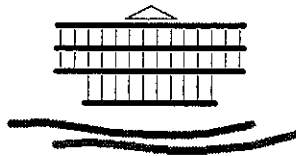


16. General available references

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International Reformmonitor

Social Policy,
Labour Market Policy
and
Industrial Relations

Reforms reported by
ITALY

Changes/Results:

- 1.1 Health Care Reform (1999)
- 1.2 Changes in fiscal treatment for pension funds, individual pension plans, life insurance contracts and severance pay
- 1.4 Minimum Income Support

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
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18. Title

➔ Health Care Reform (1999)

19. Description of changes

➔

20. Description of (first) results

Some important principles, introduced in the 1999 Health Care Reform, have been object of legislative measures. In particular the set of new rules introduced concerns the following matters:

- ➔ Allocation of additional funds (partly obtained through savings in the in-patient expenditure) for all National Health Service (NHS) physicians who opt for the public sector.
- ➔ Introduction of the following rules: (i) patients' co-payments for intra-moenia activity equalling 30-50% of tariffs) and (ii) 90 % of the intra-moenia revenue of NHS physicians opting for the public sector is subject to taxation.
- ➔ Introduction of rules and regulations on the tax allowance system of NHS integrative funds, which should concern more than 1.5 million workers. The NHS integrative funds will enjoy a more favourable fiscal treatment than private funds. Employers will deduct those social contributions from their taxable income.

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

- ➔ In spite of the delay with which Government and Parliament have implemented the Health Care Reform, the recent set of rules marks a meaningful advancement. In particular, health care quality and efficiency should draw benefits from the laws regulating the exclusive professional relation between the public sector and NHS physicians opting for it and from the provisions concerning their being left the opportunity to carry out intra-moenia activities.

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

➡ Changes in fiscal treatment for pension funds, individual pension plans, life insurance contracts and severance pay

19. Description of changes

- ➡ On December 1999 a Legislative Decree was approved by Government
- ➡ Decree enforcement date: January 1, 2001
- ➡ Content and objectives:
 - employees may benefit from maximum tax deduction on their contributions, even through their employers do not pay any contributions. Contributions paid by employee in favour of dependents can be also deducted
 - pension funds are subject to separate taxation with a tax rate equalling 11% on the difference between net wealth at the end and at the beginning of the year
 - Returns on severance pay are subject to separate taxation with a rate of 11%

20. Description of (first) results

➡

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

➡ Compared to the past survey, pension funds taxation has been reduced (the rate falling from 12.5% to 11%), and tax incentives are more flexible.

1.4 State Welfare and Social Assistance

➔ 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

➔ Minimum Income Support

19. Description of changes

➔

20. Description of (first) results

- ➔ The Minimum Income Support will be introduced at national level in the year 2001; nevertheless, a pioneering two-year attempt is going on in 39 municipalities.
- ➔ A Committee was created to monitor this experimental phase and to provide technical assistance to the sample municipalities.
- ➔ In November 1999, the first results of that pioneering period were presented. Those results provide important information
 - on the total number of applications (45,551) submitted by households for this kind of assistance;
 - on the number of applications accepted (23,754);
 - on the average monthly amount received by households in need (It. Lit 871,000);
 - on the socio-economic characteristics of beneficiaries such as the area of residence, the number of household components, the number of children and/or disabled people;
 - on the active labour policy programme adopted to reduce or eliminate the risk of social exclusion.

Those results also show that this policy requires large human and economic resources. Skilled personnel is in fact necessary to efficiently organise and manage all the aspects related to that social benefit.

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

- ➔ The information on the pioneering phase show that, for this policy to be successful, an efficient controlling organisation is required to avoid irregularities in the eligibility criteria and to enforce suitable programmes for social re-integration of households in need. Indeed, an efficient organisation may be costly, which may pose problems to local administrations with strict budget constraints.



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Reforms reported by JAPAN (IPSS)

1.5 Special grant (subsidy) for measures to abate decrease of number of children

Changes:

- 1.2 Minor changes in the Public Pension Reform of 1999
- 1.3 Long-Term Care Insurance (Special measures for smooth introduction)

Six-Monthly Survey
No. 2 / 1999

November 1999

1 Reforms concerning Social Policy Issues

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

► Minor changes in the Public Pension Reform of 1999

19. Description of changes

- 1. Requirement for those aged 65 to 69 and are working
- From FY 2002, in addition to previous payers of premiums, those who are aged between 65 to 69 and working are now required to pay premiums for the public pension, and if the sum of monthly salary and income-related portion of the pension exceeds Yen 370,000, only a half of income-related portion of the pension in excess will be paid.
- 2. The enterprises are now allowed to submit stocks (shares) in its possession as the contribution to the Employees' Pension Funds.

