applicable) as well as the sum of contributions credited to the subaccount, divided by the average life expectancy for persons of the same age as the individual applying for an old-age pension expressed in months.

Amount of sum of partial old-age pensions collected is deducted from the account in ZUS before calculating the standard old-age pension.

The initial capital has been introduced to account for a contributory period completed before the day of entry into force of the pension reform, that is before 1 January 1999. It is calculated for each insured person born after 31 December 1948 who had been paying – before 1999 – a contribution to social insurance or for whom such a contribution had been paid by the contribution payer. For each of these persons a hypothetical old-age pension is calculated, which the person concerned would have received on 1 January 1999. The amount of the hypothetical old-age pension is calculated under the earlier rules. A total amount is multiplied by the average life expectancy for women and men at the age of 62 years recorded in year 1998, which equals 209 months. The amount calculated in this way constitutes the value of the initial capital as of 1 January 1999. This is credited to the insured person's account and is subject to

annual indexation up to the moment of retirement, which is carried out under the same rules as the indexation of the old-age pension contributions.

Minimum pensions provision

The old-age pension is brought up to the amount of the minimum benefit if the insured person:

- being a man – has reached the statutory retirement age and has completed a contributory and non-contributory period of at least 25 years,
- being a woman – has reached the statutory retirement age and has completed a contributory and non-contributory period of at least 22 years (increasing by 1 year every two years to reach 25 years in 2022).

Limitations on payment

After reaching the standard retirement age, old-age pension can be combined with earnings from work without any restrictions. However, if a pensioner is younger than the standard pensionable age, his/her pension is reduced when the earnings are between 70 percent and 130 percent of average age and completely suspended when earnings are higher than 130 percent of the average.

Indexation

Pensions in payment are indexed once a year based on, whichever is higher, the general or pensioner households' consumer price index topped up by at least 20 percent of real growth of average earnings in the previous year.

Possible changes

By the end of 2016 Polish government is obliged to conduct two reviews of pension system. One is related to introducing voluntary character of open pension funds, and it will be focused on functioning of the funded component of the system. The other, stemming from regulation which launched the increasing of retirement age, will be more broad and will touch several issues within social insurance system, inter alia: indexation (especially under deflation - when the indexation rate is very low), level of minimum pensions and conditions for obtaining old-age pensions - with the focus on retirement age.

The discussions on retirement age are also connected with presidential bill on lowering retirement age passed to Polish parliament.

The outcomes of these reviews will be subject to extensive discussions with social partners and other stakeholders, and then will constitute basis for further reforms.



COUNTRY PROFILE Romania

1. MACRO-ECONOMIC SITUATION DURING THE PERIOD 2016-2020

SOURCE: National reform programme 2015 – contribution to the Europe 2020 Strategy
http://ec.europa.eu/europe2020/pdf/csr2015/nrp2015_romania_en.pdf

“In Romania, the gross domestic product grew by 2.8% in 2014, this being the fourth consecutive year of growth, thus strengthening the economic recovery trend after the financial crisis that affected Romania in 2009 and 2010. The GDP growth was mainly due in 2014 to the positive contribution of domestic demand. The main factor of this growth, private consumption, was supported by a strong increase of the real wage and by interest rates that reached record low levels.

The current account of the balance of payments recorded a continuous adjustment of the deficit, from 0.8% of GDP in 2013 to 0.5% in 2014. The current account deficit was financed entirely by foreign direct investments. At the same time, the budgetary deficit (in ESA terms) decreased from 2.2% of GDP in 2013 to 1.5% in 2014, meaning that the private sector has registered a positive sold representing 2% of GDP.

In 2014, the employment rate (20-64) was 65.7%, 4.3 percentage points below the national target of 70% set in the context of the Europe 2020 Strategy. The total number of employees increased by 1.9% as compared to 2013 level, and the ILO unemployment rate decreased from 7.1% in 2013 to 6.8% in 2014.

At the end of 2014, the annual inflation rate reached a historical low level since 1990, reaching 0.83%, 0.72 percentage points below its level at the end of 2013. The annual average inflation for 2014 reached 1.07%, by 2.91 percentage points below 2013 level.

The potential economic growth has significantly increased (with an annual average of 2.8%), reaching above 3% starting with 2017, with positive contributions from all components: capital stock, employment and particularly total factor productivity. The structural measures and the ones aiming at stimulating investments will determine the acceleration of gross fixed capital

formation, after 2013-2014 adjustments, which will amplify the contribution of capital stock to GDP potential growth. Against the background of domestic demand's rebound, as the main engine of growth, the output gap will continue its reduction trend, its closure being estimated for 2017.

Romania's economic performances are estimated to gradually improve during 2015 – 2018. The gross domestic product will increase, on average, by 3, 6% per year. This scenario is based on improved activity in all the sectors of the economy, especially in industries with high export potential, as in the construction sector, which can capitalize on infrastructure needs in all areas. “

The 2016 National Reform Programme formulates a response to the main challenges highlighted by the European Commission in areas such as fiscal policy, governance, business environment, labour market or social protection.

The 2016 National Reform Programme aims to stimulate competitiveness and productivity, strengthen the social and territorial cohesion, create new jobs in order to reduce the gaps as compared to the other Member States of the European Union.

Monitoring the implementation of actions included in the National Reform Programme 2016 is ensured regularly, based on an action plan for implementation of the NRP. According to this plan, NAE is responsible for a series of specific objectives regarding the increase of participation on the labour market, the quality of employment and the stimulation of the labour mobility, as follows:

- Providing incentives out of the Unemployment Insurance Fund for some programs aimed at temporary employment for unemployed persons and beneficiaries of social protection measures, based on an individual employment contract for a fixed term of 12 months.
- labour market inclusion for persons seeking for employment or for those inactive (long-term unemployed persons, older workers, people with disabilities or low levels of education, Roma people, people from rural areas earning their living from subsistence and semi-subsistence agriculture) by providing customized packages of measures under programs financed by the ESF.
- continuing vocational training for persons seeking for employment in the framework of the vocational training programs financed from UIF.
- the integration of young people (16-24 years) on the labour market by providing customised integrated packages of measures for young NEET people (16-24 years) - active employment measures, training programs, assessment and certification of skills acquired in informal and also non-formal context, mobility and/or installation bonuses, encouraging employers to create jobs and business development. The programs are financed by the ESF 2014-2020 and also JFYI (HCOP 2014-2020 AP 1 - The 'Jobs for Youth " Initiative and also AP 2 - Improving the situation of young people category NEETs)
- PES structure modernisation. The implementation of projects financed by the ESF 2014-2020 / HCOP designed to improve the PES capacity to provide services, labour market monitoring activities, studies / analysis / forecasts, partnerships with employers and staff training being financed.

For a better promotion of the national priorities, the public authorities responsible for implementing structural reforms are involved in an ongoing dialogue with all interested stakeholders, encouraging them to contribute in order to achieve the objectives.

SUMMARY OF STRATEGY 2020 OBJECTIVES

NATIONAL EUROPE 2020 TARGETS - data available at 15 March 2015 -

Europe 2020 Objectives	2020 Target	PROGRESS					
		Initial value/year	2010	2011	2012	2013	2014
1. Employment rate for population aged 20-64	70%	-	63.3%*	62.8%*	63.8%*	63.9%*	65.7%**
2. Gross expenditure on R&D (% of GDP)	2% (1% public sources + 1% private sources)	0.47%** (0.28% public sources + 0.19% private sources) /2009	0.46%** (0.28% public sources + 0.18% private sources)	0.50%** (0.32% public sources + 0.18% private sources)	0.49%** (0.30% public sources + 0.19% private sources)	0.39%** (0.27% public sources + 0.12% private sources)	0.27% GDP ¹⁴¹ , state budget
3. Energy and climate change (20/20/20)							
Reduction of greenhouse gas emissions, as compared to 1990 levels	20%	0 /1990	52.29%	49.54%	52.04% ¹⁴²	n.a.	n.a.
Share of energy from renewable sources in the gross final energy consumption	24%	17.6%* /2005	23.4%*	21.4%*	22.8%*	23.9%*	n.a.
Energy efficiency (expressed as reduction of primary energy consumption)	19% (10 Mtoe)	-	n.a.	16.9% ¹⁴³ (7.25 Mtoe)	16.6% ¹⁴⁴ (7.3 Mtoe)	n.a.	n.a.
4. Education							
Early school leaving	11.3%	15.9% /2008	18.4%	17.5%	17.4%**	17.3%**	18.5%** (Q3/2014)
Share of population aged 30-34 years with tertiary education level	26.7%	16% /2008	18.1%	20.4%	21.8%**	22.8%**	23.8%** (Q3/2014)
5. Promoting social inclusion, in particular by reducing with at least 20,000,000 the number of people at risk of poverty or social exclusion	Reduce with 580,000 the no of people at risk of poverty or social exclusion /2008	4,988,000 people* /2008	-466,000 people*	-240,000 people*	-164,000 people*	-211,000 people*	n.a.

* Source: Eurostat

** Source: National Institute of Statistics (NIS)

2015 CSRs:

The European Commission has made 4 country-specific recommendations to Romania to help it improve its economic performance. These are in the areas of: implementation of the programme; public finances, taxation and pensions; labour market, wage-setting, education and health; state-owned enterprises.

