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## AGE Platform Europe Policy Statement

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### Assessment of the European Semester 2018

With country perspectives from France, Italy, Malta and Spain

November 2018



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## Executive Summary

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As the European Pillar of Social Rights has been adopted at the end of 2017, the European Semester pays more attention to social issues, including to some issues important to older people. AGE particularly welcomes the increased focus on life-long learning, employment of older workers, quality long-term care systems and, in some member states, adequacy of pension systems. However, in many cases, ageing is still seen primarily as a liability to public budgets. Instead of monitoring (and containing) the cost of ageing, the European Semester should shift its approach towards trying to lift the barriers that inhibit older persons to fully participate in society: age biases in the labour market and access to training and skills, pension adequacy, access to preventive, curative, rehabilitative and palliative health care, person-centred and accessible long-term care, accessibility of public and digital environments. Overall, AGE calls for an urgent reflection on the shape of the post-Europe 2020 social strategy, that should be in line with the Sustainable Development Goals and the European Pillar of Social Rights.

## Part I – Subject analysis of the 2018 European Semester

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AGE has reached out to its member organisations to collect their impressions of the Country Reports. Below, you can find general comments, as well as specific remarks on the Country Reports of a number of member States: **Belgium, France, Italy, Spain, Malta.**

### European Semester in the context of EU legislation and initiatives

Since the last European Semester, the EU member States have adopted the European Pillar of Social Rights, which raises the importance of a number of key social policies that are also vital to fulfilling the rights of older people. A number of EU initiatives that are not directly part of the European Semester have gone into this same direction, to name but a few:

- The proposed EU directive on work-life balance, including the right to five days of paid carers' leave per year and per worker; as well as the right to request flexible working arrangements is a key step to alleviate the struggles of informal carers
- The 2018 Pension Adequacy Report outlined many of the challenges to ensure the social sustainability of pension systems, with welcome analyses on the particular situation of women and workers in non-standard employment. The report also highlights the problems of pension adequacy for persons who are unable to work until retirement age for reasons of health and unemployment.
- The proposed European Accessibility Act, is meant to increase access to essential services for persons with disabilities, therefore partly delivering the objective of a single market also to persons with disabilities in certain areas.
- The proposed increase of Erasmus spending in the next Multiannual Financial Framework would also increase the amount of funding dedicated to adult education under the programme; however adult education and especially life-long learning outside the field of employment remains poorly visible in the Commission's actions
- The proposed Pan-European Personal Pensions product could create a European market for private pensions with minimum guarantees in terms of information and predictability for beneficiaries
- The proposed horizontal non-discrimination directive, which could reduce age barriers and barriers for persons with disabilities in the access to goods and services, is still negotiated between member States, although progress is extremely slow

These initiatives support the implementation of the European Pillar of Social Rights and the Europe 2020 Strategy. Although many of these proposals could be more ambitious, and their final shape is depending on how they will be adopted, they form positive signals on how the

socio-economic situation of older people is addressed. The analysis, especially of the Pension Adequacy Report, is also crucial for assessing member states' pension systems.

In the European Semester, more efforts have been made to reconcile fiscal recommendations with social commitments. However, the fiscal recommendations remain more important than the social ones, even when, in the light of demographic change, social investments are needed to maintain longer-term economic objectives

### AGE recommendations

- The European Semester should continue to systematically integrate the principles in the European Pillar of Social Rights
- While the Europe 2020 Strategy is coming to its end, the 2018 statistics being the ones available for its evaluation in 2020, the definition of a follow-up strategy for an inclusive and sustainable Europe, based on the Pillar of Social Rights, the SDGs and other international commitments is needed.
- Also in the social domains, as the European Commission puts it, 'there is no time for complacency'. Long-term unemployment is still above pre-crisis levels and in many member states, the social situation, including and especially for older people, is worse than before. While the macroeconomic indicators show a fragile recovery, social policies should be geared towards addressing this social impact.
- Ageism and the positive dimension to reduce should be addressed more often, while older people's economic potential as workers and carers, providers of experience and as consumers is unexploited and could contribute to a European growth strategy.

### Pensions and fight against poverty and social exclusion

While **pension adequacy** is well analysed in some country reports (e.g. **Baltic countries**), the situation of groups of pensioners is not assessed in sufficient detail: **the situation of very old pensioners and of female pensioners living alone, specifically, should be addressed**. Some recommendations are also contradiction: In **Malta**, although the Country Report notes a higher and increasing risk of poverty and social exclusion for pensioners than for the total population, it concludes that pension levels are 'adequate' and that the main problems of the pension system are gender coverage and long-term financial sustainability. In some member states, the higher pension levels can also be seen inadequate because of lack of indexation for a number of years.

Some **inequalities in the pension systems** are not addressed. In several member states, it is not possible for public employees to work beyond pension age while accruing their pension rights, while this may be possible for private employees.

