

L'EUROPE

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Focus on ... The Lisbon strategy

In 2000, the European Council set out the "Lisbon Strategy" as a **vision to transform Europe**. By 2010, Europe would have become :

"the most dynamic and competitive knowledge-based economy in the world capable of sustainable growth with more and better jobs and greater social cohesion and respect for environment".

The strategy is based on a raft of **structural reforms to modernise the European socio-economic model** and foster research and innovation in the EU.

But post-2001, Member States could no longer force through unpopular economic reforms or significantly increase budgets for research and innovation. To prevent missed objectives, the European Council (March 2004) mandated a **High Level Group under Wim KOK** (former Prime Minister of the Netherlands) to prepare for a mid-term review of the Strategy.

The ECOFIN Council of 16 November 2004 took up KOK's recommendation to **refocus on growth and employment**, holding that this ultimately leads to social cohesion, environmental sustainability and will help to deal more easily with ageing. The Commission supports KOK's reports approach.

Nevertheless, to take into account the opposition of some quarters of the European Parliament, the **Commission's five-year Social Agenda 2005-2010** (published in February 2005) has rebalanced the message : a **proper interaction of economic, employment and social policy will be guaranteed**.

On pensions, the Lisbon Strategy is likely to :

- Strongly encourage Member states to adopt, closely cooperating with social partners, national strategies for **lifelong learning and active ageing** ;
- focus on active ageing strategies to increase employability and participation throughout the lifecycle and promote reforms to **discourage early retirement** ;
- require further **modernisation of social protection systems** so they can meet the changed career patterns and societal needs ;
- re-stress the importance of adequate and **financially sustainable pension systems** ;
- stress the importance to **remove obstacles to labour mobility** arising from pension provisions.

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CROSS-BORDER AFFILIATION

Directive 2003/4/EC is not clear on cross-border affiliation

The European Commission's internal market service (DG MARKET) has admitted that the Directive on occupational pensions is not clear about cross-border activities.

Article 20 of the Directive 2003/41, known as the Directive on IORP (institutions for occupational retirement provisions) adopted in June 2003, (*see Bref 2/2003*) holds that institutions should have the possibility of providing their services in other Member States, "without prejudice to national social or labour legislation".

Nevertheless, Member States have tabled nine questions seeking definitions about this provision to the Commission. The key difficulty is when is cross-border activity triggered: is it the location of the employer or the employees, or both ?

The deadline for transposing the Directive looms on **September 23**. But 13 European Union members have raised almost 50 questions about how to transpose the Directive and six States have been declared not ready. In response, the Commission put together four case studies to clarify the situation for specific countries.

At the same time, the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) is working on a [protocol on how a single license](#) (European passport) for occupational pension funds would operate.

For CEIOPS, (*see also below*) the [protocol relating to the Collaboration of the Relevant Supervisory Authorities of the Member States](#) should recognise that each Member State Supervisory Authority will use a variety of supervisory methods and these will differ between States.

☞ From the **AGIRC and ARRCO** point of view, the key point is the respect of compulsory membership to ARRCO and AGIRC institutions for complementary pensions in accordance with the French social legislation.

Concept of social and labour law

In this regard, AEIP is working on a study on the "Meaning of national social and labour law in the IORP Directive" in cooperation with Prof. Dr. Yves Stevens from the Institute of Social Law, Katholieke Universiteit, Leuven. A first report was presented to the IORP working group of the CEIOPS in January 2005 and AEIP will further develop the concept of a legal matrix in order to propose a common notion of social and labour law in the European Union.

The key points of the report are the following:

- The principle of subsidiarity applies to the organisation of national social security systems. But the Member States cannot define the scope of their social and labour law so wide that they block the implementation of the Directive.
- A common European approach in defining the notion of national social and labour law is necessary.
- The functioning and success of the Directive 2003/41 with respect to the notion of "national social and labour law" depends largely on the cooperation between Member States. Thus relevant legislation and data have to be exchanged.

www.aeip.net

SUPERVISION OF PENSIONS

EU committee sees more pension supervision

The EU committee of pensions supervisors, known as CEIOPS, has signalled further supervisory attention on occupational pension schemes.