2. LABOUR MARKET POLICIES

2.1 STRENGTHEN THE PROVISION OF LABOUR MARKET MEASURES

Implementation of the European Council Recommendation to Romania dated 14 July 2015³⁷

« Strengthen the provision of labour market measures, in particular for unregistered young people and the long-term unemployed. Ensure that the national employment agency is adequately staffed. Establish, in consultation with the social partners and in accordance with national practices, clear guidelines for setting the minimum wage transparently. Introduce the minimum insertion income. Increase the provision and quality of early childhood education and care, in particular for Roma. Take action to implement the national strategy to reduce early school leaving. Pursue the national health strategy 2014-2020 to remedy issues of poor accessibility, low funding and inefficient resources. »

(From http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_romania_en.pdf)

- **The National Strategy for Employment 2014-2020** (together with the action plan for the implementation of the strategy) was approved by the Government Decision no. 1071 on the 11th of December, 2013. The purpose of elaboration of this strategic document is to ensure better coordination of employment policy priorities, based on a framework of action designed to achieve the objectives and priorities of national employment policy integrated in the context of the Europe 2020 Strategy.

General objective: achieving a sustainable level of employment in Romania, supported by economic competitiveness, social cohesion and sustainable development.

Key Target 2020: 70% - employment rate for 20 - 64 years age group

Specific strategic objectives on medium and long term and directions of action:

The Strategy includes four specific objectives and, for each of them, there were identified some specific directions of action:

O1. Increasing youth employment and extending the working life of elderly, including the following directions of action:

1.1. Reducing the youth unemployment and the number of NEET young people (not in employment, education or training).

1.2. Increasing labour market participation of elderly.

O2. Improving the employment structure and the participation on the labour market of women and of the persons belonging to vulnerable groups, including the following directions of action:

2.1. Reducing the employment in the subsistence agriculture and facilitating the relocation of this human resource towards non-agricultural activities.

³⁷ COUNCIL RECOMMENDATION of 14 July 2015 on the 2015 National Reform Programme of Romania and delivering a Council opinion on the 2015 Convergence Programme of Romania (2015/C 272/01)
http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_romania_en.pdf

2.2. Increasing women's participation on the labour market, including through support measures to reconcile work and family life.

2.3. Increasing the participation of persons belonging to vulnerable groups on the labour market by developing measures which combine social support and activation.

O3. Development of human resources with a high level of qualifications and skills adapted to the labour market requirements, including the following directions of action:

3.1. Supporting the adaptability and permanent development of the labour force correlated with the structural changes of the labour market.

3.2. Improving the skills level of the unemployed and inactive people that are able to work, in order to facilitate their reintegration on the labour market.

O4. Improving the mechanism of founding, implementation, monitoring and evaluation of the policies with impact on the labour market, with the following directions of action:

4.1. Enhancing the mechanism of substantiating, implementing, monitoring and assessing the policies with impact on the labour market.

4.2. Enhancing the social dialogue on all levels in order to facilitate the adoption, implementation and respecting the policies with an impact on the labour market.

- **The Youth Guarantee Implementation Plan 2014-2015, developed following the Council's Recommendation from the 22nd of April 2013, approved by Government Memorandum on the 26th of December 2013**

Romania has implemented the Youth Guarantee Plan 2014-2015 whose aim was to ensure that all young people up to the age of 25 years old who lost their jobs or didn't find a job after graduating received, within 4 months from registering with the Public Employment Services or with the youth guarantee centres, a good quality employment offer, so as to continue the education, to start an apprenticeship or a training internship.

Partnership:

- Ministries - provision of the necessary infrastructure and broader knowledge. The adequate maintenance of a favourable and predictable institutional framework;
- Business, the civil society, trade unions and employers' organizations - identifying and mobilizing the target group; involving them into actions and initiatives combining employment and training (including them into the scheme);
- Other important stakeholders - individual enterprises; associations of business people; associations and NGOs representing the interests of young people; the young entrepreneurs, associations of the small and medium enterprises; foundations, research institutions, academic institutions etc.

Reforms and Initiatives:

- A. Early intervention and activation
- B. Supportive measures for labour market integration

A. Early intervention and activation:

- Law amending and supplementing Law no.202/2006 on the organization and functioning of the National Agency for Employment;

- Creation of an integrated database for registering young people within the National Agency for Employment;
- Creating partnerships between school inspectorates, schools and County Employment Agencies to promote, through campaigns, ALMPs or youth participation in vocational training and education;
- Development of self-services and expansion of local communities;
- Continue to implement "Second chance" programme for primary education;
- Continue to implement "Second chance" programme for lower secondary education;
- Continue to implement the National Social Protection Programme "Professional Scholarship" ;
- Continue to implement the National Social Protection Programme "Money for Highschool".

B. Supportive measures for labour market integration:

- Law no. 279/2005, republished on apprenticeship at workplace;
- Law no. 335/2013 on the internship for higher education graduates;
- Law no. 76/2002 regarding the unemployment insurance system and employment stimulation, as amended and supplemented by Law no. 250/2013;
- Professional counselling and guidance;
- Boosting self-employment and youth entrepreneurship;
- Assessment and recognition of competences obtained in non-formal training and informal system;
- Vocational training;
- Granting mobility bonuses, including long-term unemployed;
- Granting relocation bonuses including long-term unemployed;
- Providing incentives to employers to hire young people, including young people at risk of social exclusion;
- Developing entrepreneurial skills among young people and facilitating their access to funding (START);
- Stimulating the creation and development of micro enterprises by young entrepreneurs (SRL-D);
- Mentoring young people who access the programme to stimulate the creation and development of micro enterprises by young entrepreneurs (SRL-D);
- Growing – Up II Project financed by European Commission within Erasmus Programme;

➤ **Youth Guarantee pilot Schemes** - Implementation of 2 pilot projects of Youth Guarantee, cofinanced from Social European Fund, through Sectoral Operational Programme Human Resources Development 2007-2013:

The implementation period of the pilot projects was 23 December 2013 - 30 June 2015; one project has been implemented in the South of Romania and the other in the North. The 2 pilot projects were implemented by the Ministry of Labour together with social partners.

27 youth centres were created, being involved in identification and registration of young NEETs and delivering integrated programmes, such as: vocational counselling and guidance, vocational training, entrepreneurship, apprenticeships, job fairs and so on.

The target group was: young early school leavers, people looking for a job, inactive persons and young unemployed – including long term unemployed.

The main registration point was the Public Employment Service and its territorial structures.

The funding of the Youth Guarantee Implementation Plan 2014-2015 was based on the following main resources:

- unemployment insurance budget;
- European Social Fund (ESF);
- Funds from Youth Employment Initiative (YEI);
- State budget, including amounts representing the co-funding for the absorption of ESF and YEI.

The Ministry of Labour developed the 2016-2020 Romanian Youth Guarantee Implementation Plan, which will be approved by the Government.

• **The legal framework with impact on improving the functioning of the labour market changes includes:**

- ✓ Law 76/2002 on the unemployment insurance system and employment stimulation, amended and supplemented, with measures for the employment stimulation aiming to:

I. increase the employment opportunities of the job-seekers;

II. stimulate the employers to hire the unemployed and create new jobs.

I. The measures aiming at increase the employment opportunities of the job-seekers consist in:

a) professional information and counselling: a set of services delivered free of charge to the job-seekers in order to offer them access to information on the labour market and the evolution of the professions, to evaluate and self-evaluate their personality for their professional guidance, to develop their ability and self-confidence that will enable them to make a decision on their own career and to train them on job-searching methods and techniques;

b) labour exchange: the activity through which the employers are connected to the job-seekers in order to establish employment or job relations, consisting in information on the vacancies and the conditions for their employment by way of publishing, posting, organising job fairs;

c) vocational training: ensure, according to the law, the initiation, qualification, requalification, improvement and specialisation of the job-seekers;

d) evaluation and certification of professional skills obtained in other ways than formal, including the long-term unemployed registered to PES – the measure is financed from unemployment insurance budget and it is implemented by public employment service agencies through: training centres subordinated to them which are authorized as assessment centres, National Agency for Employment's regional training centres for adults, which are authorized as assessment centres, as well as legal entities of public or private authorized as assessment centres;

e) counselling and assistance to start an independent activity or to start-up a business provided, upon request, to the job-seekers as legal, marketing, financial services, efficient management methods and techniques and other consulting services.

f) completing the wage income of the employees : the persons for whom the right to unemployment benefit has been established according to the law and who are hired for a normal working schedule, according to the legal provisions in force, and, as a consequence of employment, they no longer receive the unemployment benefit, shall receive, from the moment when they are employed and by the end of the period for which they were entitled to receive the unemployment benefit, a monthly amount granted from the unemployment insurance budget, representing 30% of the quantum of the unemployment benefit, established and, as the case may be, updated according to the law.

Also, the graduates of the education institutions and the graduates of the special schools, at least 16 years old, registered with the employment agencies, in case they are hired for a regular working schedule, for a period longer than 12 months, benefit, from the unemployment insurance budget, by a bonus equal to the reference social indicator - (500 lei - approx. 112 Euro). The graduates for whom the right for unemployment benefit was established and who become employed during the employment period benefit, from the unemployment insurance budget, by an amount equal to the unemployment benefit to which he would have been entitled, under the law, by the expiry of the period for its granting, if he hadn't become employed. As the previous case, this right is granted to the graduates that preserve their employment relations or job relations for a period of at least 12 months as of the employment date.

g) stimulating the labour mobility – offering mobility bonuses both to subsidised and unsubsidised unemployed persons, who are registered with the employment agencies, as it follows:

- employment bonus, granted from the unemployment insurance budget, equal to two times the reference social indicator (2*500 lei = approx. 224 Euro);
- establishment bonus, granted from the unemployment insurance budget, equal to 7 times the reference social indicator (7*500 lei = approx. 784 Euro), the persons who, during the period when they receive the unemployment benefit, take-up employment, according to the law, in another locality and, as a consequence, change their domicile.