In most of the cases, **pensions are seen only from the lens of financial sustainability**, without mentioning of the decreasing pension levels and possible future risks to pension adequacy.

Overall, a situation needing more analysis is the **situation of pensioners who are just above the minimum pension levels** and the adequacy of their living conditions, as a number of social benefits are unavailable to them, leaving them sometimes in a worse situation than pensioners on minimum income. For this reason, AGE is calling for the introduction of reference budgets that adequately reflect the necessary expenses for a dignified life for persons in different geographical locations, ages, tenancy and health statuses. These could be used to compare minimum income schemes to the actual costs of goods and services.

The **social dimension of poverty** is not addressed. Isolation, invisibility and loneliness are important issues for many older people that hinder their integration into society and undermine the aim of active and healthy ageing. The **accessibility of public and private services**, while being a principle of the European Pillar of Social Rights (number 20), is not covered in Country Reports.

In some countries, the **Country Report rightly identifies the erosion of the impact of public transfers** as an issue. However, this issue seems to be much larger than the member states where this is mentioned

### AGE recommendations

- Adequacy of lowest pensions should be assessed more systematically and the findings of the 2018 Pension Adequacy Report, including a more longer-term perspective on the development of pension systems, should be integrated in Country Reports more systematically
- Inequalities in pension systems as well as the effects of pension erosion over time should be assessed as well, which is why a gender analysis and an assessment of the situation of the oldest pensioners should be part of the pensions assessment exercise
- An EU Framework Directive could define a methodology for assessing the adequacy of minimum income schemes, in line with the results of the 'European Minimum Income Network' pilot project
- The social and societal dimension of poverty, such as rural isolation and initiatives to break social isolation could be addressed
- The effect of eroding effectiveness of social transfers should be thoroughly analysed in the upcoming Semester cycle.

### Employment

AGE stays preoccupied that across Europe, only about half of older workers (55-64) are in employment, while retirement ages continue to increase. For AGE, labour markets are an important tool for pension sustainability – but need to be accompanied by comprehensive policies in favour of older workers. Issues that are generally unaddressed in country reports include:

- **Age discrimination:** while employment rates of older workers are progressively rising, most of this rise is due to people staying in their jobs for longer. It is still extremely unlikely that older jobseekers, let alone older persons labelled as 'economically inactive', find a new job. This should be further highlighted in Country Reports where this phenomenon is prevalent

- **Health and labour markets:** a number of older people will not work due to physical or mental health problems. Earlier, these would be eligible for unemployment benefits and early retirement, an avenue that is increasingly reduced. Improving the health status of older worker therefore is key to allow them to work longer; yet, little analysis is seen on healthy ageing policies at workplaces and outside the labour market in the Country Reports.
- **Life-long learning** is increasingly highlighted in the Country Reports as an issue, which is a welcome development. Further emphasis should be put on the need to update the skills of older jobseekers so that they have a chance in rapidly evolving labour markets. The focus of life-long learning recommendations on labour markets should be broadened, as there is a social and economic argument to continue to teach skills to persons who are no longer in the labour market – especially against the background of the introduction of eHealth measures.
- **Developments in labour markets** concerning older workers are well assessed in some member States, but not systematically. In some member states with demographic challenges and high inactivity/unemployment rates for older workers, no mention is made of addressing this challenge

### AGE recommendations

- The framework implementing the **Employment Equality Directive, but also inciting measures** towards age-diverse workplaces and sustainable employment should be assessed in the scope of the Semester exercise, as they determine the inclusiveness of labour markets
- **Occupational health and safety frameworks** should be assessed in a life-cycle perspective and for instance the issues relating to stress and mental health issues should be addressed in the country reports.
- Attention should be paid that recommendations on **life-long learning and skills** are inclusive from an age perspective, as participation in life-long learning is lowest for older people.
- An assessment of the **preparedness of public employment services** to deal with older jobseekers, including older women, and with older workers' long-term unemployment./inactivity should be made.

### Health

It is positive that **the indicator of unmet health needs** is taken up and analysed in some Country Reports. Issues such as overcrowding and access to health are prominent points of analysis, which is a very positive development. Still, in some member states where access to health becomes more difficult, this is not mentioned.

### AGE recommendations

- **Continue using the healthy life years indicator** to target where healthy life expectancy can be increased further
- Continue **addressing issues on access to health**, such as out-of-pocket payments, long waiting times, overcrowding of health services
- Promote **preventive health policies** such as awareness campaigns and incentives towards healthy living

## Long-term care

Although **demographic change implies investment** to improve the quality and availability of long-term care services, and a growing problem with accessibility (costs for long-term care often being higher than average pension incomes), **long-term care is largely addressed as a budgetary risk** only. With reference to the investment gap identified in the report of the High-Level Expert Group on Social Infrastructure, the adequacy of investment into social infrastructure should be a topic for the European Semester

There are notable exceptions from this. In **Italy**, lack of availability of long-term care is rightly identified as an issue, both to female employment and to the effectiveness of the inclusion of persons with disabilities. However, where there is a reference to the development of long-term care services as a necessity, the **quality and integration of these services in the community and supporting independence** is not highlighted as a condition for rolling them out.

