

EUROPEAN ECONOMIC AREA
STANDING COMMITTEE
OF THE EFTA STATES

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WORKING GROUP ON SOCIAL SECURITY

**Comments by the EFTA Working Group on Social Security¹ on the Commission's
Communication "A Concerted Strategy for Modernising Social Protection"²**

I EXECUTIVE SUMMARY

The EEA EFTA States are, to a large extent, facing the same challenges as the EU Member States with regard to the need for a continual modernising of the social protection systems. The debate in the EU is therefor followed with great interest, and the EEA EFTA States welcome a strategy aiming at enhancing the exchange of information and experience.

The EEA EFTA States would like to express their interest in participating in the proposed body of high level senior officials which could serve as a useful meeting point for EEA officials in addition to EEA EFTA participation in the meetings of Director Generals for Social Security and the future participation in MISSOC. The EEA EFTA States are also interested in participating in other activities that may be launched as a result of the Communication.

II INTRODUCTION

1. The EEA EFTA States would like to express their recognition of the very thorough analysis and interesting proposals in the above Communication on social protection. The Communication is, as previous Communications presented by the Commission on the same issue, a central element in the ongoing European debate on social protection.

2. The EEA EFTA States are, to a large extent, facing the same challenges as the EU Member States, for example, the need to adapt to the changing world of work, new family structures and demographic changes of the forthcoming decades. Therefor, the EEA EFTA States are following the debate on the future of social protection systems with great interest.

3. The EEA EFTA States welcome the invitation from the Commission to comment on the strategy for modernising social protection. The EEA EFTA States

¹ Comprising of Delegations of the three EEA EFTA States Iceland, Liechtenstein and Norway
² COM (1999) 221 final

forwarded comments both to the Commission's Communication "The future of Social Protection"³ in 1995 and the Communication "Modernising and Improving Social Protection in the EU"⁴ in 1997.

III A NEW EU CONTEXT

4. The Communication from 1997 discussed changes in population, labour market and family structures, while the new Communication also discusses changes in the institutions of the EU: the Economic and Monetary Union (EMU), the Treaty of Amsterdam and the enlargement process.

5. In this context, it should be noted that the EEA EFTA States do not participate in the EMU, that the provisions of the Treaty of Amsterdam are not formally mirrored in the EEA Agreement, and, lastly, that the EEA EFTA States are for the moment only indirectly linked up to the preparations for enlargement of the EU to countries in Eastern and Central Europe and Cyprus. However, these changes in the institutions of the EU will have effect on the EEA EFTA States through the EEA Agreement. It is therefore of great interest for the EEA EFTA States to follow closely the developments at EU level.

IV KEY OBJECTIVES FOR FUTURE ACTION

6. The EEA EFTA States agree with the Commission on the four key objectives which are proposed by the Commission to guide the future action:

- To make work pay and to provide secure income
- To make pensions safe and pension systems sustainable
- To promote social inclusion; and
- To ensure high quality and sustainable health care

The EEA EFTA States note with satisfaction that gender aspects are an important crosscutting theme for all four objectives.

V MORE EMPLOYMENT-FRIENDLY SOCIAL PROTECTION SYSTEMS

7. A continual shortening of active years per person, due to longer education and earlier retirement, and in addition fewer entrances of young people to the labour force, can make it more difficult for a country's economy to keep up an advanced social security system. A policy aiming at making the social security systems more employment-friendly is fully in line with the policies in the EEA EFTA States.

³ COM (1995) 466 final

⁴ COM (1997) 102 final

8. In this context, it is also of great interest and importance for the EEA EFTA States to follow the discussions of the EU as regards the European Employment Strategy.

9. With regard to the first objective, the Commission states that tax and benefit systems have to be designed in such a way that it pays to take up work. In this context, it can be mentioned that Iceland is to review the legislation on social security and the interchange of that legislation with the tax system and the pension funds.

