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INTERIM REPORT

drawn up on behalf of the Committee on Social Affairs
and Employment

on the publication of the Commission of the European
Communities entitled 'Social Security Problems'
(COM(82) 716 final)

Rapporteur: Mrs J. MAIJ-WEGGEN

By letter of 6 May 1983, the Committee on Social Affairs and Employment requested authorization to draw up a report on the publication of the Commission of the European Communities entitled 'Social Security Problems'.

By letter of 18 May 1983 the Committee on Social Affairs and Employment was authorized to draw up a report on this subject.

On 18 January 1983 the committee appointed Mrs MAIJ-WEGGEN rapporteur.

The committee considered the draft report at its meetings of 22 November 1983 and 19/20 March 1984. At the latter meeting it adopted the motion for a resolution as a whole unanimously.

The following took part in the vote: Mr FRISCHMANN (acting chairman), Mrs MAIJ-WEGGEN (rapporteur), Mr ALEXIADIS (substitute - non-attached), Mr BOURNIAS (deputizing for Mr GHERGO), Mr CALVEZ, Mr CHANTERIE, Mr McCARTIN, Mr VAN MINNEN, Mr PRAG, Mr OUZOUNIDIS (deputizing for Mr DIDO'), Mrs SALISCH, Mr TUCKMAN and Mr WAWRZIK (deputizing for Mr BOYES).

The report was tabled in its final form on 22 March 1984.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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The Committee on Social Affairs and Employment hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the publication of the Commission of the European Communities entitled 'social security problems'

The European Parliament,

- having regard to the Commission publication entitled 'social security problems' (COM(82) 716 final),
 - having regard to the interim report of the Committee on Social Affairs and Employment, (Doc. 1-45/84),
 - whereas the financing of social security schemes is becoming steadily more difficult throughout the Community and whereas, here too, we are faced with a task that should be tackled jointly by all the Member States,
1. Appreciates the Commission drawing attention to this Community problem and proposing suggestions for a common approach in all the Member States;
 2. Considers, however, that the facts and figures contained in the present Commission document are too summary and incomplete to enable concrete proposals to be formulated for the Member States to act on;
 3. Calls on the Commission
 - (i) in particular, to examine the financing problem more closely in order to provide a clear answer to the question of whether the current problems connected with financing are due mainly to the unfavourable economic situation in the Member States, to problems inherent in the social security systems themselves, or to a more or less equal combination of both factors,
 - (ii) to prepare a report on this specific issue, for it must be made clear what aspects a Community approach to this financing problem should focus on;
 4. Calls on the Commission also to examine more closely and prepare a report on the way in which social security is organized in the various Member States with a view to ascertaining the most effective form of social security organization, while respecting differing national traditions;

5. Considers furthermore that a specific study to examine the effectiveness of social security in the various Member States is of the utmost importance, since recent Community reports have shown that poverty¹ in the Member States continues to be widespread and is moreover on the increase;
6. Takes the view that one of the main tasks of social security should be to combat this poverty and hence believes that Member States should be extremely cautious in cutting back the various forms of social security, especially as the poorest among us would be the first to suffer;
7. Agrees with the Commission's criticism of the excessive growth in health expenditure and calls on it to examine whether a greater emphasis on all forms of medical prevention could reduce unnecessary costs in the health sector;
8. Shares the Commission's concern at the rise in the cost of caring for the elderly, but believes that savings can hardly be made here as it is the bounden duty of any civilization to make maximum provision for the care of the older generation;
9. Believes in this respect, however, that the elderly should be allowed to look after themselves for as long as possible in our European society and should be more involved in helping the community, whereas premature admission into old people's homes or nursing homes does not do justice to the important role the older generation could play for the younger generation in providing reflection and advice;
10. Finally, urges the Commission to ensure that further examination of the problems connected with financing and effectiveness is explicitly linked to a gradual but real convergence and harmonization of the national systems of social security and social legislation by only submitting proposals that bring the ultimate aim of convergence and harmonization ever closer and are at the same time compatible with the current provisions in each of the Member States;
11. Calls on the Commission to submit the requested studies and proposals to the Council and Parliament by not later than 1 July 1985;
12. Instructs its President to forward this resolution to the Council and Commission and to the Governments of the Member States.