II. The measures which aim at stimulating the employers in hiring the unemployed and creating new jobs include:

a) Subsidies to employ registered unemployed aged 45 and over or sole providers of single-parent families. Employers receive for persons hired with an open ended contract a subsidy equal to Reference Social Indicator / month/ person employed for 12 months; Employers are required to maintain contractual arrangements with the persons employed for at least 18 months.

b) Subsidies to employers that hire registered unemployed which have five years until retirement.

c) Companies employing disabled persons on open ended contracts receive monthly a subsidy equal to Social Reference Indicator for 12 months. Employers are required to maintain contractual arrangements with the persons employed for at least 2 years.

d) Subsidies to employers who employ young graduates. The subsidy is granted for 12 months (18 months for graduates with disabilities) and varies on education level graduated, namely:

- 1x Reference Social Indicator for primary and secondary level education (approx. 112 euro);
- 1.2 x Reference Social Indicator for high- school and post-secondary education (approx. 135 euro);
- 1.5 x Reference Social Indicator (approx. 167 euro) for university degree.

✓ **Law no. 72/2007 on stimulating the employment of pupils and students, as amended and supplemented, encourages young people to have their first contact with the labour market.**

According to this law the employer who hires pupils and students during their holidays shall benefit, for each pupil and student, of a financial incentive equal to the social reference indicator (500 lei, approx. 112 Euro). The incentive is offered for maximum 60 days.

✓ **Law nr.279 /2005 regarding apprenticeship at work, republished,** has also been modified and completed in 2013 in order to allow employers to secure a skilled and quality workforce, based on their requirements and facilitates social integration of people aged over 16 years, in accordance with their professional aspirations and labor market needs.

Young people have access to a quality vocational training and nationally recognized skills that enables them to have a job and further learning. The employer can receive, upon request, a financial incentive provided on a monthly basis by PES from the Unemployment insurance budget (60% of social reference indicator, approx. 77 euro) for the whole duration of the scheme (between 1 and 3 years according the level of qualification for the occupation for which the employer organizes the apprenticeship). The financial incentive can be provided also from ESF or YEI (Youth Employment Initiative).

✓ **Law no. 335/2013 regarding the internship for graduates of higher education** aims at facilitating the transition of graduates from educational system to decent and sustainable jobs, in line with their completed studies. Internships are carried out under an internship contract, signed at the same time with the individual employment contract and lasts for six months.

This contract covers the rights and obligations of both interns and employers and provides young people's with the chance to learn through work, access a decent job and strengthen their professional knowledge. The employer can receive, upon request, a financial incentive provided on a monthly basis by PES from the Unemployment insurance budget (1,5 of social reference indicator, approx. 167 euro) for six months. The financial incentive can be provided also from ESF or YEI (Youth Employment Initiative).

2.2 UNEMPLOYMENT INSURANCE

The contributions to the unemployment insurance fund are paid together with the contribution for health insurance (CASS) and the contribution for pension insurance (pension - CAS), both by employer and employee.

The laws regulating the contribution to the unemployment insurance fund are mainly the Law. 76/2002 on the unemployment insurance system and stimulation of employment, as amended and supplemented, and the Law no. 227/2015 - Tax Code as amended and supplemented. Contribution rates for unemployment insurance fund are stipulated in art. 186 of the Tax Code:

0.5% for the individual contribution of the employee, applied to the gross monthly income;

0,5% contribution owed by the employer, applied to the total monthly gross wage bill.

The unemployed is a person who meets the following conditions:

- a) is looking for a job, is at least 16 years old and does not meet the conditions for retirement;
- b) health, physical and mental abilities make him/her able to work.

The right to unemployment benefits is established for unemployed persons who are found in one of the following situations:

- they have ceased employment for reasons not attributable to them;
- their job relations were terminated for reasons which cannot be imputed to them;
- the mandate for which they were appointed or elected was ended, unless they were previously employed or if the activity can no longer be resumed due to the final completion of the employer's activity;
- their labour relation as cooperative member was terminated, for reasons which cannot be imputed to them;
- have concluded an unemployment insurance contract and have no income or their income is lower than the reference social indicator;
- have ceased work due to retirement for disability and subsequently regained their ability to work and failed to start working;
- their employment or job relations were ended for reasons which cannot be imputed to them, during the period of their suspension, according to the law;
- the reemployment, ordered by final judgement, is no longer possible at the units where they were previously employed, due to the final termination of activity, or at the units which took over their patrimony;
- has ceased work carried out solely on the basis of a legal relationship other than those referred to in subparagraph a) - e), g) and h) in respect of which was duly paid, according to the law, the individual contribution for unemployment insurance.

There are also considered unemployed persons:

- a) graduates of educational institutions, aged at least 16 years, which in a period of 60 days from graduation failed to be employed according to their professional skills;

- b) graduates of special schools for disabled persons aged at least 16 years who failed to be employed according to their professional skills.

Unemployed persons receive unemployment benefits if they meet the following conditions:

- a) have a minimum contribution period of 12 months during the 24 months preceding the date of filing;
- b) no income or have income from legal activities lower than the reference social indicator in force;
- c) not eligible for retirement, according to law;
- d) they are registered with the agencies for employment in the jurisdiction of which they have their domicile or, as the case may be, residence, if they had their last job or they earned incomes in that locality.

Unemployment benefits are paid monthly to registered unemployed persons for 6/9/12 months, depending on the length of contribution and represent 75% of the Reference Social Indicator (500 lei approx. 112 euro) + an amount calculated by applying a percentage quota differentiated depending on the period of contribution to the average gross wage for the last 12 months of period of contribution (percentage quotas differentiated by length of service are: a) 3% for those with a contribution of at least 3 years; b) 5% for people with a contribution of at least 5 years; c) 7% for people with a contribution of at least 10 years; d) 10% for those with a contribution of at least 20 years).

The young graduates unable to find a job after graduation receive unemployment benefits for a period of 6 months, equal to 50% of the reference social indicator - (250 lei approx. 56 euro).

Thus, according to the Law no. 76/2002, under the unemployment insurance system there is a category of people who are mandatory insured and also another category of people who may choose to get insured under the unemployment system. For the first group, the employer is obliged to submit the declaration on obligations to pay social security contributions in accordance with the Tax Code. For the persons who choose to be insured under the unemployment insurance system, they can conclude a contract for unemployment insurance with the agency for employment in whose jurisdiction they are domiciled or, where appropriate, have their residence, if they have at least 18 years old. The contribution rate is 1% and applies to the insured monthly income.

2.3 MIGRANT WORKERS

➤ General applicable legislation

The protection is guaranteed by the Romanian legislation through laws which prohibit manifestations of discriminatory employment practices and cover the conditions governing the principle of the equal treatment with national workers regarding working conditions, trade union membership and enjoyment of the benefits of collective bargaining, accommodation, social security, employment taxes.

According to art. 18 of the Romanian Constitution, as amended and completed by the Law no. 429/2003 on the revision of the Constitution of Romania, „foreign citizens and stateless

persons that live in Romania shall enjoy general protection of person and assets, as guaranteed by the Constitution and other laws”.

Art. 41 of the Constitutional text, regarding the work and social protection of work, stipulates that the right to work cannot be restricted, due to the right to freely choose the profession or occupation, as well as the work place. Although, the employees have the right to social protection measures, regarding employees security and health, women and youth work regime, establishment of a minimum national gross wage, weekly rest, paid leave, working under special or particular conditions, professional training, as well as other specific situations provided by law. It contains, also, the gender equality within the work relations, „for equal work, men and women have similar wages”.

As regards the migrant workers, the Law no. 53/2003 - Labour Code, republished, with subsequent amendments and supplements, is applicable to their individual employment contracts if they are working on the Romanian territory and for a Romanian employer.

The Law no.53/2003 - Labour Code, republished, with subsequent amendments and supplements, emphasizes the principle of equal payment for equal work, providing that persons employed in the same position, performing the same work should earn the same base salary.

According to the art. no. 5-6 of the Law no. 53/2003 - Labour Code, republished, with subsequent amendments and supplements, within the work relationships, the principle of the equal treatment for all employees and employers shall apply and any employee who performs work shall benefit from adequate work conditions for the activity carried out, social protection, labour safety and health, as well as the observance of his/her dignity and conscience, with no discrimination. Also, all employees providing labour are entitled to collective negotiations, protection or personal data, as well as protection against illegal dismissal.

Under the Law No. 53/2003 - Labour Code, republished, with subsequent amendments and supplements, any direct or indirect discrimination against an employee based on national affiliation, race, colour, ethnicity, shall be prohibited. Also, according to the same normative act, is possible to seek legal redress in any litigation connected with the conclusion, execution or modification of individual employment contracts.

The Government Ordinance no. 137/2000 on preventing and punishing all forms of discrimination, republished, with subsequent amendments and supplements, forbids discrimination on the grounds of, among others, nationality, ethnic origin, and political opinion and provides for equal rights in a wide range of areas such as employment, access to public services, health care, education, residence and the right to personal dignity.

