Country	Social Policy					Labour market policy	Industrial Relations		Reforms in other policy fields
	Health care	Pension and social security	Nursing and elder care	State welfare/ social assist.	Family issues	Labour market policy	Relations unions/ emp. fed./ interm.	Relations employer/ employee	Reforms in other policy fields
Japan	-	-	-	-	Special grant (subsidy) for measures to abate decrease of number of children	Revision of the Employment Security Law and the Worker Dispatching Law	-	-	-
Netherlan.	-	-	-	-	-	'Legal right' to working part-time	a) Developments in public sector labour relations in the Netherlands b) Social partners agree framework for individualising terms of employment	-	-
Spain	-	-	-	-	Act to promote reconciliation of work and family life of employed persons	Reform of the law regulating temporary employment agencies (TEAs)	-	-	-
Sweden	-	-	-	-	maximum limit on permissible user fees in municipal child care	recent reform proposals on unemployment insurance	-	-	-
Switzerla.	Drug Addiction Policies: Prescription of Heroin	-	-	-	-	-	-	-	-
USA	a) Ticket to Work and Work Incentives Improvement Act of 1999 b) Health Care Reform Act of 2000 (New York State)	-	-	-	Birth and Adoption Unemployment Compensation (BAA-UC) Experiment	-	-	-	-

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Reforms reported by AUSTRALIA

1.5 Restructuring of family payments

Changes/ Results:
1.1 Thirty percent rebate for private health insurance

Six-Monthly Survey
No. 2 / 1999

November 1999

1 Reforms concerning Social Policy Issues

1.1. Health Care

➨ Change(s) in and results of an already reported reform:

17. Number of the six monthly survey, in which the reform was reported the first time

➨ No. 1 /1999

18. Title

➨ Thirty percent rebate for private health insurance

19. Description of changes

➨ I report an amendment to the legislation and on some initial results from its operation

➨ Private health insurance in Australia may only be offered to individuals or families on the basis of community rating whereby the premium for an individual is based on the risk for the group (or community) to which the individual belongs rather than the individuals own risk. Thus private health insurers may not increase premiums for more risky individuals. The highest risk individuals are in general the oldest individuals. Community rating leads to the problem of adverse selection where insurers are reluctant to insure more risky individuals. This is mitigated by the operation of a reinsurance scheme operated by government that requires all insurers to pay into a common pool and pays out to those insurers with a more risky client profile.

➨ A development to further discourage adverse selection is the introduction of lifetime health cover. The scheme aims to encourage members to join for a long period of time (i.e. for a lifetime) and offers reductions in fees for members who join early in their lifetime. In addition there are increased premiums for new members who join late in their lifetime.

20. Description of (first) results

➨ There has been some effect of the introduction of the 30 percent rebate for private health insurance. Before the introduction of the rebate, in the December quarter of 1998, the percentage of the population with private health insurance had dropped to 30.1 per cent and was falling. Over the first three quarters of 1999 the proportion with private health insurance rose steadily to be 30.9 per cent by the Sept quarter 1999.

21. Personal judgement concerning the changes or (first) results

➨ The introduction of lifetime rating is a welcome move and should restrict the problems of adverse selection mentioned above.

- The thirty percent rebate has reversed the trend fall in individuals with private health insurance but given the size of the effective cut in price this is not surprising.
- Overall I remain very sceptical about the value of the provision of the thirty percent rebate. While it may have achieved its aims of reducing the slide in private health insurance membership the cost to the budget is very large and the benefits largely accrue to people who are already well off.
- The thirty percent rebate is effectively a tax reduction for upper income earners and has limited health benefits.
- Fundamental reform to health service arrangements are still required

1.5. Family Issues

1. Title (please insert a header)

- Restructuring of family payments

2. Initiators

- Commonwealth of Australia

3. Funding

- Commonwealth of Australia

4. Beginning, expected end and duration

- Changes to commence 1/7/2000

5. Country-specific institutional setting

- Australia has operated a number of schemes which provide benefits to parents based on the numbers of their dependent children. Currently there are four schemes operating through the social security system: Family allowance, Parenting allowance, Family tax payment and Guardian allowance.
- In addition there are three schemes operating through the tax system: Rebates for sole parents, and for dependant spouses, and Family tax assistance.
- All of the current allowances are means tested but at different levels and have sudden death income tests so that there is a 100 per cent withdrawal rate of benefit as earned income increase beyond a threshold.