¹ Poverty report to follow later

B
EXPLANATORY STATEMENT

1. INTRODUCTION

1.1. The European Community has hitherto concerned itself only with selected areas of social security legislation in the Member States.

The best-known measures are the Community provisions governing social security for employed and self-employed persons moving within the Community¹ and frontier workers², the Community provisions for equal treatment for men and women in matters of social security³ and the Community provisions governing social security for part-time and temporary workers⁴.

1.2. The main aim of these provisions was to promote the free movement of workers between the Member States by removing the differences between social security arrangements for indigenous workers and those for workers from another Member State (employed and self-employed persons moving within the Community and frontier workers).

An additional Community objective was to reduce discrimination between certain groups of workers within the Member States (women, part-time workers and temporary workers). As a result of this Community legislation, social security has improved significantly for millions of Europeans over the years and will continue to do so.

1.3. The reasons prompting the Commission to return to the question of social security are of a different order.

The growing budgetary problems facing the social security systems in nearly all the Member States have increased the pressure on the Commission from the Member States to put forward suggestions as to the direction in which social security ought to evolve.

It is mainly against this background that the Commission has submitted its communication 'Social Security Problems - points for consideration' to the Council and Parliament, in which it expressly calls for a thorough-going debate.

¹ Recently, Reg. 2000/83 and Reg. 2001/83, OJ No. L 230/83

² Reg. 36/63 et seq., OJ NO. 62/1963, p. 1314

³ Directive 79/7, OJ No. L 6/79, p. 24

⁴

1.4. In its document, the Commission confines itself to a few main points. After giving a brief survey of current differences in the economies and social security systems of the Member States (analysis), it goes on to summarize the problems characterizing the present situation (definition of problems). The Commission then indicates a number of areas where reforms could appropriately be made.

1.5. In the present report, the rapporteur first comments on the analysis and the definition of problems and then discusses the suggestions made by the Commission.

In the conclusions that follow, the rapporteur will, however, also examine the question of harmonizing social legislation, a topic carefully avoided by the Commission. After all, if the Member States are being forced by budgetary reasons to reconsider their social security systems, it is also worth trying to bring these systems more into line with one another.

The desire for greater convergence, or even harmonization, has been expressed on several occasions by both the European Parliament and the Economic and Social Committee.

Now is perhaps the time to make a start.

2. COMMENTARY ON THE COMMISSION'S ANALYSIS

2.1. To provide some insight into the background and structure of social security, the Commission compares the Member States on a number of points.

As regards economic background, the points of comparison are as follows:

- breakdown of the working population by sector of activity,
- Gross Domestic Product per Member State,
- rate of increase in consumer prices, or rate of inflation
- tax structure.

With respect to the structure of social security, the following areas are listed:

- organization of social security per Member State,
- Risks insured against,
- Financing methods,
- Relationship between GDP and social security expenditure.

2.2 Comparing the distribution of the working population per sector of activity is useful, particularly when a breakdown per Member State is given of the number of workers employed in industry, agriculture and services, since a substantial proportion of services are provided by the public sector, which places a burden on national budgets.

In a recession, Member States with a high percentage of workers employed in the services sector will therefore have more problems maintaining the level of social security than Member States with a smaller services sector.

2.3. As the Commission's document gives few figures on the breakdown of working population per Member State, some statistics from Eurostat (1982) are given below:

Breakdown of working population per Member State:

1970	ERG	Fr.	It.	NL.	Belg.	Lux.	U.K.	Irl.	Den.	Gr.	Eur.
Agr.	8.5	13.5	19.6	6.1	4.6	9.3	3.2	26.9	11.3	38.8	11.2
Ind.	48.4	38.6	38.4	38.1	42.1	44.1	44.1	29.6	37.1	23.8	41.8
Serv.	43.1	47.9	42.0	55.7	53.2	46.6	52.7	43.5	51.7	37.4	47.0
1976											
Agr.	6.6	9.5	16.0	5.5	3.4	6.4	2.7	21.8	9.2	32.2	8.9
Ind.	44.0	37.1	37.3	32.9	38.1	42.2	39.3	30.5	30.9	27.1	38.6
Serv.	49.4	53.4	46.7	61.6	58.6	51.4	58.0	47.7	59.9	40.7	52.5
1982						<u>1981</u>					
Agr.	5.4	8.2	12.1	4.9	2.9	5.0	2.7	17.1	8.5	28.7	7.5
Ind.	41.8	33.6	36.0	28.1	31.6	37.4	34.2	30.7	26.0	28.7	36.5
Serv.	52.8	58.2	52.0	67.0	65.6	57.6	63.1	52.2	65.4	42.6	57.0