### AGE recommendations

- Assess the **prospects for the long-term adequacy of long-term care systems** in terms of investment, but also from the point of view of the adequacy of working conditions and skills challenges
- Analyse the **contribution of the long-term care system to the reconciliation of employment and care for informal carers**, including through availability and affordability of day care and respite care to alleviate informal carers
- Integrate considerations for the **quality of long-term care** into the analysis of long-term care systems, using rights-based criteria such as developed in the context of the European Quality Framework for Long-Term Care Services.

## Housing and age-friendly environments

While housing markets are covered extensively in terms of overall supply and demand (and for the sector of social housing), **no reference is made to demographic change and the changed housing needs that it implies**. Changes in housing markets that are necessary imply **smaller housing units, the development of inclusive and intergenerational habitats, facilitation of habitats that can support independent living** with only minor transformations and access to low-energy housing for older people.

Another area that is unaddressed by the Semester is **age-friendly environments**, that could be created by investing into public spaces and reviving smaller cities' centres, or supporting mobility. The **issue of mobility** is seldomly taken up, while older people are more than average relying on mobility services for daily tasks, such as going to a doctor. In many rural areas, mobility services are scaled down, deteriorating the prospects for active and healthy ageing in these areas.

### AGE recommendations

- In the analysis of sectoral policies, **housing markets** should not only be analysed from the point of view of indebtedness, access to property or dynamism of rental markets,



but also from the point of view of housing deprivation, access to affordable housing, and the development of innovative housing solutions that support independent living and intergenerational exchanges

- **Age-friendly environments**, as defined by the World Health Organisation, should be seen as a factor for inclusion and productivity, as they ensure the continued participation of people of all ages in public life.
- **Mobility** and especially public mobility offers in rural areas should be further focussed on in country reports, as these are vital links to maintain social and economic inclusion of rural areas

### Digitalisation

In some member states, **access to broadband in certain cities** and in rural areas is rightly identified as a challenge. **Digital skills are sometimes** mentioned as a necessary key competence to be promoted via life-long learning. However, **digital skills are often mentioned only in relation to functioning labour markets**. Digitalisation implies that more and more public and private services are moving online, a tendency often referred to positively in the Country Reports. However, this development is cutting access to essential services for persons who do not have sufficient skills or connectivity.

Similarly, there are no measures on the **accessibility of digital infrastructure** for persons with disabilities.

### AGE recommendations

- In recommendations focussing on digital markets and life-long learning, more emphasis should be put on the transmission of **digital skills for persons of all ages**, including persons who are not active in the labour market, including pensioners.
- **Accessibility of digital infrastructure for persons with disabilities** is a key domain that hinders their social and market inclusion. In recommendations addressing segmentation of markets, accessibility of public and private websites should be specifically analysed and addressed.



## Part II – The European Semester 2018 from a country-by-country perspective<sup>1</sup>

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### Belgium

#### Pensions

Through the assessment in the Country Report, the Commission urges to fully implement the government's road map on pension reforms. At this point however, a lot of uncertainty persists in where the ideas regarding the future pension system will lead to. A lot of ideas are launched in the public debate, but actual progress in policy reforms and social partner agreements at the moment is very limited. The necessary consensus regarding the necessary pension reforms and the envisioned points-based pension system is lacking, creating a lot of uncertainty and a feeling of insecurity among people close to their retirement.

#### Long-Term Care

The EU stresses to keep costs for long-term care under control. At the same time, all evidence shows that this is a sector in need of strong investments in order to increase the quality and affordability of long-term care. We miss the accent on the importance of these social investments in the recommendations.

#### Employment

The only Country-Specific Recommendation directly relevant to older people concerns to strengthen the effectiveness of active labour market policies. In this regard, the government has taken far-going measures to increase both the effective and the legal retirement age and reduce possibilities to exit the labour market early. While these measures impact the choices older people have on the labour market, the factors that influence their actual opportunities and possibilities in the labour market have changed very little. Ageism among employers persists, participation to lifelong learning remains low, and working longer should be made more feasible for the people in question. Little progress has been achieved in that regard. The Country Report rightly highlights low participation rates in life-long learning, but no recommendation is attached to this assessment

#### Poverty and social exclusion

Once again, the EU recommendations completely disregard the poverty and social exclusion targets.

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<sup>1</sup> AGE thanks Jeanne Haushalter for her significant contribution in aggregating AGE members' inputs on the Country Reports and NRPs

## France

The coordination of AGE France has released a paper with the main analyses and recommendations concerning the state of older people in France.