6. Background of and problems driving the reform

- The sudden death withdrawal rate leads to high effective marginal tax rates of around 100 per cent and are disincentives for parents to enter the workforce.
- The current structure is complex and leads to a lot of confusion among potential beneficiaries.

7. Basic approach and objectives of the reform

- The reforms aim to restructure the system of payments to simplify it, to increase benefits; and to reduce disincentives to work.

8. Target groups and target regions

- Recipients of dependent related social security benefits and allowances.

9. Concrete changes vis-à-vis the status quo

- The reforms will reduce the number of types of payment for families from eight to two.
- Payments will be made through a new single Family Assistance Office rather than being split between the departments responsible for social security payments

(Centrelink) and taxation (Australian Taxation Office).

- The 100 percent withdrawal rate for beneficiaries earning income above the threshold will be replaced with a 30 per cent taper rate.

10. Major conditions for success

- The changes will certainly achieve a level of success, particularly the simplification of the payments and the formation of the new single family assistance office.
- The reforms which aim to reduce workdisincentives will achieve some degree of success but some high marginal tax rates will remain.

11. Expected results

- The payment system will be simpler.
- Allowances for having dependents will be greater.
- Disincentives to work will be reduced.
- The bringing together of the outlay and tax based forms of assistance is also a notable step recognising that from the family perspective the prior division between them is artificial.

12. First results

- The legislation for the reforms have been passed by parliament but is not due to be implemented until the first July 2000.

13. Effects on other policy fields

- The reforms to the family payment system are part of a package of more general tax reforms.
- The tax reforms have been quite controversial involving large reductions in income tax rates and an increase in indirect tax so that there is a net increase in disposable income for households.
- The indirect changes involve a replacement of a narrowly based wholesale sales tax with a broadly based goods and services tax.
- The increases in family payment place increased pressure on the budget and pressure for reductions in other forms of government outlay.

14. Arguments raised by opponents of the reform

- There have been very few critics of the proposed simplification of the payment system.
- Some commentators have noted that while the reductions in the taper rates will reduce effective marginal tax rates other disincentives remain.

15. Personal judgement

- I think the simplification of the family payment structure, the formation of the new single family assistance office and the introduction of the taper rates are all positive developments.

16. General available references

- Costello, P (1998) Tax Reform: Not a new tax, a new tax system AGPS: Canberra
- Also the website www.facs.gov.au and click on Tax reform

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Social Policy, Labour Market Policy and Industrial Relations

Reforms reported by CANADA

Changes/Results:

1.2 Canada Pension Plan reforms

Six-Monthly Survey
No. 2 / 1999
November 1999

1.2. Pension and Social Security

➠ Change(s) in and results of an already reported reform:

17. Number of the six monthly survey, in which the reform was reported the first time

➠ No. 1 /1999

18. Title

➠ Canada Pension Plan reforms

19. Description of changes

- ➠ Exploring possibility of pilot project in province of Manitoba to improve low take-up rate of provision for splitting of pension credits between spouses who divorce or separate.
- ➠ The Canada Pension Plan account is projected to grow from $33 billion in 1999 to $100 billion by the end of 2007, of which $70-$90 billion would be available for management by the Canada Pension Plan Investment Board. Currently, when investing in domestic equities, the Investment Board is required to replicate the composition of one or more widely recognised broad market indexes of securities traded on a public exchange in Canada. This restriction will be relaxed, allowing the Board to invest actively up to 50 percent of assets allocated to domestic equities.
- ➠ Provinces will be allowed to pre-pay some or all of their borrowings from the Canada Pension Plan at market prices, at no cost to the plan.

20. Description of (first) results

- ➠ Conclusion of first formal federal-provincial review of Canada Pension Plan since recent reforms (reported in 1/1999 Monitor) were legislated. A panel of private sector actuaries upheld the findings of the government's 1988 actuarial report that the 9.9 percent (of pensionable earnings) combined employer-employee premium rate that will be reached by 2007, according to the current schedule of increases, will be sufficient to sustain the Plan in the face of increased demands from Canada's ageing population (i.e., the ageing of the post-war baby boom generation).

21. Personal judgement concerning the changes or (first) results

- ➠ Basic objectives of financing and benefit changes to Canada Pension Plan are to insure the financial and political integrity of the program to cope with the rising demands of Canada's ageing population. Although the changes are only in the first stage of implementation, they appear to be accomplishing their aims regarding ensuring the financial health of the Canada Pension Plan. However, some critics from the right continue to question the Plan's financial viability and intergenerational fairness, advocating privatisation. The general public - especially young Canadians – remains susceptible to scare mongering and accusations that 'the Plan will not be there for them when they retire.' Few people understand the nature of the financing and benefit changes.