2.4. The Commission's comparison of GDP per Member State is useful as well, since Member States with high GDPs are able to afford more social security than Member States with low GDPs. Denmark, FRG, the Netherlands, Belgium and France all score higher than the Community average.

2.5. The third point of comparison relating to economic background is the increase in consumer prices, or the rate of inflation. The negative impact of excessive inflation on the economy and social security is obvious. The Commission's data show that in particular Denmark, France, the UK, Italy, Ireland and Greece are facing major problems here.

2.6. Finally, the fourth point of comparison is tax structure, where the Commission notes that indirect taxation predominates in France, Italy and Ireland whereas direct taxation is preferred in the other Member States.

The Commission does not, however, make clear what impact these two forms of taxation has on economic structures, national budgets and social security.

2.7. The first point of comparison as regards social security is the organization of social security systems in the Member States. The Commission states that a few Member States operate one or two systems, generally one for employees and one for the remainder of the population. However, most Member States possess a large number of sector-based schemes, for example for individual occupations or industries, etc.

One advantage of sector-based schemes is undoubtedly the substantial, direct contribution from the parties concerned (employers and employees). The disadvantage is, however, that national governments find sector-based schemes more difficult to control than all-embracing or central systems.

2.8. A specific area of comparison is the health services, which are nationalized in three Member States but more or less private in the remaining countries.

Here, too, national governments can intervene more easily in national health services than in non-State medical care. This is important since the health services represent an extremely high cost factor in social security as a whole.

It would therefore be interesting to compare the two types of system and their direct and indirect impact on national budgets.

2.9. As regards the risks insured against - the second point of comparison relating to the structure of social security - there is little difference between the Member States. All Community countries provide cover for sickness, maternity, invalidity, industrial injuries, occupational illnesses, old age, death and unemployment.

However, 60% or more of expenditure is claimed by 2 major sectors, namely provision for old age and the health services. Furthermore, the Commission reports that these are the two most rapidly growing sectors.

Incidentally, it should be noted that the Commission cites figures for 1980. Between 1980 and 1983 (July), unemployment in the Community rose from over 6 million to over 11 million. We may therefore assume that provision for unemployment, in addition to the two sectors already mentioned, is also making ever-increasing demands on social security expenditure.

2.10. Further, it should not be assumed from the relatively great uniformity as regards the risks insured that every European citizen enjoys the same protection. There are large disparities between Member States in the amount and duration of the various benefits. The Commission does not discuss this point, however.

2.11. Finally, the Commission compares the proportion of GDP per Member State allocated to social security since 1970. In 1970, this proportion varied from 13.2% in Ireland to 20.8% in the Netherlands. In 1980, the UK came bottom of the table with 21.4%, the Netherlands coming top again with 30.7%.

In order of size, the increase was greatest in Luxembourg, the Netherlands and Belgium, and smallest in the UK and Italy. It would, however, be useful to know which sectors in which Member States showed the greatest increase.

3. COMMENTARY ON DEFINITION OF PROBLEMS

3.1. The Commission document states that the present problems in the financing of social security are caused mainly by economic factors. A secondary role is also played by difficulties inherent in the systems themselves.

The economic factors are:

- low economic growth,
- high inflation,
- increasing budget deficits and
- high unemployment.

The inherent difficulties relate mainly to:

- the growth in social expenditure as a result of
 - improvement of protection
 - ageing of the population and
 - growth in health service expenditure
- the high cost of social security and
- relative effectiveness

3.2 However, the Commission rightly remarks that the current difficulties are due more to the economic crisis than to the problems inherent in the social security systems. Economies in recession are characterized both by a stagnation or drop in contribution and tax revenue and by an extra increase in social expenditure as a result of unemployment.