France, who was under an Excessive Deficit Procedure since 2009, has just left the “excessive deficit” category. Even if the draft budgetary plan for 2018 is reasonable, with a growth of +1,7% and a stable debt (96,8% of the GDP), the European Commission still considers France’s solvency a high risk mid-term.

### Economic context

Even though France has known growth since 2017 and the unemployment rate keeps decreasing, their growth rate is still inferior to the European average.

The French deficit has passed under the 3% ceiling imposed by the European Commission, meaning that France is no longer under the Excessive Deficit Procedure. However, this reduction of the deficit will only last in time if the result of structural reforms, and not of an improvement of external circumstances or a lowering of public investments.

France lacks competitiveness, as proven by its foreign trade deficit, which has grown of 14 billion euros between 2016 and 2017, reaching 62.2 billion euros.

Some measures have been taken to better the competitiveness of French businesses, but they had negative repercussions on retired people by the rise of the Contribution Sociale Généralisée (generalized social contribution).

The pension system is currently undergoing a thorough revision process for more equality, as is the unemployment insurance.

### Recommendations:

- Thorough analysis of public spending to simplify the public service while still maintaining high quality and refocus on the sovereign functions of the State, to comply with the requirements of the Stability and Growth Pact.
- Simplification and reformation of social charges for companies and of taxation, to insure competitiveness and equality.
- Elaboration of an employment policy coordinating initial training and professional training, rotation between periods of work and periods without work, shift of status in the labour market, to better the access to the labour market.
- Evaluation of policies and regulations to keep only those essential.

### Senior employment

If the rate of employment of people over 55 has reached 51.1% at the end of 2017, their unemployment rate has increased of 61% in 5 years. All measures taken to boost the employment of seniors have been progressively abandoned.

However, two initiatives taking place at the moment should contribute to readjust the labour market:

- Training :

- Measures taken to limit the number of young people finishing school without qualifications.
- Reform of the “baccalauréat” and of access to university for better chances of entering the professional world.
- Reform of professional training and of the support system for the unemployed.
- Reform of apprenticeship for a better fit between trainings and the needs of companies.
- Reform of labour laws (“ordonnance Macron”).

### **Recommendations:**

- Communication with stakeholders to lift hindrances to senior employment.
- Recognition and valorisation of the experience of seniors, integration in training schemes.
- Insure maintenance in employment until retirement by stimulating training all along life and managing career paths.
- Promotion of flexibility in working hours and innovation of employment forms.
- Specific support for senior job keepers as well as specific action to employers.

### **Pensions**

For the 2017 National Reform Program (NRP), AGE France called for the deepening of three recommendations:

- A thorough reform of the pension system
- Giving working people the free choice of their retiring date as to insure a permanent balance of pay-as-you-go pension system.
- Initiating reforms to insure solidarity between generations.

The deepening of those recommendations is on the way in the 2018 NRP. A High Commissioner to Pension Reform has been appointed and is reviewing a report on pension reform. This report analysed different ways to calculate rights in a pay-as-you-go pensions system. The best technique for AGE France (except for one member) is the “comptes notionnels” (notional accounts).

Moreover, AGE France draws attention on the future pension levels that are lowering since a few years. The rate of the old-age-minimum pension should also be reassessed.

### **Poverty and isolation**

*From poverty to invisibility, elderly people in a “social death” situation*

Population is ageing in France. In light of ageing, retired people should be insured material conditions that can allow life in dignity. The pension system should do so as well. The old-age-minimum pension should be aligned on the poverty line.

Many organisations in Europe suggest the minimum income to be measured against a “reference budget” (basket of goods and services allowing someone to live in dignity and to

participate in society) adapted to the household situation, which in France is relatively close to the poverty line.

If the poverty rate of retired people is relatively low, 40% of retired people still found themselves between the poverty line and the “reference budgets” level, leading them to restricted consumption.

Poverty leads to isolation and invisibility. The older people get, the more isolated they are. Several reports by French organisations found that a growing number of retired people find themselves in a situation of “social death”.

This new increased longevity was not anticipated, leading to difficult situations and the digital exclusion of the elderly.

### **Recommendations:**

- Simplification of health and democracy instances and coordination bodies, in order to make to services accessible and close.
- Support to the MONALISA initiative, which contributes to the creation of qualitative social ties.
- Promotion of alternative forms of “inclusive habitats” in rural areas, including at-home help, to cater to the ageing population living in these areas.
- Recognition of the contribution to society of elderly persons and retired persons, so that they are not only seen as a burden. Only then will society gain cohesion and inclusivity.

### **Health**

There is a need for structural reforms, especially in the sickness area, in order to ensure the financial sustainability of the French social protection system.