VI DEMOGRAPHIC AGEING AND SUSTAINABLE SOCIAL SECURITY

10. The main challenge in the coming years is the demographic balance, given the future steep rise of old age pensioners due to the baby boom of the first post-war years and the declining birth rates in Europe from the mid 1960's. A decrease in the labour force going in parallel with an increase in the number of pensioners will make it difficult to keep up a sustainable pension system.

11. The EEA EFTA States agree that it is a fundamental objective to provide people with a secure and adequate pension. The analysis of funded schemes versus pay-as-you-go schemes presented in the Communication is of great interest in view of making pension systems sustainable. However, it will also be necessary to secure a satisfactory level of savings in the society, and thereby investments, in order to avoid unemployment. It should be mentioned that while Iceland is facing the same challenges as most other EEA countries, it is assumed that these will have less effect on the Icelandic social security system, which is based on a large funded system beside a pay-as-you-go system and a private savings system.

12. Furthermore, the EEA EFTA States welcome the Communication's emphasis on the need for more investment in life-long learning. Efforts made in this area can ease the entrance to the labour market for young persons and help avoiding the drop out of workers from the labour market. Moreover, it is also important that disabled persons have the possibility to work and be integrated in the labour market, both for their own benefit as well as for benefit of the society.

13. It is mentioned in the Communication that the design and reform of pension systems should discourage early withdrawal from the labour market, encourage flexibility in retirement arrangements and promote active participation by older people in the life of the community. The EEA EFTA States are also of the opinion that efforts should be made both to encourage old workers to stay on longer as occupationally active but also to encourage flexibility in the retirement arrangements. This is reflected in the different pension systems and retirement arrangements in the EFTA EEA States. Despite a retirement age of 67 years in Norway, the factual retirement age is slightly above 60 years, and efforts are now made to encourage older workers to stay on longer in the labour market. In Liechtenstein the retirement age of 64 years was introduced in 1997, along with the possibility to retire two years earlier. This made the system more flexible, as the possibility of postponing the retirement age by one to five years already existed. The experience with this new flexibility has shown that there is still a need for

improving the system. With regard to the situation in Iceland, statistics show that older people are occupationally active longer than in any other country in the EEA

14. The EEA EFTA States agree that social protection has a key role to play in the combating of social exclusion, and that the social protection systems must be modernised with a view to provide social security for all individuals in the society. In this context, it can be mentioned that Norway has issued a White Paper on the distribution of income and living conditions in Norway.

15. The EEA EFTA States would also stress the problem of poverty among older women who have had a low participation in the labour market. Efforts to develop and improve social protection in Europe should also focus on guaranteeing a minimum pension for these women.

16. Finally, the objective on high quality of health care is also in line with the policies in the EEA EFTA States, which aims at ensuring access for all to high quality health services and reducing health inequalities. Efforts are made in order to simplify the administration of the health system and to improve the efficiency and effectiveness of the system.

VII THE NEW PROCESS OF EXCHANGING EXPERIENCE AND MONITORING DEVELOPMENTS

17. The proposed strategy aims at deepening the co-operation at European level based on exchange of experience, policy discussion and monitoring of ongoing political developments in order to identify best practice in the field of social protection. The Member States will be invited to designate high level officials to act as focal points in this process.

18. The EEA EFTA States welcome the proposals to establish such mechanisms for enhanced exchange of information and policy discussion in the field of social protection and would like to express their interest in participating in the work of the high level senior officials.

19. The EEA EFTA States are already participating in the meetings of the Director Generals for Social Security, and they are now also preparing for full participation in the "Mutual Information System on Social Protection" (MISSOC) from next year. This participation is of great importance for the EEA EFTA States and the proposed body of high level senior officials could also serve as a useful meeting point with regard to exchange of information and experience between EEA officials.

20. The EEA EFTA States would also like to express their interest in participating in other activities aiming at the exchange of information concerning current challenges and policies in the field of social protection that may be launched as a result of the Communication.