The inevitable result is deficits in the social security funds, which in turn impinge on the national budgets. Excessive inflation can only reinforce this process.

3.3 In spite of these growing deficits in budgets and social funds, social security has a permanent tendency to expand. The Commission lists three causes: the improved cover offered, the ageing of the population and the rapid growth in expenditure on medical services.

In addition to unemployment, these could very well be the more or less decisive factors behind the increase in social expenditure in the various Member States. However, as the Commission document does not indicate the size of each of these factors per Member State, it is difficult to draw more precise conclusions.

3.4 The second social security problem noted by the Commission concerns the impact of the high level of social protection on the economies of the Member States.

On this point, the Commission is caught between two arguments. On the one hand, it makes clear that proper social protection should not be regarded as an unjustified burden on the economy, while on the other it details the disadvantages for industry of an excessive level of social security.

The Commission would do better to say that every Member State can afford a certain level of social security depending on its economic situation. Going beyond this will result in social and economic resistance. The Commission draws the limit at 50% of GDP. In the light of current problems, however, this estimate seems to be too high.

3.5 A third problem mentioned by the Commission as regards social security concerns the relative effectiveness of the system. The Commission is not very clear on this point either: if one wishes to assess the effectiveness of social security, one should first formulate the objectives of social protection.

The history of social security shows that there are numerous objectives where the intentions may differ somewhat. Examples are the protection of income, maintenance of purchasing power, prevention of poverty, redistribution of income, solidarity with the weak and even the prevention of social unrest or the provision of a minimum income for all. Whether or not one finds a social security system effective therefore greatly depends on what one considers the aim of social protection to be.

3.6 There are however certain minimum and maximum points on the scale of objectives. For example, nearly everyone would agree that the prevention of poverty is the minimum aim of social protection.

Given that recent European research reveals that about 30 million people are living below the poverty line in the European Community, one can indeed say that the system of social protection is extremely ineffective, especially when one realises there are also groups that enjoy maximum protection virtually for life.

To arrive at a proper understanding of the problem, however, figures should be provided for each Member State as regards protection given, from minimum to maximum.

4. COMMENTARY ON THE AREAS INDICATED FOR REFORM

The Commission names three areas with scope for reform :

- 1. containment of growth
- 2. re-examination of financing methods
- 3. improving effectiveness.

These three areas emerge from the preceding analysis and definition of problems. One may, however, ask whether this approach is adequate.

4.1 Containment of growth in social expenditure

Such growth needs to be contained, not only in times of economic stagnation or recession but also in more favourable circumstances. The Commission believes that, of the three main factors contributing to the growth of social expenditure, particularly the growth of health expenditure should be curbed.

The Commission does not justify its choice. Perhaps it assumes that the growth in provision for old age and employment benefits is mainly due to the ageing of the population and the increase in the number of unemployed, whereas the growth in health services is certainly not due to a deterioration in the health of the average European. It may, however, be noted that an ageing population makes more demands on the health services.

4.1.1 The following suggestions are put forward for reducing health costs:

- more coordination between all those involved in planning
- greater responsibility for all the parties concerned, both on the supply side and on the demand side
- more attention to be given to the medical and social costs of modern industry.

4.1.2 Proper coordination between all the bodies concerned is certainly important. In fact, most Member States already possess national health boards on which all the interested parties are represented.

These health boards should perhaps be enjoined to a greater extent than before to observe financial constraints, in order to force them to set priorities and make choices. In this connection, studies comparing the Member States could thus be useful. Such comparisons could relate to :

- the relationship between the care provided by general practitioners, polyclinics and clinics, respectively
- the level of the salaries of medical and paramedical personnel
- cost of care in hospitals, nursing homes and old people's homes
- costs of commonly occurring types of treatment
- use and cost of medicines.

All the Member States or national health boards would then be able to see for themselves whether certain areas of health care costs in their own countries were markedly different or more expensive than in neighbouring countries, and could draw their own conclusions.

4.1.3 It cannot be assumed automatically that giving more responsibility to all parties concerned will have a positive impact on unnecessary demand or supply. Here, research into the effect of patients' contributions towards medical treatment, for example medicines, could serve a useful purpose. Some Member States have a contribution system others do not.

An examination of the impact of state and non-state health care on the supply of treatment would also be informative.