The French “Assurance Maladie” (the national health insurance) needs to ensure access to the health care system without discrimination, especially due to age. However, the disinvestment of the Assurance Maladie is leading to a rise of prices that not everyone can afford, excluding some people from care. This, as well other new measures increasing costs for patients, is a violation of the equal access to care. The “care basket” should be revised, to include optic, dental and hearing, and to remove some that are not relevant anymore.

There is also the need to go from a curative logic to a preventive logic, prevention being a primary stake for an efficient risk management policy.

The Assurance Maladie needs to keep evolving towards cooperation process aiming at strengthening the quality and relevance of “care path”.

It is important to improve the quality of care facilities for dependant elderly people, by increasing the workforce and training. This will contribute to stopping abuse and the lack of respect for the dignity of elderly people. The price that residents have to pay to care facilities, that is not covered by health insurance, is higher than their revenues for 75% of them. Therefore, a solidary and long lasting financing of the loss of autonomy is needed.

## Housing and transportation

These two areas are essential for elderly people's autonomy and mobility, and they are often impacted by similar issues.

Communities should insure that left behind "outlying area" are not created. This geographic and social fracture would go against an intergenerational society.

### *Housing*

Having a social life and growing old in good health requires living conditions opened to the outside world. Therefore, it is important to fight against the isolation of the elderly, even in cities, where this isolation is invisible. However, it is in rural area that this phenomenon is the most important, because of the reduction of public services and shops.

Projects of accessibility for existing accommodations should be supported as a part of renovation projects, jointly with thermic isolation works. This would create new sustainable housing developments.

As for new constructions, their development should take into account the idea of "open-to-all society". The rehabilitation of ancient city centres would allow elderly people to find back their place in the city, with true autonomy and proximity mobility.

Metropolitan projects need to integrate the idea of "intergenerational housing" for future constructions, in order to answer the needs of different categories of population. The goal is to achieve "accessible to all cities" and "elderly-friendly cities".

### *Transports*

French society is evolving towards metropolitan lifestyles that are shaping the environment.

Projects such as the "Grand Paris" and the ensuing need for infrastructures will allow to railways and platforms accessible to all.

In rural areas, the problem of proximity mobility has a more and more important place in elderly people's day lives, especially with the growing number of "medical deserts". Even in "outlying areas", fragile people should have the same possibilities to access public services and medical and social services as any other citizen. That means introducing individual and versatile taxis or carpooling for short and middle distances organized by communities. If the government wants to shut down "secondary" train lines, acceptable and qualitative alternatives must be introduced.

A digital fracture is rising as means of communication or payment are all becoming digital. There needs to be alternatives proposed to those who can't use those new technologies, or training when possible.

### *Recommendation on autonomy and mobility:*

- Fight against isolation, both in urban and rural areas, by improving housing in an intergenerational society and strengthening mobility.



- Launch projects for accessibility of existing accommodations jointly with usual insulation works.
- Take advantage of important infrastructure, transportation or urbanisation projects to integrate new forms of housing that will provide diversity, social and cultural life and ease mobility.
- Designing a new “on-demand transportation” service for rural areas to prevent a geographic fracture.

### **Comment on the country-specific recommendations**

Due to the French economic and financial situation and perspectives, the main target of the recommendations is the reduction of public expenditures and debt and certainly not older people’s well-being. Not many concern older people in these specific recommendations and nothing is said about the health system and long-term-care.

### **Employment**

- There is nothing about senior employment. Comments on employment refer to young people, low-skilled workers and mainly to people with a migrant background.
- While the recommendation stressed the need to develop more open-ended forms of employment and to reduce the share of workers on temporary contracts, there is no mention of flexible ends of professional life for people going to retire in order to maintain them at work until they are entitled for pension.
- The comments on education stress the poor level of adequacy of the education and training system to support labour-market integration. They concentrate mainly on apprenticeship and continuous training for low qualified workers and job-seekers, but there is no mention of life-long-learning, which is essential to prevent senior unemployment and do not mention neither the good-practice of reciprocal learning between junior and senior people nor the support senior people can bring to the education of young people who leave school without any diploma.

### **Social protection**

- Single-parent families, people not born in the EU and people living in deprived urban areas are said to face a higher risk of poverty. But nothing is said about older people living in rural areas. Many schools have been closed, little firms and retail-trade are closing because of excessive norms and financial burdens, there is a lack of medical and care support in these areas therefore getting every day more deserted. Pensions have been reduced as against the cost of living namely because of the increase in CSG but not only, despite some potential compensations for some older people (habitation tax). Many older people cannot afford living in senior homes or nursing homes and therefore live in very precarious conditions, suffering from isolation and lack of care.

### *Pensions*

- AGE France agrees with the analysis of the pension system and the recommendation to harmonise the system, a process currently underway. But the focus seems to be on cost-savings, which obviously is a good perspective, but not on ensuring the longer-term sustainability of the system and a level of pensions in line with the costs of living.