5 General and important developments

General and important developments

The 1999 Economic and Fiscal Update.

- On November 2, 1999 Paul Martin, the federal Minister of Finance, released the annual economic and fiscal update that projected large surpluses for the foreseeable future. Based on the private sector consensus forecasts and subtracting contingency reserves, the estimated cumulative planning surplus over the five-year 2000-01/2004-05 period is $67 billion. Based on 1997 federal election campaign promises, the government is committed to allocate the surplus equally between expenditure increases on one side and tax cuts and debt reduction on the other side. There is currently an intense political debate in Canada on the use of these surpluses, with the right advocating major personal tax cuts and the left arguing for increased spending on social programs. The February 2000 budget will set out the parameters for the future use of this fiscal surplus.

Clarity Legislation

- In December 1999, the federal government put forward legislation to clarify the steps under which the federal government would allow Quebec to separate from Canada. The legislation draws on a recent Supreme Court decision that stressed the importance of clarity for any future referenda on Canada's future. The federal government will not accept the results of a referendum based on a question, such as that asked in the 1995 referendum, that it does not consider clear. The legislation does not specify what percentage of the votes cast in a referendum are needed for it to accept the result. This legislation has been very controversial, particularly in Quebec. It has also divided certain of the opposition parities. It should be noted that the legislation provides a legal framework for a province to separate from Canada, making Canada one of the few countries in the world that would allow its own dissolution.

Decline of the National Unemployment Rate Below 7 Per Cent

- In November and December 1999, the national unemployment rate in Canada dropped to 6.9 per cent, the first time it had gone below 7 per cent since the 1970s. This very positive development reflected a number of factors, including strong output growth and a declining structural unemployment rate due to the ageing of the workforce (younger workers have higher unemployment rates) and cuts to employment insurance. It is expected that the unemployment rate will stay in the 7 per cent range in 2000. It is interesting to note that, based on U.S. definitions, the Canadian unemployment rate would be 0.8 percentage points lower at 6.1 per cent, although still 2 percentages points above the U.S. rate of 4.1 per cent.

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Reforms reported by FRANCE

1.2 Act on the financing of social security in 2000: provisions concerning the General Health Insurance Scheme

Six-Monthly Survey
No. 2 / 1999

November 1999

1 Reforms concerning Social Policy Issues

1.2 Pension and Social Security

1. Title (please insert a header)

- Act on the financing of social security in 2000: provisions concerning the General Health Insurance Scheme

2. Initiators

- French government – Department of Employment and Solidarity (Mrs. Martine Aubry)

3. Funding

- see point 9.

4. Beginning, expected end and duration

- Beginning : January 2000
- End : December 2000

5. Country-specific institutional setting

- The French social security system, namely the General Health Insurance Scheme (CNAM) is administered by the social partners. Since 1996, both the five trade unions that are recognised as nation-wide representative and the employers' organisations appoint delegates. The number of seats assigned to each organisation in the board of directors has been set by a 1996 decree. These representatives are in charge of the financial and organisational administration of the social security system.

- The 1995 reform (Plan Juppé) introduced a share of responsibilities between social partners and the Parliament. Since 1996, the Parliament adopts every year the "Act on the financing of social security". According to article 34 of the Constitution, "the Act sets the general conditions of the financial balance, and taking account of the receipt forecasts, the expenditures targets". Concretely, the Parliament decides on contribution rates and the distribution of budget between the different types of expenditure (hospital, ambulatory care, pharmaceutical...).

- Such a share of responsibilities is in line with the recent widening of sources of revenue for the general health insurance scheme. The replacement of contributions paid by employees by the Generalised Social Contribution (the CSG created in 1991, whose base is not only wages and salaries but includes all kinds of income) has been completed in 1998. As the determination of taxation levels is a Parliament's prerogative, the change in financing made this institutional adaptation necessary.

- But the new institutional framework has been strictly defined. The annual Act can only contain clauses concerning the financial balance of the social security scheme and the modalities of Parliament's control on their application. Other matters are CNAM's responsibilities.