➤ **Specific legislation**

Under the provisions of art. 3 (1) of the Government Emergency Ordinance no. 102 of 14 July 2005 on the free movement of citizens of member states of the European Union, European Economic Area and Swiss Confederation citizens, republished, with subsequent amendments and supplements, "European Union citizens and their family members exercising their right of residence in Romania enjoy equal treatment with the Romanian citizens in the scope of the EU treaties, subject to the provisions of this Treaty and the measures taken in their application".

As regards the equal treatment with the Romanian citizens, according to art. 80¹ from the Government Emergency Ordinance no. 194/2002 on the status of foreigners in Romania, republished, with subsequent amendments and supplements, the owners of a permanent stay right on the Romanian territory benefit of “access on the labour market including with regard to employment and work conditions, to independent economic activities and to professional activities, [...] under condition that the activity carried out would not represent, even occasionally, public authority prerogatives exercise”; the access to all forms and levels of education and vocational training, including to being granted scholarships for study; the equivalence of studies and recognition of diplomas, certificates and of other qualifications, in compliance with the national provisions; social security, social assistance and protection; public health assistance; global income tax deductions and tax exemptions; access to public goods and services, including housing and of the freedom to association, affiliation and membership to a trade union or professional organization.

Based on the same art. 80¹ from the Government Emergency Ordinance no. 194/2002 on the status of foreigners in Romania, republished, with subsequent amendments and supplements, the rights of beneficiaries of international protection in Romania provided by Law no. 122/2006, as amended and supplemented, cannot be restricted as a consequence of getting by them of the long-term right of stay.

Paragraph (3) of art. 80¹ from the Government Emergency Ordinance no. 194/2002 on the status of foreigners in Romania, republished, with subsequent amendments and supplements, states that “under the law, the foreigners who hold a right of temporary residence, employed or registered as unemployed, enjoy equal treatment with the Romanian citizens regarding working conditions, including in terms of pay and dismissal and in terms of safety and health at work; the access to all forms and levels of education and vocational training, including to being granted scholarships for study; the equivalence of studies and recognition of diplomas, certificates and of other qualifications, in compliance with the national provisions; social security, social assistance and protection; public health assistance; global income tax deductions and tax exemptions; access to public goods and services, including housing; the freedom to association, affiliation and membership to a trade union or professional organization and services provided by employment agencies”.

According to the paragraph (4) of art. 80¹ from the Government Emergency Ordinance no. 194/2002 on the status of foreigners in Romania, republished, with subsequent amendments and supplements, provisions mentioned in the above paragraph [regarding the access to all forms and levels of education and vocational training, including to being granted scholarships for study; the equivalence of studies and recognition of diplomas, certificates and of other qualifications, in compliance with the national provisions; social security, social assistance and protection; public health assistance; global income tax deductions and tax exemptions; access to public goods and services, including housing; the freedom to association, affiliation and membership to a trade union or professional organization and services provided by employment agencies] do not apply to foreigners who hold temporary right of residence for employment purposes based on the employment approval obtained for seasonal workers or of the right to temporary residence for the purpose of posting.

The paragraph (5) of art. 80¹ from the Government Emergency Ordinance no. 194/2002 on the status of foreigners in Romania, republished, with subsequent amendments and supplements, stipulates that “the foreigners who were employed in Romania or their descendants have the right to old age, invalidity

or death pension, even if they no longer reside in Romania, under the same conditions as Romanian citizens or their descendants no longer living in Romania”.

Art. 17 of Law no. 122/2006 on asylum in Romania, with subsequent amendments and supplements, establishes in favour of the foreigner applying for a form of protection, the right to receive access to the labour market under the conditions provided by law for Romanian citizens, after a period of 3 months from the date of application for asylum if the asylum seeker is still in the process of determining a form of protection.

A person beneficiary of a form of protection, through refugee status or subsidiary protection under art. 20 of Law no. 122/2006, with subsequent amendments and supplements, will get the right "to be employed by natural or legal persons, to exercise unpaid activities, to be free to practice and perform legal acts and deeds, to carry out acts of commerce, including economic independently activities, under the same conditions as Romanian citizens " and also "to benefit from social insurance, social welfare measures and health insurance, as provided by law for Romanian citizens."

Law no. 76/2002 on the unemployment insurance system and employment stimulation, with subsequent amendments and supplements, states, in articles 1, 4 and 16, that in Romania for "every person is guaranteed the right to freely choose their profession and employment and the right to unemployment insurance" and " are excluded any discrimination on political grounds, race, nationality, ethnic origin, language, religion, social status, belief, sex and age ". The same legal text - at art. 16 – states that the beneficiaries of the provisions of this law are the persons looking for a job that "have been granted refugee status or another form of international protection under the law" and "the foreign citizens or stateless persons who have been employed or have earned income in Romania or have the right to work in Romania, according to the law."

Government Ordinance no. 44/2004 on the social integration of foreigners who were granted a form of protection or a right to stay in Romania and of the citizens of the Member States of the European Union and European Economic Area regulates at the art. 4 the right of the foreigners who were granted a form of protection in Romania to “have free access to the labour market under the same conditions established by law for Romanian citizens”. Also, according to the text of the art. 5 of the same normative act, “the foreigners who were granted a form of protection in Romania shall have free of charge access to the unemployment insurance system, to the measures of preventing unemployment and to the measures for encouragement of employment”.

Access on the Romanian labour market for the third countries citizens

➤ Government Ordinance no. 25/2014 on the employment and posting of third-country nationals on the Romanian territory, amending and completing certain legislative acts concerning the status of third-country nationals in Romania, approved by Law no. 14/2016

The legal framework on employing and posting of foreigners on the territory of Romania, is governed by the Government Ordinance no. 25/2014, establishing rules according to which a citizen who does not belong to another Member State of the European Union/European Economic Area/Swiss Confederation may be employed or posted on the Romanian territory.

➤ Government Ordinance no. 25/2014 establishing the employment approval/posting approval as the official document giving its holder the right to be employed in/posted to Romania for work purposes with one employer:

- Employment approval - the official document issued by the General Inspectorate for Immigration, entitling an employer to employ a foreigner on a particular function/position;
- Posting approval - the official document issued by the General Inspectorate for Immigration, entitling the holder to apply for a long-stay visa for the purpose of posting and a residence permit for this purpose for a period of up to one year at a distance for at least 5 years, based on the decision of posting from an employer - legal person established abroad to a beneficiary person or entity in Romania or a representative office, branch or subsidiary in Romania of a foreign legal entity.

➤ **The establishment of the yearly quota for new third country workers in 2016**

On proposal of the Ministry of Labour, Family, Social Protection and Elderly, according to the national policy on migration of labour force and taking into account the situation of the labour market in Romania, the foreign workers quota to be established is determined by Government Decision;

On the Official Journal of Romania No. 158 from 1st of March 2016 – Part I, was published the Government Decision no. 105/2016 which established to 5500 the third country workers quota to get employment or posted in Romania in 2016 on the basis of the employment/posting approval, in accordance with the provisions of the Government Ordinance no. 25/2014, approved by Law no. 14/2016: 3500 permanent workers, 700 posted workers, 800 highly skilled workers, 200 seasonal workers, 200 trainees and 100 cross-border workers.

The employer shall obtain the work approval from the territorial units of the General Inspectorate for Immigration of the district where the employer has its registered office. The General Inspectorate for Immigration is the authority which grants working and temporary residence documents.

The General Inspectorate for Immigration settles the application for the work approval within 30 days from its registration. Should additional verifications be necessary, the interval may be extended by up to 15 days.

After entering Romania, the foreigner must obtain a stay permit. In this respect, the foreigner shall submit personally the documents to the territorial units of the General Inspectorate for Immigration from the district the foreigner lives in, with at least 30 days before the expiry of the right to stay granted by the visa.

Currently, the National Agency for Employment enforces the provisions of the Government Ordinance no.25/2014 on employment and secondment of foreigners in Romania and amending and supplementing certain pieces of legislation on aliens' regime in Romania.

According to this law [art.801 alin.(3) lit.c)], foreigners with a temporary residence, employed or registered unemployed, enjoy the legal right to benefit from equal treatment with the Romanian citizens as regards the services provided by employment agencies.

The registration of people looking for a job is made at the local agency for employment, in whose jurisdiction he/she resides.

The procedure of employment of foreigners by employers, natural or legal persons in Romania, requires the following steps to be taken:

- obtaining employment agreement;
- obtaining a long-stay visa;
- obtaining the right to stay;
- issuance of a residence permit for employment or secondment purposes.

Hence, employers can hire foreign staff when vacancies cannot be filled by Romanian or nationals of other Member States of the European Union, the states parties to the Agreement on the European Economic Area, as well as permanent residents in Romania.

3. Labour mobility

Placement of Romanian citizens abroad

Since 1 January 2007, the National Agency for Employment has responsibilities on information, counseling and mediation for the persons seeking employment in various European countries and for employers.

To this end, the NEA supports those interested using two instruments:

- The EURES network
- Applying bilateral legal agreements on the exchange of labour force, concluded by Romania with other states

The advantages of using NAE services by jobseekers (unemployed, persons employed willing to change jobs, young graduates, etc.) but also by employers, are multiple: safe job offers, free services, reliability of external partners (which are other public employment services at European level) and social protection enjoyed by migrant workers (applying European regulations on social security periods worked abroad can be used to open various rights - pension, unemployment insurance, health, etc.).