20. Description of (first) results

► Not yet to be seen.

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

► The current reform basically takes care of reducing the benefits, and fundamental problems of financial crisis of the Basic Pension which covers the entire population has not been adequately addressed.

1.3 Nursing and Elder 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

➔ Long-Term Care Insurance (Special measures for smooth introduction)

19. Description of changes

- ➔ 1. Reduction of Insurance Premiums
 - ➔ (For 65 years old and over) No premium between April to September, 2000. It will be covered by the national budget. 50% reduction of the premium between October 2000 to September 2001.
 - ➔ (For those between 40 and 64 years old) For this category of insured persons, the premium for the Long-Term Care Insurance is added to the premium for health insurance. However, the total of 1 year worth of additional amount of premiums for all the insured will be covered by national budget.
- ➔ 2. Reduction of co-payment for low-income households
 - ➔ For low-income households, the co-payment rate will be reduced to 3% from 10% previously.
- ➔ 3. In-Cash Assistance for Those caring for elderly at home.
 - ➔ The Government has decided to provide maximum of Yen 100,000 per elderly to a municipality which decides to give assistance, outside the Long-Term Care Insurance system, to those who choose to take care of them by family members themselves.

20. Description of (first) results

➔ Expected to start in April 2000.

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

- ➔ The reason that this measure for "smooth implementation" of introduction of Long-Term Care Insurance was suddenly placed on the agenda is political. In summary:
 - ➔ - Need to appear to the masses due to approaching general election;
 - ➔ - The differences of views on the Insurance expressed by three parties which consist current coalition government;
 - ➔ - Political battle within the coalition government and opposing parties;
- ➔ However, the new changes just a half year before the introduction of the scheme are confusing actual implementing bodies (i.e. municipalities) which are busy preparing and explaining to the residents about the long-Term Care Insurance.

1.5 Family Issues

1. Title (please insert a header)

➤ Special grant (subsidy) for Measures to abate decrease of number of children

2. Initiators

➤ Ministry of Health and Welfare, Ministry of Education

3. Funding

➤ FY1999, Supplemental Budget

4. Beginning, expected end and duration

➤ July 28, 1999 to end of FY2001 (March, 2001)

5. Country-specific institutional setting

➤ The recipient of supplemental budget is municipalities.

6. Background of and problems driving the reform

➤ Japan has been experiencing a rapid ageing of the population which is caused by both increase of life span and decrease of number of children.

➤ In order to reduce the decrease of number of children, it is deemed necessary to create an environment more friendly toward child rearing.

7. Basic approach and objectives of the reform

➤ The supplemental budget is granted to municipalities to implement measures for the common objective of creating child-rearing easy society. Each municipalities are called to come up with innovative and productive approaches suited to its own situation in the fields such as child day-care services, education, etc. Special emphasis is placed on reducing the number of waiting children for day-care centers in the metropolitan areas.

➤ It is also expected that this measure will create additional employment opportunities by utilising the private sector initiatives.

8. Target groups and target regions

➤ Children under school age and their families, municipalities.

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

➤ Some examples of implementation ideas are:

➤ - Infrastructure investment in child day-care and pre-school centers

➤ - Within- or Near-station day-care centers and pre-school centers

➤ - Provision of playground facilities and other equipment for within-work place day-care and pre-school centers

➤ - Public awareness campaign

➤ - Training for teachers and carers of day-care services

10. Major conditions for success

- The maturity of private sector in the field
- Efficient and profit-making management of facilities

11. Expected results

- Advancement of measures to abate decrease of number of children in each community
- Increase of employment opportunities, especially for women.
- Increase in number of providers of day-care services

12. First results

- Currently, the applications for the grant are being appraised.

13. Effects on other policy fields

- Child Welfare
- Labour Policy
- Long-Term Care

14. Arguments raised by opponents of the reform

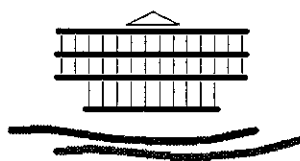
- Not in particular

15. Personal judgement

- The emphasis on the reduction of waiting children for day-care centers in metropolitan areas is noteworthy.
- By encouraging the private sector initiatives, objectives of both child welfare and employment are being addressed.

16. General available references

- None available in English.