4.1.4 It would certainly be helpful to pay more attention to the medical and social costs of economic activity. It is well known for instance that the frequency and gravity of occupational illnesses and industrial accidents vary considerably from Member State to Member State. Comparative research by the Community would enable the Member States to learn a lot from one another.

The results of increases in scale in the work environment also appear to have a negative impact on the health of workers. Some companies have been able to reduce absence due to illness considerably by dividing work into smaller units.

Finally, there are the direct and indirect medical consequences of environmental pollution. In past decades, action in this area has often been extremely irresponsible. Strict legislation and regulation, also on the part of the Community, is definitely needed.

4.1.5 An important way of reducing costs not mentioned by the Commission is prevention. In most Member States, about 95% of the health budget is spent on curing illness, whereas extremely modest amounts are set aside for prevention.

Sound information, for example on the consequences of smoking, alcohol consumption and wrong eating and living habits would not only prevent much suffering but could also save a great deal of money.

4.1.6 Nor does the Commission say anything about ways of economizing on provision for old age. For example, it is to be noted that, where elderly people are admitted too early into old people's homes, the result is frequently an increase in the number of their health problems.

Policy should be geared to allowing elderly people to look after themselves for as long as possible, if need be in specially adapted housing. This would not only reduce costs, it would also benefit the elderly¹.

4.1.7 According to the Commission, a critical examination of the periodic reassessment of social benefits could help to contain the growth in social expenditure. It would be useful to compare the various rules employed by the Member States and the effect they have on the growth of social expenditure, with a view to answering the following questions: Do benefits have to be reassessed once or several times a year? Does the reassessment have to be automatically adapted to wage and price trends? To what extent do minimum benefits have to keep pace with the minimum wages? A Commission study in this field would certainly be of use to the Member States.

4.1.8 Finally, the Commission draws attention to the positive impact that a simplification of the social security system could have on the growth of the social funds. It has already emerged from the Commission's brief analysis how much the organization of social security varies between Member States. Here too, a comparison of how systems are organized in each Member State and of the impact they have on the budget could be informative.

¹ Parliament resolution of _____, OJ No. _____, p.

4.2 Re-examination of financing methods

4.2.1 Having regard to the great variation in the financing methods employed by Member States, the Commission suggests that the balance between income from contributions and income from public funds should be improved.

Income from contributions should be used first and foremost to compensate for loss of earnings (employee insurance), whereas income from public funds should be used to provide social protection for the population as a whole (national insurance). Before making such a suggestion, however, one should at the very least investigate the differing financing methods in the Member States and their impact on the growth of expenditure. This, too, is a job for the Commission.

4.2.2 The Commission is also interested to know what impact the financing systems have on economic activity and employment. It draws attention to the heavy burden placed by social contributions on labour-intensive firms, particularly small and medium-sized enterprises.

Seeing that some Member States finance their social expenditure mainly from tax revenue while others rely mostly on contribution revenue, it should be possible to assess the concrete impact of each model on both labour-intensive and capital-intensive firms, or small and medium-sized businesses.

4.3 Improving the effectiveness of social security

4.3.1 Since considerable poverty still exists in the Member States in spite of the high level of social security, it is clear that even the primary goal of social protection is not being met. The Commission therefore offers the following suggestions:

- systems should operate flexibly
- differences in treatment of certain groups should be avoided
- care should be taken that no group falls outside the social security systems
- the transparency of systems should be improved
- action should be taken against abuse, waste and overlapping
- existing benefits should be subject to a critical examination
- the emphasis should shift from quantitative to qualitative growth.

4.3.2 Greater flexibility could improve the effectiveness of social security systems that have become too rigid. The Commission mentions the inflexibility resulting from the fixed age of retirement.

Here, however, reference might also be made to the obstacles that benefit authorities raise when unemployed people wish to do voluntary work or to study, although both activities may be useful for finding a new job. It would be a good idea for all the Member States to examine their social legislation for unnecessary inflexibilities.

4.3.3 Unjustified differences in the way in which various groups of insured persons are treated are unacceptable. In this field, the European Community has already introduced a considerable amount of corrective legislation, which incidentally has often had the effect of raising costs in the Member States.