6. Background of and problems driving the reform

- The bill proposed by the Government is driven by two kinds of problems:
- First, the deficit of the General Health Insurance Scheme is still important even if it has been reduced since 1995 (40 billion FF, Euro 6.1 billion): 36 billion FF in 1996, 14 in 1997, 16 in 1998 and 12 billion FF in 1999 (Euro 1.8 billion). However, this financial recovery may be jeopardised by two recent developments. On the one hand, a matter of financial concern comes from the social security contributions' relief that are going to be granted to firms which implement an agreement on working time reduction. On the other hand, the universal health coverage (CMU) is going to be implemented starting on 1st January 2000, and the cost of this programme for the General Health Insurance Scheme may be higher than expected (*see the survey 1-99 France*).
- Second, relationships between the Government and representatives of the social partners are not entirely settled down. Opposite developments appeared over recent years. While the French Parliament received in 1996 more power for designing the social security policy, representatives of the two sides of industry keep claiming for a larger autonomy in managing the different branches of the social security system. Such a conflict occurred in particular when the Parliament discussed in October 1999 the funding of the 35 hours per week reform. The confederation of French industry (MEDEF) as well as some labour union confederations threatened to withdraw from the board of the national unemployment compensation scheme UNEDIC, since the Government was willing to oblige UNEDIC to bear part of the cost of the programme. The Government was obliged to give up this project and find other types of revenue (*see part 2 of this survey*). But the MEDEF has maintained its threat to withdraw from all the social security management bodies.

7. Basic approach and objectives of the reform

- The first objective of the bill is to get a balanced budget for the general social security scheme in the year 2000, and to substantially reduce the deficit of the General health Insurance Scheme.
- The bill aims at setting appropriate streamlining tools for keeping the public health expenditure under control, without jeopardising healthcare standards and equal access.

8. Target groups and target regions

- Nation-wide project

9. Concrete changes vis-à-vis the status quo

- The main concrete change will affect ambulatory care. The law on the financing of social security in 2000 entrusts the General Health Insurance Scheme with the management of ambulatory care expenditure. The pricing negotiation of fee-for-service lists for general practitioners, specialist doctors, dentists, physiotherapists, etc. will no longer be the responsibility of the Ministry. To meet the cost containment objectives, the General Health Insurance Scheme will be entitled to lower if necessary the price of health care services.
- The design of a new policy for hospital services was made in 1996 when regional health agencies were implemented, with a view to rationalising hospital care supply and co-ordinating the activities of public and private providers. Such a reform is considered as being rather successful since hospital costs were maintained under control over the last two years.
- As far as private hospitals are concerned, the bill sets mechanisms for initiating the transition towards a differential pricing of services, where medical activity will be the key factor of differentiation.
- Sickness cash benefits: Doctors will have to provide the health insurance medical staff with the reasons of each sickness leave they authorise.
- Drugs: the right for physicians to turn doctors' prescriptions into generic products has led to better cost control. To further keep medical goods' expenditure under control, the health insurance medical staff may call in patients whose medical consumption is particularly high and suggest a more suitable health care plan to the patient and his/her practitioner.

10. Major conditions for success

- The maintenance of a high rate of economic growth and job creation in 2000.
- The *status quo* concerning the involvement of employers' representatives in the management of the General Health Insurance Scheme (CNAM). In case the MEDEF finally takes the decision to withdraw from the board of the CNAM, the new power granted to the CNAM for managing directly the ambulatory care expenditure probably will be difficult to exercise.

11. Expected results

- The target for the domestic health care expenditure increase in 2000 is + 2.5%
- The forecast budget of the General Health Insurance Scheme will show a deficit of 3 billion FF for the year 2000 (Euro 457 million).

12. First results

-

13. Effects on other policy fields

- The government intends to propose next year a bill concerning a comprehensive modernisation of the French health care system.

14. Arguments raised by opponents of the reform

- Opposition in Parliament claims that the financing of both the universal health coverage (CMU) and the governmental aid to companies which enter into an agreement on working time reduction will prove to be insufficient.
- Opposition also denounces the lack of decisions on pensions. The Government committed itself to present a reform project in the first half of 2000.

15. Personal judgement

- The bill provides an important step on the way to better control the rise in health care expenditure.