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International Reformmonitor

**Social Policy,
Labour Market Policy
and
Industrial Relations**

**Reforms reported by
SWEDEN**

**1.5 Maximum fees in publicly subsidised
childcare**

**Six-Monthly Survey
No. 2 / 1999**

November 1999

1.5 Family Issues

1. Title (please insert a header)

➤ Maximum fees in publicly subsidised childcare

2. Initiators

➤ The Social Democratic Government (1998-) and Government-appointed ministry working group.

3. Funding

➤ The major part of the reform is financed through a state subsidy to local authorities

4. Beginning, expected end and duration

➤ Beginning 1st of July 2001

5. Country-specific institutional setting

- Publicly subsidised child care consists of full-time day care for pre-school children between one and five years of age and school child care for children six years of age or older. Day care for pre school children is utilised by three quarters of all children between one and five years of age. Unemployed parents are presently not guaranteed municipal child care for their children.
- Day-care is mainly financed through general municipal income tax revenue and municipal subsidies are directed to public and private producers of this service. The users pay a fee which generally vary between 10 and 30 percent of the production cost for the service. The fees are related to the parents' income and to the number of children in the family utilising the childcare for pre-school and school children. The levels of the fees vary substantially between municipalities - an average family with two children in the municipality with the highest fee pays 2,5 half times as much as they would have in the municipality with the cheapest fee.

6. Background of and problems driving the reform

- The income related fees entail a substantial marginal effect when child care fees increase with increased income. The marginal effects affect mothers who work part time and want to increase their working time, or unemployed parents who wish to become employed - these effects are particularly severe for single parents.
- Unemployed parents without childcare may encounter difficulties when looking for a new job, first when they have to combine job search with taking care of their children, and then when they get a job and do not have readily available day-care for their children.
- The great local differences in childcare fees are perceived as unreasonable.

7. Basic approach and objectives of the reform

➤ The reform of the maximum national child care fees will, when fully implemented lower the childcare expenses for all families with children in publicly subsidised

childcare. The municipalities are free to decide whether to implement the reform or not. If local authorities implement the reform they are free to lower the rates under the maximum rates, or to increase the time limits for children of unemployed persons.

- The maximum fees and guaranteed child care for unemployed are part of a larger package which also include guaranteed pre-school at a minimum of three hours per day for children aged four and five. This would be optional and free of cost for parents but compulsory to provide for the municipalities.
- The government-appointed working group proposed three different alternatives for the implementation of the reform. The first alternative entails a two-step introduction of the maximum fees, with 950 SEK for the first child in a first step and 700 SEK in the second step. The second alternative is to implement the maximum fees in 2001, guaranteed childcare for children of unemployed parents in 2002 and pre-school for four and five year olds in 2003. The third alternative is to introduce comprehensive pre-school in 2001 and the maximum fees in 2002. The three alternatives have a similar cost, five billion SEK, an amount which has been reserved in the 1999 state budget proposition.

8. Target groups and target regions

- All families with a need of child care will be effected but the main target group is parents working part-time and unemployed.

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

- The fully implemented reform entails uniform national fees. The fee will be 700 SEK for the first, 500 SEK for the second and 300 SEK for the third child for pre school children, and 500 SEK for the first, 300 SEK for the second and 150 SEK for the third child for school children. The households which today pay less than the proposed amounts will be guaranteed a reduction in fees of 200 SEK. The fees for an average two-child family in an average municipality will be more than halved.
- Unemployed parents are guaranteed three hours child care for their children. Municipalities are presently not obliged to provide child care for this group

10. Major conditions for success

- That a sufficient number of municipalities implement the reform
- That parents react to the changes in childcare fees by increasing their working time

11. Expected results

- Decrease of marginal effects when parents increase the amount of worked time.
- Increased gender equality as mothers employment is facilitated.
- General increases in the standard of living for families with children.

12. First results

- The reform has not been implemented

13. Effects on other policy fields

- Potentially lower expenditure for social assistance and housing allowances

14. Arguments raised by opponents of the reform

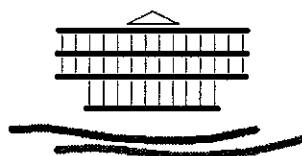
- The immediate redistributive profile benefits high income earners in absolute terms, due to the fact that this group pays higher fees before the reform.
- A risk for “overutilisation” in that parents who do not really need childcare increase their demand when the fees are low.
- The non compulsory design of the maximum fee reform makes it uncertain if the municipalities actually will implement it. If many municipalities do not implement the reform it would most certainly lead to an increase in municipal differences in day-care fees. However, it will probably be hard for local politicians to deny their voters such a major income increase.
- It is not clear to what extent parents actually will increase their labour market participation. If low income families do not increase the worked hours the reform will lead to increased income differences between low income and high income families in absolute terms.