EURES is a cooperation network between the European Commission, the employment services in the Member States of the European Economic Area (the EU plus Norway, Iceland and Liechtenstein) and other partner organizations involved in the labour market (trade unions, employers, private employment companies). The objectives of this network are to facilitate free movement of workers within the EU, ensuring transparency of vacancies at European level and thus increasing employment of citizens.

NAE is offering information, mediation and counseling services, through 45 EURES advisors, for both Romanian workers who want to work in the European Union and EU citizens who wish to work in Romania.

Regarding the application of bilateral legal agreements on the exchange of labour, concluded by Romania with other European countries before joining the EU, and also with non EU countries, 3 legal instruments are currently in force:

- With Israel, for placing Romanian construction workers;
- With Germany (for students who want to work during the summer in Ho-Ga);
- With Switzerland, regarding the exchange of trainees.

At the same time, Romanian citizens who wish to work abroad are informed about their rights and obligations if they get employed in another State. This is achieved using various channels: written information, provided at the time of participation in recruitments, on the conditions of the job offer and the contact details of the attachés on labour and social issues; by posting job offers at the premises of county agencies; by disseminating materials posted on the NEA website.

In order to support the Romanian workers who choose to work abroad we are working with Romania's diplomatic missions abroad as well as with institutions in Romania, for example the Labour Inspectorate, the Romanian General Police Inspectorate etc.

National mobility

The geographical mobility of labour is stimulated, according to Law. 76/2002 on the unemployment insurance system and stimulation of employment, as amended and supplemented, by bonuses for employment and installation, where appropriate. Mobility of persons accessing this measure will be done by placing them on the available vacancies in areas facing labour shortages.

To this end, the MoLFSPE and NAE have prepared a proposal to amend the legislation in order to increase the attractiveness of the labour mobility.

3.1 The relationship between social security and employment stimulation measures

People receiving social benefits, according to Law. 416/2001 on minimum guaranteed income, as amended and supplemented, are required to submit every 3 months at the town hall in whose jurisdiction they have their domicile or residence, a statutory declaration of family composition and income earned by its members, which will include mandatory identification data of the holder and family members. To establish family income, these individuals must present also a certificate stating that they are registered with the territorial agencies for employment, and have not refused a job or participation in services to stimulate employment and training programs offered by the PES.

4. Results of the implementation of active measures to stimulate employment

Active measures to stimulate employment are implemented by the NAE based on the Annual Programme for Employment, according to the legislation in force, by the territorial agencies for employment. The results of implementing these measures at national level, as regards the number of persons employed on the labour market, are as follows:

Nr. crt.	Type of measure	Number of persons				
		2011	2012	2013	2014	2015
Total measures Law no. 76/2002 on the unemployment insurance system and stimulating employment, as amended and supplemented		366.113	323.510	327.823	371.363	354.029
1	Mediation program	306.206	271.416	283.464	319.781	309.303
2	Information and professional advice	61.254	56.950	58.335	61.168	61.479
3	Training Courses	14.773	12.179	12.660	16.961	11.646
4	Income support for unemployed falling before expiration of unemployment allowance	19.223	15.823	18.222	19.213	16.923
5	Providing subsidies to employers who employ unemployed over 45 or unemployed single parent families backers	20.312	15.932	12.484	19.398	15.779
6	Providing subsidies to employers who employ people who have 5 years until retirement	266	204	177	403	328
7	Employing graduates of educational institutions by subsidizing job	6.574	5.421	4.826	6.893	5.923
8	Persons framed by concluding solidarity contracts	1.874	1.221	894	420	372
9	Casual employment of labor in public works of community interest	-	-	-	-	-
10	Employing people with disabilities, by subsidizing job	233	184	196	212	142
11	Stimulating labor mobility	3.179	1.922	1.955	1.641	1.291
12	Graduates of the first beneficiaries of framing	3.538	3.828	3.760	4.249	3.627
13	Compliance by lending to SMEs to create new jobs	-	-	-	-	-
14	Compliance by providing advisory services and assistance starting an independent activity or for starting a business	264	242	162	135	109
15	Other active measures (other than BAS financing, depending on calls for proposals)	2.012	3.428	6.130	1.573	6.316
Total Law. 72/2007 to boost enrollment of pupils and students during holidays		248	331	226	374	433
Total Law. 335/2005 on professional internships for graduates of higher education		-	-	-	40	49
Total Law 279/2005, regarding apprenticeship in the workplace, as amended and supplemented					340	129



COUNTRY PROFILE SPAIN

1. MACRO-ECONOMIC SITUATION DURING THE PERIOD 2016-2020

(SOURCE: National reform programme 2016 (NRP) – contribution to the Europe 2020 Strategy)

Executive Summary of the Spain National Reform Programme 2016 :

“Over the last four years, the Spanish Government has put in place an ambitious reform agenda that has transformed the Spanish economy. This agenda has been built over three pillars: fiscal consolidation, restructuring of the financial sector to restore lending and investment, and structural reforms.

This strategy, which has enabled the Spanish economy to regain confidence in international markets and to increase its efficiency, flexibility and ability to compete, has borne fruit. The Spanish economy is growing today at leading rates among the main economies of the Economic and Monetary Union: in 2015, the Spanish GDP grew by 3,2%, a rate that more than doubles the average rate of the Euro Area (1,6%). Only four years before, in 2011, the Spanish GDP was falling at of –1,8%.

Looking forward, the market consensus forecasts a 2,7% growth rate for 2016, very much in line with Government projections. However, preliminary data for the first quarter of 2016 point to a continuation of the strong growth rates of the previous quarter: a year-on-year growth of 3,4%, the best figure for the last 8 years, and a 0,8% quarter-on-quarter growth.

In addition, stronger economic activity is translating into job creation at unprecedented rates in Spain. In 2015, more than half a million new jobs were created, a record high. Moreover, the annual reduction of unemployment was the highest in history: 678.000 people. And almost 20% of this reduction happened in youth unemployment, with 126.000 less young unemployed in one year. This is another record. Altogether, in the last two years, almost one million jobs have been created, and, if this trend is maintained, according to main analysts, in 2016 and 2017 another million jobs would be created.

This positive trend in the labour market continues in 2016. Official data for the first quarter 2016 show acceleration in employment creation (corrected for seasonal variations and calendar effects): quarter-on quarter, employment grew by 0.9% versus 0.7% in the previous quarter. Year-on-year, almost six hundred thousand new jobs have been created (574,800 new jobs) and unemployment diminished in 653,200 persons. This represents a 12% reduction, very close to the record high recorded in the last quarter of 2015.

Furthermore, Spanish growth is healthy: its most dynamic components are investment in capital goods and exports of goods and services. This provides a strong basis to household consumption, which, at the

end of 2015, grew at a rate of 3,5%, a rate similar to pre-crisis rates. At the same time, in 2015, favourable price performance generated competitive gains for the Spanish economy: this is the fourth consecutive year with an external surplus and, in 2015, the financing capacity of the Spanish economy exceeded 22.700 million euro.

The Spanish economy also continues to attract foreign investment, both direct and portfolio investment. According to data from the Register of Foreign Investments, productive investment grew at an 11% rate in 2015 and exceeded 21.700 million euro, which constitutes the fifth highest volume since 2000.

Finally, credit is improving. Companies have access to loans at better rates, households enjoy more financing and the cost of public debt is still declining: the risk premium has been even below 100 basis points, which did not happen since 2010.

The National Reform Program 2016 has been elaborated in this economic context. As for the political context, at the time of the submission of this NRP, Spain has a caretaker government, subject to constitutional and legal constraints. At the same time, Spain has to comply with its obligations within the European Semester framework. Therefore, the caretaker government has decided to submit a NRP which, on the one hand, reports on measures taken during the last year to complete the reform agenda planned for the previous legislature. On the other hand, the NRP outlines the main measures that, in the opinion of the caretaker government, should be adopted in order to maintain the current pace in growth and job creation, thus consolidating the results achieved in the last four years. Moreover, the reforms highlighted in this NRP 2016 are aligned with the priorities of the Annual Growth Survey 2016, which is the starting point for National Reform Programs: structural reforms to modernize our economies and responsible fiscal policy. In addition, there is a reference to the necessary reforms at the European Union level.

The NRP 2016, firstly, shows the high level of compliance with the commitments assumed by Spain within the framework of the European Semester, in particular, with the Country Specific Recommendations (CSRs) formulated by the Council to Spain in 2015 (http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_spain_en.pdf). This section describes the reforms undertaken during the last twelve months as outlined in the previous NRP, which has been almost fully implemented.

Thereafter, the NRP outlines the measures that, in the opinion of the caretaker government, should be adopted to maintain the pace of growth and job creation in the years to come. These measures lay the foundations for compliance with the Europe 2020 Strategy objectives.

The NRP 2016 reflects the need to continue the reform agenda of the last four years to consolidate growth and job creation. The caretaker Government considers that some of the most relevant areas in which further reforms are necessary are:

2. LABOUR MARKET POLICIES

2.1 Employment creation and social inclusion:

Spain is now registering record levels of job creation. Among other factors, this proves the positive impact of the labor reform and subsequent reforms.