16. General available references

- The text of the Law and the debate in Parliament: http://www.assemblee-nat.fr/2/dossiers/plfs2000/2plfs2000.htm

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Social Policy, Labour Market Policy and Industrial Relations

Reforms reported by GREAT BRITAIN

1.2 Welfare Reform and Pensions Act 1999

Six-Monthly Survey
No. 2 / 1999

November 1999

1.2 Pension and Social Security

1. Title (please insert a header)

- Welfare Reform and Pensions Act 1999

2. Initiators

- British Labour Government, under auspices of Department of Social Security, Minister Alistair Darling

3. Funding

- Mixture of central funding and 'stakeholding', with pronounced shift towards the latter

4. Beginning, expected end and duration

- From 2000 onwards, indefinitely

5. Country-specific institutional setting

- People of retirement age fare in Britain do not fare well compared to other countries , especially in Europe (see OECD figures as reported by Denny 2000 below). There is thus a pressing problem of poverty and inequality in old age to tackle.

6. Background of and problems driving the reform

- The Act is based on the 1998 Green Paper on Welfare Reform, 'New Ambitions for our Country: A New Contract for Welfare'; a Pensions Green Paper, 'Partnership in Pensions', and 'Support for Disabled People', both issued later in the same year. Although these were consultative documents, the 1999 Bill differed little from the original proposals.
- The central plank of the reform is Pensions. It is the most important single reform of the system since Beveridge. Previous reforms (notably State Earnings Related Supplement or SERPS introduced 1978) sought to amend Beveridge's flat rate approach, but this represents a significant shift away from a statist model, towards a corporatist public-private partnership. The ultimate inspiration is the Chilean system established under General Pinochet. Frank Field, the former Social Security Minister before Darling, has also long been an advocate of 'stakeholder pensions'.
- As far as pensions is concerned, it is a highly ambitious reform. The aim is to square a number of circles: to reduce the percentage spent by the Exchequer on pensions while ensuring that poverty in old age is tackled, to encourage people to make their own provision in the marketplace and at the same time restore public confidence in a discredited occupational pensions industry. Although the basic state pension will be retained, it is increasingly shifting its role from a provider to a facilitator and regulator of private pensions, most notably through the abolition of SERPS. The results of the pensions reform will only be clear in the long run. The explicit aim appears to be the residualisation of the state pension as a means of support for people in old age. The chief responsibility for ensuring against poverty in old age is being shifted on to the individual, the employer and the insurance industry, under the regulatory arm of the state.
- Reform of disability payments, consistent with the Government's overall 'welfare to work' strategy, is a second and highly controversial aspect of the reform. In the 1980s the numbers of those maintained on disability payments increased substantially, with the connivance of governments seeking to keep unemployment figures down (from which disabled people were excluded). Since the 1990s, first under the Conservatives and now under New Labour, attempts are being made to reverse this trend. The aim of the disability reform is to secure short run savings and encourage further integration of disabled people into the labour market. In 1998-9 the government spent £4 billion on sickness and disability benefits. Within the Treasury's firm strategy of control public expenditure, the hope is that reductions in social security expenditure will free resources for services such as education and health, where political pressures to show improvements on the previous Conservative government are intense.