"In the light of the economic importance of occupational pension funds and their potential influence on financial stability, occupational pension supervision may call for further developments in the applicable solvency regimes", CEIOPS stated last June.

It is reminded (*see Bref 1/2004 and 3/2003*) that the European Commission is preparing a proposal for a framework-directive for a new solvency system to be applied to life and non-life insurance undertakings and reinsurance undertakings in the EU (**Solvency II project**).

According to the Lamfalussy procedure, the European Commission requested CEIOPS' advice on a number of topics.

SERVICES OF GENERAL INTEREST

Forthcoming Commission initiatives

A set of initiatives related to services of general interest has been announced by a [note from the Secretariat-General](#) of the European Commission dated 7 July.

Proposals should be submitted in the course of the year, likely in **September/October**. Among them :

- a communication is being prepared by the DG EMPL (employment and social affairs) on **social and health services of general interest and general economic interest** : the text will aim to define more clearly the notion of social and health services and explain the impact of Community policies on the social and health sector.
- a horizontal communication **on services of general interest and of general economic interest** in the European Union will be proposed by the Secretariat-General.

These initiatives will be discussed in parallel with the [amended proposal for a directive on services in the internal market \(see below\)](#).

In **May 2004**, the Commission adopted a [White paper on services of general interest](#), concluding that a proposal for a framework directive on services of general interest was not appropriate. A majority of Member States was opposed and the European Parliament was divided on this issue. The Commission stated that the question will be re-examined once the new article III-122 of the Constitutional treaty had entered into force. (*see Bref 1/2004, 3/2004, 1/2005*).

Social services : economic/non economic activities

In **May 2004**, the White Paper on services of general interest announced a communication with the intention to recognise the specificity of "social services".

Important concerns have been expressed that the application of internal market rules and competition could interfere the ability of Member

States to meet the policy objectives in the field of social services.

In several rulings, the ECJ has given indications whether specific social services would have to be considered as an economic activity or not.

As examples, the Court decided that are economic activities covered by competition rules (under the reserve of economic general interest):

- supplementary social security schemes ;
- health services such as patient transport services ;
- social care services such as operators of homes of elderly ;
- job placement services ;
- education.

DRAFT DIRECTIVE ON "SERVICES"

Van Lancker report amends strongly Directive on services

Adopted on 13 July by the employment and social affairs committee at the European Parliament, the **Van Lancker** report significantly amends the initial Commission proposal on internal market services.

It completes **Evelyn Gebhardt** report which will be presented to the [committee responsible \(Internal Market\)](#) in September.

The **first reading by the EP** in plenary session is scheduled for **October**.

Belgian Socialist Anne Van Lancker report demands respect of rights at work in each member States including rules on wages, working conditions and collective bargaining. It restricts the field of application by excluding all the services of general interests. In the context of cross-border services, the principle of the country of origin could not apply without preliminary harmonisation. The **96/71/EC Directive** on posted workers is also expected to figure strongly in the future Directive.

The members of the European Parliament carried out an initial assessment of the 1154 amendments tabled on the proposed directive on services in the internal market.

Last May, **Evelyne Gebhardt** presented her report on behalf of the Internal market committee which

proposed changes to **two key points** of the Commission's text : its scope and the country of origin principle.

- ▶ The report asked for an **exclusion of services of general interest** of the scope of the directive.
- ▶ Mrs Gebhardt proposed scrapping the country of origin principle as the basic rule of the directive and its replacement with the **principle of mutual recognition** for the cross-border provision of services.

Moreover, the report shores up the role of the **"one-stop shop"** proposed to make administrative formalities more straightforward. The principle of control by the host country is emphasised in the report and the "one-stop shop" should give additional guarantees of the right of the host State to carry out controls.

French government measures on posting of workers

A draft legislation published on 13 July relating to small and medium-sized enterprises and modifying the Labour Code reaffirms that the employment and working conditions applicable in France are required in favour of posted workers. It reaffirms also that administrative procedures in case of provision of services and posting are applicable toward enterprises established in another country as well as in France.