### *General comments*

The recommendations can be considered justified and adequate but limited/incomplete because:

1. They completely ignore the decrease in industry and the very difficult situation of part of the agricultural activity, despite the French potential in both areas.
2. They do not stress strongly enough the lack of structural reforms to reduce public expenditures and debt and the absolute necessity to stop increasing the overall level of taxes and charges.
3. Older people and caregivers (relatives and professional as individuals and specific institutions) are not considered as people in need for support, although they represent a high share of the population and a high level of economic and social potential.

### **Italy**

Since the March 2018 elections, the Italian parliament is divided in three blocks with different programs, making the composition of a stable government very complicated. The basic requirements of the European Semester fall into a situation of great uncertainty for Italy, as it is not yet known which government will produce these documents.

The European Commission (EC) notes that Italy is still concerned by structural weaknesses that are holding back growth and convergence. The economic imbalances in Italy are such that reforms are necessary. Even though the Italian recovery strengthened in 2017, it did so more slowly than in other European countries. The real GDP is expected to grow, but there are large disparities between various areas of the country. Moreover, for EC, this GDP increase is not sufficient to lower the debt. Risks in this regard also derive from the recent pension measures, which mitigate the financial effects of pension reforms and increase public debt.

The EC raised several issues regarding Italy's compliance to the priorities and indications of the European Pillar of Social Rights. With specific regard to social issues concerning the elderly, the Report notes that:

- The impact of social transfers is low.
- A high percentage of the population sees its needs unmet by the health system and has to resort to paid private services.
- There is a high and increasing of poverty and social exclusion.

- The demographic challenge remains despite new social policies to tackle poverty.
- There is a necessity to strengthen social services.

Italian AGE members believe that the Italian PNR for 2018 should be inspired by the following principles:

- Welfare should be thought not as a burden on society, but as an indispensable factor for a full and balanced economic expansion.
- The conditions of people living in poverty state or in economic and social hardship should be alleviated.
- The recovery of consumption should be promoted by giving greater spending power to citizens who are in the middle-low income situation; through appropriate fiscal, social and security measures.
- The pensioners and the elderly making up almost a quarter of the population, they should be considered as an engine for the economy by increasing their safety and spending capacity. Their active and integrated participation in society is promoted.
- The exclusion and isolation of the elderly should be fought and the collaboration and integration between all generations should be encouraged.
- The active aging of the population should be promoted.

### Pensions

Italy has now a greater percentage of the population over 65 than the EU average, and this percentage is rising. Pension spending is therefore expected to increase in the medium term, aggravating Italy's long term fiscal sustainability challenges.

The EC emphasizes in its Report that the social security spending is destined to grow due to recent reforms of retirement requirements, which will be an issue for the public debt.

The Report also notes that Italian public spending remains influenced by expenditure on old-age pensions. Budget Laws of 2017 and 2018 modified the pension system to reduce the implicit liabilities deriving from the ageing of the population, particularly through a gradual adjustment of the retirement age to life expectancy. But pensions are still the largest share of primary social expenditure (15% GDP).

However, the Italian pension system can't be considered only through an overall spending vision. The nature and quality of the expenditure needs to be taken into account as well. The Italian Social Insurance Institute (INPS) provides both social security benefits and welfare benefits. Therefore, the actual pension expenditure is much lower than the officially indicated expenditure, and the Italian pension system could be considered substantially in balance. That does not stop the pensions' purchasing power from knowing a serious and progressive decrease over the last decade. The consequences are depreciated pensions; while a large proportion of older people have to deal with the typical cost of old age.

### Recommendation:

- Adjusting pensions to the real cost of living by reforming the revaluation index.



- Defining a specific basket for the elderly, including basic necessities for them.
- Abandoning the price index for the families of workers and employees, and adopting an indicator that considers only the consumption of households and not that of companies (the HICP).
- Restoring the double indexation of pensions, on the basis of both changes in price and changes in the mass of wages.
- Review the criteria for calculating social spending in Italy.
- Separate definitively and totally social security accounts and welfare expenses, to clarify the amount of pension expenditure and the share that Italy assigns to other welfare items.

### Fight against poverty

Structural weaknesses in the economy contribute to high level of poverty and income inequality.

Despite the budget law for 2018 being quite light, some social measures have been approved by the Gentiloni's Government. Most importantly, the Income of Inclusion (REI), a universal measure to fight poverty.

In Italy, almost 6 million pensioners live in a semi-sovereign condition (their pension is less than 1000€ a month). About 1.6 pensioners receiving their pension from the INPS do not receive more than 500e/month, which is the minimum level. This amount is 40% lower than the equivalent national average income.

The new REI inclusion income, though considered positive by the EC, cannot bring out the mass of pensioners out of poverty. Therefore, it is necessary to adjust the lower pension amounts at least to the levels indicated in the European Social Charter.