7. Basic approach and objectives of the reform

- 'Guaranteed Minimum Retirement Income' (subject to means test) for everyone from April 1999 (by administrative not legislative action) of £75 a week for single pensioners and £116.60 for couples. The minimum target is uprating in line with prices with the stated long term aim of link with average earnings. However the basic state pension will remain linked to prices. (If state pensions were linked to earnings they would £95 (single) and £151 (couple) a week, according to *Labour Research.*)
- 'State Second Pension' for low/middle income earners, intermittent earners, carers and disabled people (replacing SERPS) for whom funded pensions are not appropriate. Those up to £9,500 (gross) a year are expected to stay in this scheme.
- 'Moderate' earners of £9,500-20,000 (gross) a year may opt for the second pension but may elect instead (the government hopes) for a privately funded 'Stakeholder pension', with specified minimum standards and approved governance, for those not currently in 'private' occupational schemes, encouraged by national insurance rebates. One aim is therefore place the pensions system on a sounder and more regulated basis, after the scandals associated with 'personal pensions' during the Thatcher era, when people were encouraged through tax concessions amounting to £20 billion to opt out of SERPS and buy pensions from companies. These often had exorbitant rates of commission amounting to 25% of contributions (Northcott 2000).
- Tax concessions are being reformed, with a single system for stakeholder, occupational and personal pension schemes. Tax relief will be available for pension contributions up to £3,600 a year (which will be periodically reviewed), and people would be able to purchase a variety of schemes within this limit. Contributions will be net of tax, and basic rate tax claimed by the provider, in order to keep charges down. Anything beyond the £3,600 limit will have to be purchased as a personal, rather than a stakeholder pension Current tax concessions amount to £11 billion and year, and are estimated to increase by about £750 million under the Act. NB These tax concessions are, however, not part of the Pensions and Welfare Reform Act, but are being dealt with under the government's Finance Bills.
- Provisions to share pensions on divorce – seen as an egalitarian and genuine 'modernising' principle. Prior to the Act these have been increasingly dealt with since the 1970s through the courts as part of divorce settlements. The Act formally makes it possible to deal with pensions as any other assets to be voluntarily shared on a 'clean break' basis as part of divorce settlements between either men or women (though the main beneficiaries are likely to be the latter).
- Reform of Incapacity Benefit (IB). This was a national insurance (NI) benefit of £31.15-39.95, plus extra for children, to cover day to day living expenses for people unable to work because of disability or illness. It was not means tested, and was available to those with sufficient NI contributions or credits in the two years before the claim . It was subject to either an 'own occupation' or the stricter 'all work test', both of which have to be medically validated. It was paid on top of Statutory Sick Pay. Under the new Act, IB will be means tested for new claimants against any personal pensions, and entitlement restricted to those who had paid national insurance over the previous two years (i.e. credits will not be allowable). Severe Disablement Allowance, currently only paid to those who have never had paid employment, is abolished for those over 20. The government claims that people currently often receive IB on top of an early retirement pension, and that this is excessive. Therefore it will be offset against this in future and made conditional on contributions records.
- Reform of the 'All Work Test' (described above) , primarily used in the past to test *eligibility forbenefit* (i.e. IB), will in future to be used to assess ability to work, and will become the 'Personal Capability Assessment', and will thus be a central feature of the government's 'welfare to work' programme for disabled people.

8. Target groups and target regions

- The whole of the UK population that will reach retirement age during the course of the 21st century, and the growing number of disabled claimants.

9. Concrete changes vis-à-vis the status quo

- Seeks to ensure that everyone in future will have access to a second pension on top of the state basic pension. Although by 1995/6 68% of people had some form of second tier provision, this meant that 32% of pensions had no provision beyond that of the (inadequate) basic state pension. The chief means will be through the state second pension for the low paid and the expansion of 'stakeholder pensions for those defined as 'middle earners' (between £9-20,000 a year).

- Attempt to provide guaranteed minimum income in retirement as part of government's attempts to tackle poverty
- Introduces means testing, stricter contributions requirements and work eligibility tests for Incapacity Benefit

10. Major conditions for success

- Political acceptability – Labour MPs and trade unionists have deep misgivings about welfare reform. This has already resulted in the departure of two ministers (Field and Harman) and revolts in both the Commons and the Lords. Nevertheless the Blair government have been pretty successful in pushing the 1999 Act through in a relatively unscathed form, in implicit return for 'disguised' redistributive measures in Gordon Brown's budgets, and general increases in Child Benefit
- As far as pensions is concerned, the Act's success depends crucially on active participation of the anticipated stakeholders. The attractiveness of the second tier stakeholder pensions as a long term investment is not currently clear. There are also considerable start up costs for companies establishing them (estimated by House of Lords as £15 million for each 1 million who join scheme, plus none recurring costs of £140 million). Some of the biggest pension providers are threatening not to cooperate because the government has pegged commission fees and administrative charges at no more than 1% of contributions (wanting to avoid the scandals that occurred earlier with personal pensions).
- Other steps are also likely, e.g. the government has not ruled out raising the pension age from 65 to 70 in the future. They are also doing other things to help older people such free eye tests, free TV licences and a £100 winter fuel bonus.
- The reform of disability payments crucially depends on the need maintain 'legitimacy' (i.e. good relations) with key groups such as doctors and disabled people themselves. In opposition Labour strongly criticised Conservative policy with regard to disabled people. Since coming to power, disabled peoples' organisations have strongly criticised the government's legislation on disability discrimination as inadequate. The government claims not to be enforcing welfare to work on to disabled people, but it does seem to be progressively moving in this direction, though at this stage avoiding compulsion. The whole welfare to work strategy depends on the buoyancy of the economy, of course, and this differs North and South, though it is true that unemployment rates have fallen considerably since the mid-1990s.