This text is in conformity with the "Community Acquis" (Directive 96/71/EC, Regulation 1408/71). But it has to be read in the context of an opposition to the draft Directive "Services" which aims to abolish obstacles to cross-border service provision and to organise a division of tasks between the Member state of origin and the Member State of posting.

PORTABILITY

Timetable unclear for EU portability Directive

The European Commission says a proposed directive on pension portability could be adopted this year as part of plans to make 2006 the "Year of European Worker Mobility" (see *Bref 1/2005*).

2006 Year of European Worker Mobility

At the initiative of Commissioner Vladimir Spidla, 2006 is proclaimed European Worker Mobility Year with budget of 6 million euros and will be officially launched in February 2006.

"The Year aims to increase understanding of the benefits of both working abroad and in a new occupation", the Commission said. The Commission (DG EMPL) intends to address **legal, administrative and linguistic obstacles to worker mobility** and the lack of knowledge about available information and assistance to move across borders. The Commission announced that the implementation of the new **coordination of social security** Regulation (8883/2004) will be accelerated.

According to a Eurostat 2004 report on labour market within the EU :

- the number of workers who have changed employers over the past year rarely exceeds 10% ;
- in 9 countries, more than 40 % who have held the same job for over 10 years ;
- the percentage of Europeans residing in a Union country other than country of origin is around 1.5%.

A future directive on portability may reduce the obstacles to mobility created by rules on supplementary pension provisions. Nevertheless, it should be a **"minimal harmonisation"** approach.

Jérôme Vignon, director of the DG EMPL, said that the Commission was preparing an impact assessment study of such a directive.

At the same time the Commission is preparing a report on the implementation of Directive 98/49/EC on safeguarding the supplementary pension rights adopted in June 1998. The Commission points out that Directive 98/49/EC does not address all the obstacles arising from supplementary pension provision (acquisition, vesting rights, transfers, etc) to ensure the free movement of workers.

- ☞ In any case, the draft directive, as well as the Directive 98/49/EC, should not concern **AGIRC and ARRCO** pension provisions as co-ordinated schemes under the 1408/71 Regulation.

European personal pension account proposed

Investment fund association EFAMA has proposed a European personal pensions account to ease cross-border portability on pension rights.

The Brussels-based group says that the idea would build on the framework of the European Directive on occupational pensions (2003/41/EC). It would be a way for investment funds to get involved in the retirement provision market while the Directive on "second pillar" pensions is supposed to cover only collective pension schemes.

EFAMA calls for a review of the Directive on occupational pensions to extend it to include investment funds and to admit that a European Personal Pension Institution could be set up by a financial institution such as a bank, or a company or even an industry sector. Social partners could have a role.

The European commission seems to pay attention to this proposal pointing out that "*an efficient European investment fund market is of a key importance in contributing to better provisioning for old age*".

SURVEY

World Bank proposes five-pillar pension model

A new World Bank report by Robert Holzmann and Richard Hinz called "*Old-age income support in the 21st century : an international perspective on pensions and reform*" suggests a new "multi-pillar framework" composed of five basic elements :

- ▶ the first – "zero-pillar" – non-contributory one provides a minimal level of social protection ;
- ▶ the "first pillar" contributory system linked to earnings seeks to replace some portion of income ;
- ▶ a mandatory "second pillar" essentially based on individual savings accounts ;
- ▶ voluntary "third pillar" arrangements ;
- ▶ the final element is "*informal intra-family or inter-generational sources of both financial and non-financial support to elderly*".

☞ *Old-Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reform* Robert Holzmann, Richard Hinz, and Bank staff, 2005 www.worldbank.org

OPEN-METHOD OF COORDINATION

National Strategy Reports submitted by 15 July

The second round of National Strategy Reports NSR ended on 15 July (*see Bref 1/2005*).

The French report has been written jointly by the various State administrations (Employment, Social affairs and Economic ministries). A formal consultation of the social partners was held on 6 July through the *Comité du dialogue social européen et international*.