#### **Recommendation:**

- Adjust the minimum pension payments to 40% of the national average income, albeit gradually and with the instruments deemed most appropriate.

### Health

In Italy, access to healthcare depends on income to a greater extent than for most European countries. Public health spending is much lower than in other European countries. Because of resources subtraction, public protection has lowered and direct costs charged to citizens have increased. Adequate resources need to be allocated to public health and the offer must be redirected to prevention and primary care.

The legislative framework on disability and non-self-sufficiency is inadequate for the needs of non-self-sufficient people, who are mostly elderly people. The burden relies of the family in 80% of cases.

Policies tackling non-self-sufficiency need to enable the right to every person to remain in their own sphere of life or to receive the necessary care in appropriate structures. They should also cater to the needs of the temporary or permanent disabled and to those of their families. This

should be done by a better use of the already available resources and by increasing those resources.

To alleviate the burden on families, quality, adequate and accessible social-health services are needed. More resources must be allocated to the National Fund for non-self-sufficiency.

#### **Recommendations:**

- Return to family doctors a primary role with the establishment of multidisciplinary medical teams.
- Overcome the regimen of “intramoenia”.
- Bridge the qualitative and quantitative differences between regions and territories.
- Find new resources through targeted rationalization of services and procedures.
- Approve legislative measures rationalizing, integrating and simplifying the current provisions for the disabled and the non-self-sufficient. Reduce regional disparities through uniform levels of socio-health assistance throughout the country.
- Provide the National Fund for the non-self-sufficient with the resources necessary for interventions that enable the disabled to lead a dignified life and relieve the burden on families.
- Reform the system of assistance to people in need of care, focusing on home care.
- Provide a compulsory public insurance system for the risk of non-self-sufficiency in order to have the necessary resources when the percentage of the elderly will be much higher.
- Approve a law creating a “caregiver” status, allowing family members who assist to enjoy work and social security benefits.
- Reorganize the hospital network.

## **Malta**

Despite Malta’s well performing economy, the 65+ category continues to be negatively affected by a number of issues, some of them due an inadequate pension system.

### **Pensions**

- Pension adequacy remains high in the list of Maltese pensioners’ concerns. Reforms introduced in 2014 have improved somewhat the system, but adequacy remains a challenge.
- The maximum pension capping is not in sync with modern-day subsistence levels. The Two-Thirds pension, which was originally capped at 13.982€ annually, has only been updated by the Cost of Living increases awarded over the years. In 2018, the Minister of Finance announce an increase of all pensions, but of only 2€ a week.
- There is an inequality between public sector and private sector employees. Private sector workers who keep working beyond retirement age can receive a higher pension if they postpone their pension entitlement. However, the same is not



- possible for government employees, who are for the majority forced to retire upon reaching pension age.
- Pensioners receiving a service (occupational) pension are not entitled to a Two-Third State Pension, they are instead paid a fixed minimum State insurance pension, which was abated of 200€ a year in 2016.
  - There are two different maximum pensionable incomes in Malta, depending on the date of birth of the recipient, which is a discriminatory system since it distinguishes between elderly people on the sole basis of their date of birth. People born before 1961 receive significantly lower pensions than those born after.
  - According to the Maltese Government, the pensions system is solid and sustainable till 2040. However, it is an inadequate system.
  - A debate on a pension reform system that would enable all pensioners to enjoy decent living is needed.
  - There is need for a discussion about introducing other forms of pensions, alongside First Pillar (State) pensions :
    - Second Pillar (occupational) pensions in which employers would place a percentage of employees' income into personal accounts.
    - Third Pillar (private) pensions. They are practically inexistent in Malta. The ability to enter such pension scheme at a late stage in life might be difficult, especially for those who receive low wages.
  - The retirement age is to be extended from 61 to 65 between 2013 and 2026, which will allow workers to remain active longer. However, with the ageing of the population, more and more people are reaching retirement age. Moreover, pensioners live longer, placing further strain on the pension system.

### Fight against poverty

- The rate of older people at risk of poverty and social exclusion is of 26.1%, which is 2.4% more than in 2017.
- The purchasing power of pensions continues to dip, thus pensioners find that their pensions alone are not enough to enable them to pay for the fast increasing prices of basic services.
- The government is seeking to bridge the difference between State pensions and decent subsistence levels, but not quickly enough to the satisfaction of all pensioners.
- Incentives are also being given to insured persons who, though still working, will fall short with their contribution record to qualify for a minimum contributory pension, to pay up to 5 years' missing contributions in bulk, thus earning their right to a minimum pension on retirement.
- In response to pensioners' complaints about adequacy, the authorities mention the indirect 'handouts' to elderly citizens (ex: reductions in water and electricity tariffs, concessions on tax on pensions, free medicines and shorter waiting lists for medical

services, possibility of investing in short-term government bonds for 62+ investors, cheaper public transport).