It would therefore be worth investigating not only whether certain groups are being discriminated against but also whether certain groups are, without justification, receiving favoured treatment in comparison with other groups.

Here, one could point to the special protection enjoyed by certain groups of civil servants in some Member States compared with other workers, for example in industry. A more specific example would be the great differences in social security for widows compared with widowers¹.

4.3.4 The Commission goes on to ask how the exclusion of certain groups from social security cover can be prevented and whether these gaps should be filled by extending social protection or by guaranteeing a minimum income for the entire population.

A careful examination should first be carried out for each Member State to establish which groups are excluded from the social security system and whether there are obvious gaps in existing legislation. Recently, for example, the European Parliament drew attention to the position of women working in family businesses, who, in a number of Member States, are not covered by social legislation for the self-employed. It goes without saying that the legislation for self-employed persons should be extended to cover this gap.

¹ Parliament resolution of
MAIJ-WEGGEN resolution, Doc. 1-626/82

4.3.5 A guaranteed minimum income for the entire population has been virtually achieved in some Member States, though not in others. It would be worth investigating which groups actually avail themselves of this guarantee and how these groups provide for themselves in other Member States.

In some Member States, for example, young unemployed school-leavers receive a basic minimum benefit, while other Member States require their parents to maintain them. A guaranteed minimum benefit may prevent a great deal of poverty, but probably also draws certain groups into its sphere of application.

4.3.6 Greater transparency in the systems could certainly improve the effectiveness of social provisions. Experience shows that the educated and socially well-integrated often know how to use the social security system better than the less-privileged. There is work here for information officers and social workers.

An additional problem is that as a result of the complexity of certain legislation, the administrative departments involved sometimes take months to process certain benefits. Such situations are unacceptable and there is urgent need for reform.

Lack of transparency not only results in excessive delays in payments, it also encourages abuse, waste and overlapping. Yet these practices are not just the result of legislative complexity. Lack of control and a certain mentality on the part of the members of the public involved also play a part. All legislation, including social legislation, should be properly monitored, not least in the way it is implemented. The effect will not just be to reduce fraud, it will also mean that doubt cannot be cast on the integrity of those receiving benefits to which they are fully entitled.

4.3.7 Finally, the Commission wonders whether the further development of social security should not concentrate on qualitative rather than on quantitative expansion. It should be noted here that quantitative growth is undesirable in most of the Member States. Where certain groups do not receive adequate protection, this should preferably be provided by a reapportionment of the total funds available.

As regards qualitative growth, more attention might be given to providing social services in place of financial support. For example, in addition to benefits, the unemployed could also, if need be, be given assistance in finding useful ways to spend their considerable amount of leisure time, in looking for work and as regards retraining or further training etc.

All too often, social assistance is in the nature of a pay-off, with too little actually being done to find a place in our society which people unable to work as a result of old age, sickness or unemployment can occupy with dignity.

5. CONCLUSIONS

5.1 On several occasions in the recent past, the Community has introduced provisions to improve social legislation in the Member States: for example, Community legislation to remove differences between social security arrangements for indigenous workers and those for workers from other Member States (for example, migrant workers and frontier workers) and to reduce discrimination between certain groups of workers (men/women, part-time workers, temporary/full-time workers). As a result of this Community Legislation, social security has in the past few years improved for millions of Europeans or will undergo improvement.

5.2 The aim of the present communication from the Commission to the Council is completely different. The increasing budgetary problems confronting the social security systems in nearly all Member States have increased the pressure on the Community from the Member States to provide suggestions as to the direction in which social security should evolve. The present Commission document supplies a number of such suggestions and Parliament's task is to examine whether the suggestions are useful and relevant.

5.3 To provide some insight into the background and structure of social security in the Community, the Commission compares a number of economic and social factors in the various Member States (see 2.1). Although these comparisons yield some interesting data, it must nevertheless be said that they are too brief and much too incomplete to provide a relevant definition of the problems and relevant suggestions for their solution. The analysis furnished by the Commission in fact raises more questions than it answers (see 2.2 to 2.11).