As the first 2002 NSR could present only orientations on the 2003 reform, this second paper gives a general review of the reform focusing on the basic pension system. The report insists on the fact that the 2003 reform has no impact on the level of future pension under the reserve that people "*take the choice to postpone the date of their retirement*".

As a matter of fact, the measures taken in 2003 by social partners concerning AGIRC and ARRCO provisions are not evoked by the French NSR.

The statistical annex gives a more precise view about the decrease of replacement rates by 2010 and 2030 : it takes into account that since the 1993 reform, workers would need 41.75 years of insurance in 2030 to get a full pension (versus 40 years in 2005) while in 2004 new retirees presented in average only 34 years of insurance. It takes also into account the fact that, except in case of new measures decided by social partners in 2008, the replacement rate of ARRCO and AGIRC complementary pensions should decrease due to the indexation of the points on prices.

AGEING

EC is launching a public debate

The Commission Green Paper "*faced with demographic change, a new solidarity between generations*" adopted on 16 March, has been followed up by a conference held on 11 and 12 July in Brussels. The aim is to launch a public debate on Europe's changing population structure.

The combined trends of falling birth rates, increasing life expectancy and ageing of the "baby-boom" generation, lead in practice to a

radical shift in the EU age composition : by 2030 the over 65's share of the population will increase from 17% to 30% while that of the under 24s will fall from 30% to 23%.

"The issues are much broader than older workers and pension reform. This development will affect almost every aspect of our lives, for example the way businesses operate and work is being organised, our urban planning, the design of flats, public transport, voting behaviour and the infrastructure of shopping possibilities in our cities," said Commissioner Vladimir Špidla.

Many of these issues are the responsibility of the member States. But the Commission wants to open a debate on how to tackle them and what role the EU should play, for example through common policies for work-life balance or incentives on the birth rate and on the female employment.

Contributions can be made by October at :
http://europa.eu.int/yourvoice/consultations/index_fr.htm

AGIRC and ARRCO support a special event on demography

An exhibition "*La population mondiale et moi*" (the World population and What about me ?) on the demographic issue has been running since 5 April at the Cité des Sciences et de l'Industrie, science museum in Paris.

The exhibition has been produced with the support of AGIRC and ARRCO in cooperation with INED (Institut national études démographiques).

Designed to inform the public about key population issues, answer the most frequently asked questions and dispel a few myths, the interactive exhibition provide personalized information throughout a barcoded ticket. Visitors can find out the number of people born in the same year as themselves or how many years they can expect to leave...

After its presentation in Paris by November 2005, the exhibition will travel around France and abroad.

www.cite-sciences.fr

SOCIAL SECURITY COORDINATION

The TREES network

The **TRESS** (Training and reporting on European social security) network organised its first seminar in France last July. 25 seminars will be held all over Europe during the summer.

The aim is to have both presentations explaining, and discussions around, Regulation 1408/71 and the new Regulation, 883/2004 that co-ordinate social security for migrant workers. Furthermore, TRESS will build a network at each national level encompassing public administrations, social security managers, social partners, lawyers, experts...

This project has been funded by the European commission DG EMPL and coordinated by Ghent University and Prof. Yves Jorens in collaboration with experts in all Member States (for France, Francis Kessler and Jean-Philippe Lhernould).

For the European commission, this network is also a way to get information about problems related to the application on the EC Regulations as well as trends and perspectives regarding the social security for migrant workers. Yearly reports will be issued.

www.tress-network.org

ELECTRONIC PUBLIC SERVICES

Italy sets up a central database

As announced in *Bref 3/2004*, the Italian Ministry in charge of Welfare has created the new central archive to comprise data on employees and professionals members of basic pension schemes. This central database concerns compulsory pension schemes (first pillar) as well as voluntary plans (second pillar) when they are managed by the same operators (National Social Insurance Institute INPS, National social insurance institute for civil servants INPDAP). From March 2007, an annual pension statement ("estratto conto") will be sent by each pension institution to their members.

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