### Health

- Maltese hospitals and clinics are heavily populated and the health personal too few. Elderly people who cannot afford private treatment must go to already crowded public health institutions.

### Comment on the National Reform Programme:

The comments on the implementation of the CSRs focus only on the sustainability of the pension and health care system and do not include the whole picture regarding older people, by ignoring the situation of employment, skills and life-long learning, minimum income and poverty issues

### *Pensions*

The issue of adequacy is hardly mentioned and not given the same importance as sustainability and does not include solutions for the adequacy challenge (with the exception for noting the gender gap in pensions). While retirement age should probably increase, this should be done in line with the healthy life years indicator, rather than with life expectancy. Early retirement schemes should be restricted, but it should also be taken care of creating equal incentives for workers in the public and the private sector. In the private sector, employment of employees who opted for continuing to work has to be maintained, while public employees are forced to terminate their employment.

### *Poverty*

It should be noted that, while expenditure for welfare benefits has increased, this is still below the EU average. It is disappointment that there is no mention about poverty, whereas the ARPOP rate for over 65 year-olds is 24.2%, above the EU average of 16.9%. It is also in contrast with the poverty rate of the overall population, which is at 16.5%.

The only reference about adequacy is on the increased gender gap in pensions, which is 44.8%. It is to be noted that the average gender gap in the EU countries has decreased slightly since the crisis. It should be mentioned that in the last 3 years, the employment rate in the EU countries, has increased by 10% - one of the biggest improvement in the field was attained by Malta. It is encouraging that the rate of employed women, in Malta, has increased. While this is still lowest participation rate in Europe, it is encouraging to see that women aged from 18 to 30, have the second best participation rate in Europe.

### *Health*

The Health System has improved in certain aspects, as waiting time for operations have decreased. Yet, nothing is mentioned on the health outcomes of other processes: three hospitals have been privatized, and there is a discussion on the legalisation of the medical use of cannabis. There should be a call for an impact assessment on the effects of these points on the

health system. The government claims that the free health care system will be maintained, but this is questionable in light of the privatisations.

About the cannabis issue, while nothing is to be said against legalisation for medical purposes, there should be a discussion of the question of whether this is not opening a door for recreational cannabis.

### **Comment on Country-Specific Recommendations:**

#### ***Pensions***

The CSRs are mentioning the long-term sustainability challenges of the pension system. While these are an important reform area, this should not prevent the government to think concurrently about the adequacy of current pensions. As it were, the CSRs itself admit that *"the measures introduced in the 2016 budget had only a limited impact on long-term sustainability of the pension system, which therefore remains a significant challenge. In addition, despite the introduction of measures to improve pension adequacy, the gender coverage gap in pensions remains high."* One must note that glaring anomalies in pension entitlements, which incidentally cause discrimination between different categories of pensioners, continue to persist, substantially weakening the argument of having adequate pensions for decent subsistence levels for pensioners.

#### ***Fight against poverty and social exclusion***

The CSRs fail to mention that there is a running debate about the figures regarding the risk of poverty and social exclusion, especially for the over 65s.

#### ***Health***

The CSRs spell out the difficulties confronting the Maltese health and long-term care systems. There is a modest improvement in certain services provided. However, the problem of crowded waiting rooms and long delays before appointments tend to discourage older people more than other age groups.

#### ***Employment policies***

The CSRs highlight the problem of skills shortages on the labour market, connected to low unemployment. They should take an additional step by encouraging the use of the untapped potential of healthy and experienced older people who have retired and who are not encouraged to fill these gaps, especially that participation in life-long learning is quite popular for older people in Malta.

#### ***Mobility***

While public transport is heavily subsidised for older people in Malta, they are still more discouraged to make use of these because of the mentioned problems with public transport: overcrowded busses, delays, roadworks and bad state of roads, congestions. This is added to the rising air pollution and inhibits full participation of older people.

## Spain – Country report and CSRs

### Employment policies

The situation in Spain has generally improved thanks to various initiatives. However, the low degree of coordination among the different administrations results in a lack of global vision, therefore the system is lacking coherence.

Spain has known a slight improvement in the employment data due to labour legislation reforms that have provided flexibility to the labour market. While the unemployment rates of all age groups have dropped in 2016, the decrease for people aged 55 or more is much lower than for other age groups. Despite this drop in 2016, the unemployment rate of 55+ people has still increased by 6.07% over the past five years.

Since retirement age trends to be higher, a specific chapter of senior employment is necessary in the Country reports. In fact, there is a lack of specific policies for the seniors in the report.

- There is a clear lack of focus on older people's employment in all European Semester documents

### Pensions

Neither the report nor the recommendations refer to the need to take measures to improve the financial situation of the social security to ensure the sustainability of public pensions. This should be a must taking into account the situation of the Spanish social security and the progressive ageing of the population.