11. Expected results

- Containment of public expenditure on pensions, protection of income of lower and middle earners
- Increased take-up and expansion of occupational pension schemes among lower paid and 'middle earners'
- Increased labour market participation of disabled people, cuts in costs of disability benefits

12. First results

- None yet for pensions – Bill only received Royal Assent on 11 November 1999. The Child Support, Pensions and Social Security Bill, published in December 1999, also spells out the detailed conditions that are to apply to state second pensions. It is hoped that second pensions will start paying in around 5 years.
- Reform of disability benefits will also take time to 'bite' as will only apply to new claimants.

13. Effects on other policy fields

- These are likely to be profound. Poverty and ill health in old age absorb a major part of public budgets.
- The strengthening of Pension Funds may lead to further demands to 'corporatise' other areas of benefits
- Antagonism of disability groups over welfare reform may well sour relations over other areas of policy and inhibit co-operation (signs that this has already happened)

14. Arguments raised by opponents of the reform

- 'Old Labour' critics such as Baroness Castle would like to see more concerted effort to improve the state pension, restoring the link between pension benefits and average earnings. They would also like to see SERPS retained and strengthened, with government guaranteeing pension levels rather than these being determined by stock market performance. They would like to see immediate improvements for those on state pensions. Essentially they want to retain the 'Pay as You Go' system whereby pensions are a contract between generations, whereas the government is seeking to move to a system in which pensions are essentially returns on investment. It will take a long time to make a difference – not until 2038 will basic and second pension provide incomes higher than the means tested guaranteed minimum. Critics therefore argue for more immediate measures to increase the value of the state pension, obviating the need for means tests, especially for those over 80. Gradually more and more pensioners could be brought in.
- Even those in favour of stakeholder pensions such as the National Association of Pension Funds have nevertheless suggested that further efforts are necessary to increase their attractiveness as long term investment, pointing out that the government's Individual Savings Accounts (ISAs) offer higher rates of short term return. It remains to be seen therefore whether stakeholder pensions will succeed unless they are made compulsory. The other factor of course is the success of these pensions depends crucially on how well the stock market performs, about which there can be no guarantees.
- The Act it is claimed treats disabled people in a harsh and discriminatory way. Critics argue the chief aim is to save money (£1.2 billion) rather than achieve 'modernisation' (e.g. the Disability Benefits Consortium representing 250 disability organisations
- Those who are not impressed by the record of the Pensions Industry are not in favour of expanding their influence even further. They worry that this will give even greater clout to the Pension Funds in the economy and heighten existing tendencies towards 'short termism' in city investment decisions. The question of the power and lack of accountability of pension funds is becoming an issue of some debate (see Blackburn cited below).

15. Personal judgement

- There are too many uncertainties and the reform does appear to the loosen the bonds between generations that has been a feature of social policy since the War.
- The government's welfare to work policy has given greater priority to helping the working poor e.g. through the Working Families Tax Credit (WFTC) than on raising the incomes of those on benefits, including pensioners. The benefits of the pensions reform (such as they are) will not appear for many years. By 2025 , according to a written Parliamentary answer, pensioners will only be between £1.30-2.20 a week better off (cited *Labour Research* 2000). The measures thus do not deal effectively with the fact that poverty in old age is often the result of a lifetime of gender and ethnic disadvantage, although the second pension will provide some enhancement of income for those previously denied it. According to recent OECD research (cited in *The Guardian* Jan 2000 below) Britain has the highest concentration of poverty among older people of any industrialized country. An article in *Labour Research* in 1998, cited below, shows that pensions in Britain are lower than many other European countries.
- The very least the government could do is to restore the links with earnings immediately, given its declared aim of launching a concerted aim of attacking poverty in 'Opportunity for All'. In 1979 the state pension was 22.6% of average earnings, and by 1997 had fallen to 17.4%. It will fall to 10.8% by 2020 if the earnings link is not restored.
- The government also needs to deal with the fact that around 0.7 million pensioners fail to claim means tested Income Support, thus making rather a nonsense of the Minimum Income Guarantee (a point made by the charity, Help the Aged).

The irony of this reform is that the pension measures are at least as open to criticism as the disability measures (e.g. for residualising the state pension, privatising provision, failing to deal with poverty in old age) even though the latter have generated the most heat, and the only significant 'revolt' of Labour MPs in this Parliament (even though at the end of the day it petered out). I tend to agree with Northcott that while this measure may bring improvements, it is at best tinkering and what is needed is a comprehensive social insurance system suitable for a new era.