Consolidating this trend in the next few months is a priority, as well as advancing towards more inclusive and higher quality employment. Therefore, the caretaker Government considers that more reforms are needed in the following fields: in social contributions, to make permanent employment more attractive; in making employment compatible with benefits entitlements, as it is already the case in certain circumstances; in the reinforcement of active employment policies, in particular by strengthening the functioning of the Central Public Employment Service; and in the promotion of more effective solutions in education and training policies.

Job creation and labor integration are the most effective way to combat poverty and social exclusion, and they must be kept as a priority. In any case, the structural reforms implemented in the last few years have come along with the maintenance of high social protection by public authorities.

This strategy is bearing fruit, as the improvement of the labor market is starting to show an impact in recent poverty and social exclusion indicators.

To consolidate this trend, more measures must be executed in 2016 in the field of employment and education, including measures to promote indefinite contracts and training, as well as in the pensions system, in order to guarantee its sustainability and its high level of protection. At the same time, multiannual plans already approved for the attention of specific groups will continue to be implemented, such as the Integral Plan for Support to Families 2015-2017 or the National Integral Strategy for Homeless People 2015-2020.

Progress on Market Unity is a must, as a key way to achieve efficient and integrated markets that wholly contribute to growth and employment. Therefore, more progress must be done in adapting to national and regional regulations to eliminate unjustified burdens and barriers, and to strengthen the cooperation mechanisms among administrations.

Moreover, it will be necessary to increase competition in certain product and service markets to avoid distortions in the price-setting process. The objective is to create a friendly environment for our companies to develop their activities. This also requires measures to stimulate business competitiveness, including the reinforcement of infrastructure planning, improving digital connectivity, ensuring an efficient and sustainable functioning of our energy system, and making the financial sector more efficient and competitive.

Policies for entrepreneurship promotion and small and medium-sized enterprises (SMEs) support will be further developed. In this field, it is necessary to remove obstacles to SMEs growth, promote the use of the newly approved second chance mechanisms, facilitate SMEs access to finance, including alternative non-banking financing mechanisms or crowdfunding, and stimulate business internationalization

Competitiveness of firms and economic sectors rely on their access to competitive inputs, but also on their capacity to innovate. Research, development and innovation (R&D) are key for long term growth, and thus for job creation and productivity and competitiveness gains.

For this reason, further efforts are needed to increase the participation of R&D in the generation of wealth and welfare in Spain. R&D will be further promoted along the lines of the Spanish Strategy on Science, Technology and Innovation 2013-2020 and the National Plan for Scientific and Technical research and Innovation 2013-2016, fostering efficiency and effectiveness in the use of public resources, as well as higher participation of private investments. In particular, incentives to R&D will be developed in fields

such as fiscal treatment of R&D activities or participation of researchers in the returns coming from their investments.

In addition to the promotion of innovation, the policy agenda ought to ensure the sustainability and competitiveness considerations. Thus, the caretaker government considers a priority approving a Law on Climate Change. This legal instrument should encompass measures to ensure compliance with our objectives and international commitments in the fields of emissions reduction, energy interconnection and reneess of the economic model through the horizontal introduction of environmental wable energy use, and energy efficiency

The reform of Public Administrations promoted in the CORA framework (Commission on Public Administration Reform) is based on the central idea that a competitive economy requires modern, transparent and agile public administrations. Out of the 222 measures identified in the CORA report, 193 measures were finalized in February 2016 and the rest were under execution, which implies a 86,94% execution rate. These measures have generated savings of 3.031 million Euros. In 2016, work will continue with the implementation of the remaining measures to generate further savings.

In addition, the new laws on administrative procedure will enter into force in 2016. These laws are a step forward in the structural renovation of the public administration and will lead to more modern, agile and efficient administrations and a more efficient administrative cooperation framework.

These reforms will be complemented by a firm promotion of e-administration and digital transformation, as a strategic component of the Public Administrations reform. Implementation and development of the Central Administration Digital Transformation Plan will have a central role in this strategy, as well as measures to favor mutual assistance in e-administration solutions among public administrations.

In 2016, fiscal policy should be oriented towards responsible and growth friendly straightening of public finances. Fiscal consolidation within the framework of European rules and obligations should proceed. Thus, this year's update of the Stability Program of Spain, sets the deficit at 3,6%, combining both the need to reduce deficit with economic growth and job creation. In addition, specific measures to ensure compliance with deficit objectives by the Autonomous Communities were approved, as required by the Autonomous Commission Recommendation.

Spain also needs to revise the financing system of the Autonomous Communities. The aim of this revision should be to ensure equal treatment for all citizens in their access to basic services, irrespective of their region of residence. A first step in this direction has been the presentation of the conclusions by the working group of the Council on Fiscal and Financial Policies. In addition, an independent experts committee will be created.

To conclude in the fiscal field, efforts in the fight against tax fraud and tax evasion should be maintained and even intensified. Measures already implemented by the Government have allowed to raise, thanks to proceedings against tax fraud, 50.449 million euro during the period 2012-2016; the best historical figures of the Tax Agency.

The European Union and the single market constitute fundamental spheres of action for economic policy. This is of particular importance for euro countries participating in the European Monetary Union (EMU), which requires two conditions to ensure an efficient and balanced functioning: flexible and integrated markets to foster internal adjustment mechanisms and promote economic cycle convergence; and a

stable fiscal framework that averts currency pressures and incorporates correcting mechanisms for the asymmetric effects of cycles.

In this scenario, reforms at the European level are indispensable to join reforms carried out by Member States. That is, fiscal responsibility and structural reforms at the national level must go hand in hand with sufficient mechanisms at EMU level to correct asymmetric cyclical situations within the Union.

In this spirit, Spain has actively participated in the European debates on institutional architecture of the Union. The Spanish proposal is based on fostering advances in three main areas:

- A deeper and efficient internal market, with higher labor mobility.
- Better coordination of economic policy to promote a European orientation of its objectives, while ensuring respect to national competences and the subsidiary principle. Therefore, Spain proposes the establishment of a convergence process similar in inspiration to the Maastricht process that led to the adoption of the single currency.
- Greater fiscal integration, which implies, in the long run, a single fiscal authority and a single budget with debt emission capacity for the Eurozone. In the short term, advances in fiscal harmonization and the fight against tax fraud are essential.

All these reforms should be accompanied by steps towards greater political integration to ensure democratic legitimacy of the decision making process.

As part of this general strategy, Spain promotes a more active role for the EU in fostering growth and employment. The Investments Plan for Europe, known as the Juncker plan, is a step in the right direction. Until March 2016, The Investments Plan for Europe has committed 615 million Euros for the financing of Spanish projects in the fields of infrastructure and innovation, which are expected to mobilize a total investment of 2,500 million euros and create 5,500 jobs. In addition, Spanish SMEs will receive 114 million Euros in financing, which is expected to mobilize 3,500 million Euros in total investment.

2.2 UNEMPLOYMENT INSURANCE

Organizational structure

The Spanish Public Employment Service (SEPE) is an autonomous body currently under the Ministry of Employment and Social Security. It is made up of Central services and 52 provincial departments, responsible for managing unemployment benefit procedures. The website of the SEPE, www.sepe.es, has been created with access to employment and benefit services, as well as other information. The SEPE, together with the Public Employment Services of the Autonomous Regions, make up the National Employment System. This state structure promotes designs and develops measures and actions for employment, whose undertaking is decentralized, adjusted to the different territorial realities.

Financing

The unemployment insurance scheme is financed through contributions paid on earnings. The contribution rates applied to earnings depends on the type of contract of the worker, varying from 7,05% for permanent contracts to 8,30% for fixed term contracts.

Benefits

Contributory level:

It is a monthly economic allowance that can be claimed following involuntary termination of employment, and is managed and paid by the Spanish Public Employment Service (SEPE) based on the contributions made by the worker during their periods of employment. It includes Social Security contributions for retirement, temporary disability, disability, death and survival, family protection and healthcare. It is supplemented with training courses and labor market integration measures, managed by the Public Employment Services.

To qualify for unemployment benefit, the claimant must satisfy the following conditions:

- Have been employed and have paid social security contributions for at least 360 days over the 6-year period prior to becoming officially unemployed.
- Haven't reached the statutory retirement age.
- Must not be receiving a state pension that is incompatible with employment.
- Must be a registered job seeker throughout the period you receive the allowance, and you must also sign the undertaking to accept job proposals.

Duration of the benefit: This benefit is calculated on the basis of the contributions made over the preceding 6 years, provided these have not been used to calculate a prior benefit, in accordance with the following scale:

Total contributory days	Total benefit days
from 360 to 539	120
from 540 to 719	180
from 720 to 899	240
from 900 to 1079	300
from 1080 to 1259	360
from 1260 to 1439	420
from 1440 to 1619	480
from 1620 to 1799	540
from 1800 to 1979	600
from 1980 to 2159	660
Over 2160	720

If you have held a part-time job, each day worked is considered a contributory day, irrespective of the working hours.

Amount of the benefit: The daily benefit is 70% of the contribution base for professional contingencies for the last 180 days contributed, except for overtime during the first six months of entitlement and 50% following said period. The maximum and minimum benefit for 2016, according to the number of dependent children: (e.g. Minimum monthly payment for a person without dependent children €497.01; Minimum monthly payment for a person with dependent children €664.75)

Dependent children are minors and young adults under the age of 26, or over 26 if they have some level of disability, or minors in your foster care, whose monthly income does not exceed €655.20.

Two types of deduction will be made from your gross benefit:

- Your contribution to the Social Security scheme.
- Personal income tax withholdings, if applicable.