15. Personal judgement

- The reform will remove some of the potential marginal effects which were introduced with the tax reform of 1991 and cutbacks in social expenditure during the economic crises of the 1990's. These marginal effects were strongest in the lower income segments.
- Maximum fees will lower the costs for mothers' labour market participation and guaranteed childcare for children of unemployed facilitates job search for the parents.

16. General available references

- Ministry of Education. 1999. “Maxtaxa och allmän förskola” (Maximum fees and comprehensive pre-school). Regeringskansliet. Departmental report, DS 1999:53. (In Swedish)
- Ministry of Finance. 1999. “Dagis och drivkrafter” (Daycare and driving forces). Departmental report, DS 1999:67. (In Swedish)



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International Reformmonitor

Social Policy,
Labour Market Policy
and
Industrial Relations

Reforms reported by
SWEDEN

1.5 Maximum fees in publicly subsidised
childcare

Six-Monthly Survey
No. 2 / 1999

November 1999

1.5 Family Issues

1. Title (please insert a header)

- Maximum fees in publicly subsidised childcare

2. Initiators

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3. Funding

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Reforms reported by
the USA

- 1.1 a) (and 1.2.) Ticket to Work and Work Incentives Improvement Act of 1999
- 1.1 b) Health Care Reform Act of 2000 (New York State)
- 1.5 Birth and Adoption Unemployment Compensation (BAA-UC) Experiment

November 1999

1 Reforms concerning Social Policy Issues

1.1 Health Care –1-

1. Title (please insert a header)

- Ticket to Work and Work Incentives Improvement Act of 1999

2. Initiators

- Clinton administration
- Bipartisan Congressional support led by Senators Kennedy (D-Mass.), Jeffords (R-Vt.), Roth (R-Del.), Moynihan (D-N.Y.) as well as Representatives Lazio (R-N.Y.), Waxman (D-Calif.), Bliley (R-Va.), and Dingell (D-Mich.).

3. Funding

- The cost of the initiative will be covered by a number of offsets from other programs, including school lunch program, loans to college students and fees for lawyers who represent Social Security beneficiaries.
- Funding for the demonstration projects will be provided from the Federal Disability Insurance Trust Fund and the Federal Old-Age and Survivor's Insurance Trust Fund as determined appropriate by the Commissioner of Social Security, and from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund as determined by the Secretary of Health and Human Services, to the extent provided in advance in appropriation Acts. Effective upon enactment.
- In the Ticket to Work program, outcome-based payments will be made to the employment service providers from the Old-Age, Survivors and Disability Insurance (OASDI) Trust Fund for SSDI recipients who return to work and from appropriations for SSI payments under Title XVI. These payments will be a portion (not to exceed 40%) of the SSDI or SSI benefits, which the disabled persons would have received had they not returned to work.

4. Beginning, expected end and duration

- Signed into law on December 17, 1999 by President Clinton.
- The expanded availability of health care services is effective October 1, 2000, and the program will last indefinitely.

5. Country-specific institutional setting

- Currently eight million disabled persons of working age receive more than \$50 billion annually in cash benefits from Social Security Disability Insurance (SSDI) and the Supplemental Security Income (SSI) program. (SSDI is *social insurance* and is available to eligible disabled workers without a means test; SSI is a *public assistance* program and is only available to disabled persons who meet a means test.) Fewer than one percent of these disabled adults returns to work. The number of individuals collecting disability benefits has risen substantially in the last decade. In fact, Social Security Administration (SSA) estimates that a 20-year-old worker has a 3-in-10 chance of becoming disabled before reaching the retirement age (currently age 65).
- Prior to this act, health insurance for the disabled was linked to their eligibility to receive benefits under SSDI or SSI. SSDI benefits are paid to workers who have worked and made contributions to the U.S. Social Security system (generally for at least 20 quarters in the past 10 years) prior to their disability. Workers who collect SSDI benefits become entitled to coverage under the Medicare health insurance program (Hospital Insurance and Supplemental Medical Insurance). SSI is available to indigent persons over 65, as well as disabled or blind persons who have little or no income and assets. Adults who collect SSI are automatically entitled to coverage under the federal-state Medicaid health insurance program.
- Prior work incentives under SSDI: SSDI recipients may earn substantial wages during a nine-month (not necessarily consecutive) "trial work" period before their disability benefits are affected. If an individual's