5.4 The following comments may be made on the definition of the problems. The Commission document argues that the current problems connected with the financing of social security are caused more by economic factors than by problems inherent in the systems themselves (see 3.1). One might therefore expect the Commission to provide a number of suggestions for strengthening the economies of the Member States so as to secure a continuing solid basis for social security. The Commission does not do this, however. Instead, the Commission discusses in detail the problems inherent in the social security systems themselves and derives a number of suggestions to improve the situation. This approach is not only inconsistent, it is also one-sided.

5.5 As regards the Commission's suggestions, the containment of growth, re-examination of financing methods and improving effectiveness are in themselves quite positive proposals. It should be noted here, however, that at least two of the suggestions are relevant not only in periods of economic stagnation, they would be desirable even under more favourable economic circumstances.

5.6 With regard to the containment of growth, the Commission proposes that health expenditure in particular be curbed. This suggestion is understandable, since the cost of medical care is, together with provisions for old age and unemployment benefits, the most rapidly rising item in the social security budget. Moreover, the increase in the cost of medical care appears to be due mainly to increasingly expensive technical facilities, whereas the health of the average European has not improved noticeably in recent years.

5.7 An important way of reducing costs in the health sector is prevention, which the Commission document does not mention at all. In most Member States, 95% of the health budget is spent on curing illnesses, whereas extremely modest amounts are set aside for prevention. Sound information on eating and living habits and on the consequences of smoking and alcohol and drugs consumption could not only prevent much suffering but also reduce costs considerably.

5.8 Nor does the Commission discuss possible savings in provisions for the elderly. It is right not to do so. In a humane society, one of the foremost requirements is the maximum possible care for the elderly. In view of demographic structures, Member States should even expect the costs for

this care to increase. Apart from this consideration, however, the over-hasty admission of elderly people into old people's homes and nursing homes is also questionable. Policy in the Member States should be geared to allowing the elderly to look after themselves as long as possible. On this point - which could well reduce costs in some Member States - the Commission might perhaps commission a comparative study so as to enable it to make recommendations (see 4.1.6).

5.9 The Commission's suggestion that costs be reduced by re-examining the methods of financing social security systems is insufficiently backed up. There seems to be an urgent need for additional studies by the Commission, for example on the impact of the relation between income from contributions and income from public funds on the growth of expenditure and on the impact of the relationship between employer and employee contributions on economic activity. As practices in the Community's Member States differ widely in this area, a comparative study might perhaps be informative and lead to useful recommendations.

5.10 The third suggestion by the Commission, to reduce costs by improving the effectiveness of social provisions, certainly deserves favourable consideration. All the ideas the Commission proposes (see 4.3.1) could be relevant; the problem is that it is not clear what ideas could apply to which Member State. The Commission should therefore examine the entire package of social security arrangements in each of the Member States on the basis of certain criteria of effectiveness. For example, the question could be examined whether some members of the public do not obtain disproportionate advantages from the social security systems, while others with little or no chance of obtaining social protection are in danger of rapidly slipping below the poverty line as soon as they land in difficulties, for example through the loss of paid employment. The harsh fact that some 30 million Europeans are still living below the poverty line indicates that the primary objective of social security in the Community's Member States has not yet been achieved.

5.11 Finally, it may be questioned whether the Commission is on the right track with all its inadequately supported and over-general ideas and suggestions for reducing the cost and, in particular, for improving the efficiency of the various social security systems, and whether it would not do better to adopt a more fundamental approach to the whole issue. In Parliament, it has often been asked whether the social security systems in the Member States could not be brought rather more into line with one another or harmonized. Now that a number of Member States are seeing their systems of social security beginning to shake under the strain of the economic crisis, the time may be ripe for taking such an initiative.

5.12 Parliament should therefore impress upon the Commission that harmonization is possible in a number of areas currently causing great problems, namely that of the financing and organization of social systems and that relating to various laws, for example those on old age and provision for relatives, industrial accidents and occupational illnesses, sickness and invalidity, maternity, family allowances and unemployment. Such an approach might not only eliminate many shortcomings in the existing systems, it could bring the same level of social security for all the citizens of Europe, from Ireland to Greece and from Denmark to Italy, and thus strengthen the solidarity of those European citizens in a fundamental manner¹.

¹ See also comparative tables of the social security systems applicable in the Member States of the European Community (general system) - issued in July 1982 (Publications Office, No. 92-825-3517).