Unemployment subsidies

The unemployment subsidies are:

- Exhaustion of contributive benefits.
- Involuntary termination of employment.
- Over 55 years of age.
- Other allowances:

The common requirements to be eligible for those subsidies are:

- Not to be entitled to contributory unemployment benefits.
- You must be a registered job seeker throughout the period you receive the allowance, and you must also sign the undertaking to accept job proposals.
- Your own income cannot exceed 491.40 Euros/month.

The applicant must meet all the requirements at all times while you are receiving the allowance.

Amount of the benefit: €426.00 per month, which will be paid into the account in the financial institution indicated by the applicant. If the person has been dismissed from a part-time job, the allowance will be paid in proportion to the hours worked.

2.3 MIGRANT WORKERS

The Organic Law 4/2000 of 11 January on the rights and freedoms of foreigners in Spain and their social integration includes the right to social security in two articles. Article 10, provides that foreign resident, who are employed or self employed, and meet the requirements, are included in the scope of activity of the Spanish Social Security system, in accordance with current legislation. Besides, article 14 of the same Act, provides that foreign residents have the right to access to benefits and social services of the Social Security under the same conditions as Spanish nationals.

On the other hand, article 14 contains a general principle of equal treatment between Spaniards and foreigners, so provided they are residents in our country, it could extend its application to non-contributory benefits, depending on the nationality of the foreigner. Nationals of Latin American countries, Portuguese, Brazilians, Filipinos and Andorrans residing in Spanish territory, are equivalent to

the Spaniards for the purposes of non-contributory benefits. Nationals of countries with which Spain is linked in terms of treaties, conventions, agreements or instruments or as applicable to them under tacitly or explicitly recognized reciprocity.

In addition to European instruments for the coordination of Social Security legislation, Spain has signed 23 bilateral agreements on Social Security, containing coordination rules between the laws of the two signatory countries. They cover to the workers who have been subject to the social security legislation of one or two countries, as well as members of their families and survivors.

Moreover, The Ibero-American Multilateral Agreement on Social Security, made in 2007, and the Agreement on Implementation of the Convention, made in Lisbon in 2009, has the coordination rules governing relations between the laws on Social Security of the countries that signed the Agreement.

3. UNIVERSAL COVERAGE AND ADAPTATION TO MOBILITY

3.1 RELATIONS BETWEEN SOCIAL SECURITY AND EMPLOYMENT POLICIES

The Spain social security system is of Bismarckian type, where social risks are covered mainly by social insurances based on an employment and principally funded by social contributions. This creates a very strong link between social security and employment policies.

Spanish social protection expenditure expressed in percentage of GDP was 25.2% in 2013.. Social protection financing relies predominantly the employers' contributions represent roughly 83% of the total.

The measures adopted in Social Security fields that affect directly to the labor market are:

- Gradual increase of the legal retirement age in the period 2013-2027 till reaching the required 67 years old in year 2027. From January 1st 2013 the legal retirement age has started its increase reaching the 65 years and one month.
- Increase of the required number of contributed years in order to reach the 100% of the accrued pension. To reach the 100% of the accrued pension 37 years of contributions will be required as compared with the 35 years required prior to the reform of the pension system. In 2013 it takes 35 years and six months.
- Increase in the requirements when accessing to the anticipated and partial retirement:
 - o The amount of the benefit is reduced due to the rise of the corrective coefficients when accessing to the anticipated retirement.
 - o More contributed years required. When the retirement is not voluntary, 33 years will be required; when the anticipated retirement is due to the willing of the worker, 35 contributed years are required.

- The age to anticipate retirement is increased, setting a maximum of 4 years of anticipation when non voluntary cease of job and 2 years when the cease of job is voluntary.
- In addition, the Royal Decree Law 5/2013 searches (Royal Decree Law in order to favor the continuity of the working life of old workers and promote the active aging) for the way to increase the continuity at work of older workers as well as to promote active aging by establishing a bunch of actions in order to favor the continuity of older worker in the labor market, has also adopted the following measures :
 - Compatibility or work and pension, required legal retirement age and the maximum number of years of contributions. The amount of the retirement pension compatible with work will be 50% of the equivalent amount. The entrepreneur and the worker will just contribute for temporary disability, professional contingences and a solidarity special contribution of the 8%. Enterprises with retired workers must maintain the number of jobs
 - Additional measures are adopted in order to avoid discrimination of older workers when large scale redundancies are made underlining the fact that an economical contribution to the State must be done when the redundancy affects to worker with over fifty years and the enterprise has benefits. The economical amount to be deposit will include part of the unemployment benefits and contributions to the Social Security.
 - Additionally, the law 27/2011, and in order to guaranteed the permanence of old workers in the labor market establishes that, whenever accessing to the retirement pension at a higher age than the legally required, and whenever all the required contributions have been made, the retirement benefit will be increased by an additional percentage for every additional year contributed. The increasing percentages will sum the following values: 2% for every additional contributed year (for contribution periods up to 25 years), 2,75% (for contribution periods between 25 and 37 years), 4% (over 37 years of contribution), with the limit of the maximum amount of contribution.

In addition to these measures, there are two important reductions in the social security contributions intended to promote the creation of new Jobs that should be highlighte

1. The flat rate for self-employed

The flat rate for self-employed is a measure approved in 2013 to promote self-employment which involves paying a monthly reduced fee to Social Security. This has helped many new freelancers to take its first steps.

The flat rate for self-employed is a monthly payment of 50 Euros to Social Security instead of €267.03 which constitute the minimum monthly fee in 2016. It has been widely accepted, since more than 900,000 new autonomous had benefited from the flat rate in two years, which means that is a considerable support on self-employment and new entrepreneurs.

It was initially approved only for people under 30 years but the government extended its application to all new autonomous, regardless of age in August 2013.

2. Exemption for full time indefinite contracts

In 2016, the general employer contribution is 23.6% for general contingencies, while the employee contribution is 4.7%. These rates are applied to certain minimum and maximum contribution bases (depending on the worker's occupation category), with the maximum contribution base being €3,642.

There is a €500 exemption of the company's social security contributions regarding the general contingencies base per month for full time indefinite contracts signed between March 1, 2015 and August 31, 2016. This exemption is applicable if the specific requirements are met (among others, when hiring indefinite employees increases the indefinite employment level as well as the general employment level in the company) and during a limited timeframe.

3.2 UNIVERSAL COVERAGE

Despite its Bismarckian fundamental features, the Spanish social security system also embodies characteristics of universal social protection, mainly through two systems:

1. Non-contributory pensions, there is a non-contributory pensions system for persons aged over 65 years or those who have a recognized disability. In both cases beneficiaries must prove that they don't have sufficient economic resources (less than €5,136.6 per year in 2015) and are not entitled to a contributory pension. The amount of the non-contributory pension varies according to family circumstances and the income level of the household. Most of the beneficiaries receive the monthly maximum amount which is €367.90 in 2016. This system is financed by general taxation.
2. Minimum amount guarantee: The Government sets out the minimum pension amount annually, which varies according to the pensioner's type of benefit and family situation. Those with a pension below the minimum amount receive a supplement, which cannot exceed the amount of the non-contributory pension for all those retiring as from 2013. Minimum supplements are funded through the State Budget. For pensioners over the age of 65 years, the monthly minimum retirement pension, in 2016, is €636.10 in 14 instalments or €784.90 with a dependent spouse. If the beneficiary suffers a significant disability, the pension amount rises by 50 percent.

Health Care is also a part of the universal coverage of the Spanish Social Security. The objective of Social Security health care is to provide the medical and pharmaceutical services required to maintain or recover the health of its beneficiaries, as well as their ability to work. It also provides the appropriate services to complement medical and pharmaceutical aid, with special attention given to the physical rehabilitation needed to allow workers to fully recover.

Access to public health services is obtained through the Individual Healthcare Card issued by each Health Service. This is the document which identifies every citizen as a healthcare user throughout the National Health System. In Spain, the rights to health protection and public healthcare through the National Health System are held by people who have insured status. Insured status is held by all people who fulfill any of the following requirements:

- Being an employed or self-employed worker affiliated with the Social Security and having active contributor or assimilated contributor status.
- Being a pensioner in the Social Security system.
- Being a recipient of any other periodic Social Security benefits including unemployment benefits.
- Having used up all unemployment benefits and being unemployed, while not certifying insured status under any other title.

In those cases in which none of the aforementioned circumstances are present, Spanish nationals or citizens of any European Union Member State, the European Economic Area or Switzerland residing in Spain and foreign citizens authorized to reside in Spanish territory, may have insured status, provided they do not exceed the income limit established by regulations.

The following people will be beneficiaries of an insured person, provided they reside in Spain: a spouse or person with a relationship of similar status, who must prove the corresponding official registration, a dependent ex-spouse, and dependent descendants under the age of 26 or with a disability of a degree greater than or equal to 65%.

The people who do not have insured or beneficiary status can get the health care benefit by making the corresponding payment or contribution arising from signing a special agreement.

Foreign citizens who have not been registered or authorized as residents in Spain may receive the health care under the same conditions as Spanish citizens:

- Emergency care for serious illnesses or injuries until medical discharge.
- Antenatal and postnatal care.
- If under the age of eighteen.

4. SOCIAL EFFICIENCY AND INCLUSIVE GROWTH

Three major areas of social protection (pensions, unemployment, social exclusion/housing and family) are covered to address the Effectiveness and efficiency in key areas of social protection:

Pensions

The purpose of pensions is to provide adequate incomes in retirement, measured along the two dimensions of income replacement and poverty protection.

Pensions <i>Indicator</i>	<i>EU-28 2014</i>	<i>ES 2014</i>
Expenditure pensions, % of GDP	14,6	13,8
Aggregate replacement ratio	0,56	0,6
AROP 65+	13,8	11,4

(AROP: “at risk of poverty”)

Spanish expenditure on pensions (13,8%) is now lower than de EU average (14,6%), since the aging rate is less. However, the Aggregate replacement ratio (ratio of the median individual gross pensions of people aged 65–74 and the median individual gross earnings of people aged 50-59) is slightly higher in Spain compared to the EU average. Concerning the EU 2020 target on poverty and exclusion, old age poverty in Spain is lower than the EU average.

Unemployment

Unemployment <i>Indicator</i>	<i>EU-28</i>	<i>Spain</i>
Unempl exp - % GDP (2012)	1,5	3,5
AROP Unemployed (2014)	47,5	48,1

Concerning the target of poverty reduction, the risk of poverty among unemployed in Spain is in line with EU average although unemployment rate is twice higher in Spain than in EU area.

Social exclusion, housing and family support

Social exclusion and housing expenditure provide support to households in order to alleviate poverty and exclusion, in particular through income and housing support (be it in kind or in cash).

Social Exclusion, Housing and Family <i>Indicator</i>	<i>EU-28</i>	<i>Spain</i>
Social Exclusion, Housing and Family Exp - % GDP (2012)	3,4	1,6
Impact of Social Transfers (excluding pensions)	34,1	28,6
AROP Total Population (2014)	17,2	22,2
Housing Cost Overburden Rate	11,4	10,9
Overcrowding rate	16,9	5,3

The Spanish expenditure in this area is lower than in EU area. The outcomes of this measures on AROP and on Impact of Social transfers (relative reduction in the share of population living at risk of poverty (in %) due to social transfers (excluding pensions) are also lower. Housing indicators however show that Spain performs well on both indicators compared to the EU average.

5. SUSTAINABILITY AND FINANCIAL REFORM

The Spanish pension system have been quite successful over the years in guaranteeing decent living conditions to retirees, since the poverty rate among the retired population (At risk of poverty rate 65+ was 12.3% in 2015) is consistently lower than that among the general population (At risk of poverty rate for the total population was 22.1% in 2015)

It is therefore expected that the adjustments made in some parameters of the pension formula will not, when coupled with the stabilizing effect of extension of contributory periods through increase in legal retirement age and reduction in early retirement facilities, act too much negatively on retirees' future standards of living.

Several reforms of the Social Security pensions system, implementing the Act 27/2011³⁸, entered into force in 2013. The objective of this reform is to ensure the sustainability of the public Social Security system in the medium and long term.

The measures used for this are: gradual increase of pensionable age from 65 to 67 years; progressive increase in the number of years used to calculate the pension from 15 to 25 years; increase in the number of years of contribution necessary to receive 100 percent of the pension from 35 to 37 years; stricter eligibility requirements for early retirement; change in the method used to update pensions, removing their current tracking of inflation; introduction of the sustainability factor, which changes the pension substitution rate; and the promotion of active ageing.

The changes to these parameters will be gradually implemented over fifteen years (2013-2027). The situation in 2016 is as follows:

a) Higher pensionable age. In 2016, the pensionable age is 65 years and four months if the number of years of contribution is fewer than 36 years. However, people may retire from 65 years if the number of years of contribution is greater than 36. As from 2013, the date of pensionable age has been extended by one month per year for the first six years, and two months per year for the last nine until 2027.

Early retirement in case of involuntary loss of employment may be taken four years before pensionable age and requires 33 years of contributions. In case of voluntary resignation, early retirement may be taken two years before pensionable age and requires 35 years of contribution. A lower pensionable age is maintained for disabled people and those in arduous or hazardous jobs.

b) Correspondence between pension entitlement and length of contribution period. The minimum contribution period for entitlement to a contributory pension is 15 years. Receipt of 100 percent of the

³⁸ Act 27/2011 of 1 August, on the updating, adequacy and modernisation of the Social Security System.

pension in 2015 requires 35 years and five months of contributions and, otherwise, a sliding scale³⁹ is used according to the number of years of contributions. As from 2027 when the transition period is complete, 37 years of contributions will be necessary in order to receive 100 percent of the pension.

The amount of the retirement regulatory basis is the ratio between the total of up to date contribution bases⁴⁰ in the calculation period (19 years in 2016) and a divider (266 in 2016)⁴¹. Until 2022, the calculation period will increase by 12 months each year until it reaches 25 years and the divider will reach 300.

Included in the contribution periods are breaks in employment for mothers / fathers for the care of children under the age of six years. This can be up to 9 months per child and is capped at two years⁴² in cases of unemployment without the obligation to make contributions. Also the three-year leave to care for each child or foster will be considered effective contribution period.

c) Toughening of eligibility for early retirement. Reduction coefficients are applied for each quarter that retirement is brought forward and varies according both to the length of contribution record and the type of early retirement. For contributed periods longer than 44 years and 6 month, the quarterly reduction coefficient will be either 1.625 percent or 1.5 percent depending on whether the retirement is voluntary or not. As the period of contribution decreases, reduction coefficients gradually increase until a maximum of 2 percent or 1.875 percent, respectively.

Once the reduction coefficient is applied, the pension amount cannot be greater than the maximum pension minus 0.5 percent for each quarter that the pension is brought forward. Pensions for voluntary early retirement cannot be subject to supplements to guarantee minimum income.

Partial retirement may be taken two years before reaching pensionable age and requires 33 years of contributions. The maximum reduction in working hours is 50 percent, or up to 75 percent in the case of a substitute worker being hired on a full-time basis with a permanent contract. Contributions must be made for full working hours even if the work is actually part-time⁴³.

d) New limits on revaluing pensions. As of 2014, pensions are re-valued according to a new index, the Pension Revaluation Index (PRI). Previously, pensions were revalued solely according to the Consumer Price Index (CPI). The PRI is calculated annually according to Social Security forecasts of income and outgoings across an average of 11 years (5 previous years and 6 following years). For the sake of transparency, the Independent Fiscal Authority (AIREF) should give their opinion about the calculus of such PRI. Upper and lower caps on the revaluation are set: the minimum percentage is 0.25 percent and the maximum percentage is the value of the consumer price index plus 0.5 percent⁴⁴.

³⁹ For the first 15 years of contributions, 50 percent of the regulatory basis is received, with an extra 0.21 percent for each additional month of contribution for the 163 months following, with an extra 0.19 percent added in the remaining months until 100 percent is reached. Coefficients vary slightly throughout the transition period.

⁴⁰ Contribution bases are updated following the price index. They are not updated in the two years prior to the date of retirement.

⁴¹ The divider is the result of multiplying the number of years of the period of calculation by 14 months.

⁴² In 2015, 164 days are applied for child and rising progressively to 270 days in 2019.

⁴³ Act 27/2011 and RDL 5/2013

⁴⁴ Act 27/2011 and Act 23/2013

The "sustainability factor" will be introduced in 2019 and will adjust the initial pension amount according to the life expectancy of the newly retired person. This index will be reviewed every five years and will apply to new pensioners.

e) Fostering of longer working lives. Persons who reach the pensionable age and have met the contribution period required for entitlement to 100 percent of the pension may combine a pension with work, either on a self-employed or employed basis⁴⁵. In this case, and for the duration of such a situation, the pensioner will receive 50 percent of the pension. Once the work has concluded, the pension will be restored in full amount, with any revaluations that may have been made.

Furthermore, Act 27/2011 allows the old-age pension to be combined with self-employed activities if the total annual income received does not exceed the national minimum wage⁴⁶ calculated on an annual basis, with no Social Security contributions being payable on such income. Another incentive to prolonging working life is increasing pensions by between 2 percent and 4 percent for each full additional year of work after pensionable age is reached, depending on the number of years of contributions previously made.

The Government has introduced several reforms in the regulatory framework of the complementary pension system, like the changes made on the Income Tax Reform Act⁴⁷. The new proposals are principally geared towards boosting the liquidity of individual pension plans, allowing them to be drawn from 10 years after their constitution; life insurance policies are encouraged by introducing the tax exemption - of up to €240,000 for capital gains for persons over the age of 65 in the disposal of any asset owned, provided that such gains are reinvested in a life annuity that complements the public pension. The changes introduced in the Personal Income Tax Reform Act concerning the complementary pension system benefit individual pension plans. The occupational pension plans depend on collective bargaining in companies.

Additionally it has been approved the Integrated Plan on Family Support 2015-2017. The plan provides for an increase of the pension rights in a 5% for women with two children, in a 10% for those with three children and with four or more children, in a 15%. The application of an additional percentage is intended to recognize the demographic contribution that women do to the social security system, combining their careers with motherhood, given the importance of births for the sustainability of the pension system in the future. This measure, which is applied to those pensions caused from January 2016, will also contribute to close the gender gap in pension amounts.

⁴⁵ RDL 5/2013

⁴⁶ In 2014, the national minimum wage is 9,034.20 euros (752.85 euros per month).

⁴⁷ Act 26/2014, of 27 November, amending Act 35/2006 of 28 November on Personal Income Tax and other tax rules.