Expert Study

"Access to Social Protection for All at the time of Covid-19:

The role of the EPSR and the NGEU"

ETUC SociAll Project

Authors:

David Natali and Andrea Terlizzi, Sant'Anna School of Advanced Studies, Pisa

Introduction

The Covid-19 crisis has affected social and labour market policy in many respects. Pensions - that are apparently immune from the effects of the pandemic - have also been challenged by its economic and social consequences. Firstly, emergency measures consisted of ad hoc benefit increase and reduction of the weight of social contributions. Moreover, future pensioners will probably be at risk of inadequate protection while the financial viability of pension systems will deteriorate as a consequence of changing mortality and life expectancy, GDP decline, fall of the wage base, and tensions in the financial markets.

In a context marked by the temporary suspension of the Stability and Growth Pact and the more timid intervention of the European Union (EU) in the field, it is important to broaden our analysis to new governance instruments set up to improve the prospects for economic recovery after the pandemic. It is also crucial to look at the overlap of different policy fields – not only pensions, also healthcare and social services for the elderly. The interplay of different policies is in fact at the core of the right-based approach of the European Pillar of Social Rights (EPSR) that refers to the different areas of social protection and frames old age protection well beyond pension policy.

This paper is a first exploratory study of the way new instruments like the Recovery and Resilience Facility - RRF (that is big part of the Next Generation EU (NGEU)) affect the present and future wellbeing of the elderly. We refer to a broad spectrum of policy fields that affect old age and the main social risk of this period of each life. In the aftermath of the pandemic crisis, in fact, the EU reviewed its economic and social governance, with the increase of its fiscal capacity and the further support of the economic growth of the Member States.

With the financial support of the European Union

NGEU complement the Multi-Annual Financial Framework and in its turn consists of a number of EU plans. The most important one is the RFF through which EU countries are asked to set out a coherent package of projects, reforms and investments in six policy areas: the green transition; digital transformation; smart, sustainable and inclusive growth and jobs; social and territorial cohesion; health and resilience; policies for the next generation, including education and skills. EU countries have to submit their National Recovery and Resilience Plans (NRRP) setting out their reform and investment agendas until 2026.

The paper first investigates the content of the NRRP in Italy and Spain and outlines both similarities and differences in the field of the policies for the old age. The comparative analysis checks whether the post-pandemic crisis has marked a 'u-turn' in the design of pension and elderly care services. In the context of the temporary suspension of the Stability and Growth Pact and the additional resources for social cohesion in the NGEU, we could expect anti-cyclical packages to improve the social rights for the elderly. On top of that, and in line with the recent strategy of the EU on the strict interaction of social protection and services for the elderly, we could expect a renewed emphasis on the Silver economy that is the strategy to emphasis the opportunities of an ageing society.

The present paper is organized as follows. Section one provides a summary of the EU economic and social governance based on the European Semester of 2011, the EPSR and their cross-fertilisation. Section two adds the brand new governance tools consistent with the development in parallel of the Multi-Annual Financial Framework for 2021-27 and the NGEU for 2021-26. The two are part of the broad Recovery Plan of the EU in the aftermath of the pandemic crisis. The Action Plan of the EPSR refers to these new programmes as parts of the broad strategy for supporting social protection in the Member States. Section three compares two countries (Italy and Spain). The two are the most evident beneficiaries of the NGEU and in particular of the RRF. The analysis is focused on the policy areas that affect the elderly: healthcare, pensions, and further assistance programmes for the old age. Section four concludes.

1. EU Governance, the EPSR and the Recommendation on the access to social protection for All

The EU deploys different 'layers' affecting national pension systems, with different degree of influence on domestic reforms. This section focuses on two of them: the European Semester that includes both budgetary and pension policy coordination; and the European Pillar of Social Rights (EPSR).

The European Semester

The European Semester (ES) has become the main tool for economic and social policy coordination among the member states. The ES is based on different instruments with different legal bases: the Stability and Growth Pact (SGP); the Macroeconomic Imbalance Procedure (MIP); the Integrated Economic and Employment Guidelines; and Europe 2020. In this cycle, the Commission, the Council of the EU and the European Council set priorities for the Union, review national performance, budgets and reform programmes, and issue Country-Specific Recommendations (CSRs), backed up in some cases by possible financial sanctions (Verdun and Zeitlin, 2018).

From 2011 on, EU institutions have at disposal a host of new instruments to provide economic and policy guidance, through the European Semester framework. The preventive arm of the SGP and of the MIP are soft conditionality measures aimed at preventing member states from breaching the Maastricht convergence criteria or avoiding excessive macroeconomic imbalances from cumulating. Country-Specific Recommendations (CSRs) either related to the SGP or to the MIP that are forwarded on a yearly basis to the member states. Although CSRs are explicit and formal, compliance is mostly voluntary. In the realm of pensions, an interesting example is represented by the first Annual Growth Survey (AGS), where the European Commission espoused fiscal sustainability as the main reform objective by recommending linking the retirement age with life expectancy, reducing early exit, improving the employability of older workers, etc. All these measures are meant to increase the fiscal sustainability of pensions, which can be linked - but not necessarily - to avoiding significant deviations from Medium-Term Budgetary Objectives (MTOs).

The corrective arm of the SGP and of the MIP consists of procedures representing instances of medium conditionality. The Excessive Deficit Procedure and the Excessive Imbalance Procedure (that has not been triggered to date) require immediate policymaking action to avoid sanctions. Yet, in both cases countries still have some leeway on how to address recommendations. Severe uncorrected deviations, such as budgetary deficits exceeding a certain agreed ceiling, high debt levels not being reduced swiftly enough, or other macroeconomic imbalances trigger the two procedures. These have an impact on the fiscal stability of a country and, indirectly, of the Eurozone. As pensions make up for a sizeable portion of current expenditure in most member states, their reduction often helps (together with other interventions) to reduce the imbalances above (Guardiancich and Natali, 2021).

In the wake of the recent financial and economic crisis, many have criticised the European Union strategy to address socio-economic issues. Many have seen the further deterioration of the social dimension of the EU and the more evident disequilibrium between the economic priorities of the integration project and its social aims (Copeland and Daly, 2018).

The European Pillar of Social Rights

In such a context, the Juncker Commission clearly set the ambitious programme for a rebalancing of the social and the economic sides of the EU. In particular, the Commission proposed the EPSR on 26 April 2017. The Pillar was presented as a mechanism to rebalance the EMU and to push for stronger social standards. The EPSR was adopted in a solemn declaration by the European Parliament, the European Commission and the Council of the European Union in November 2017. The principles are to be implemented by various instruments, particularly social benchmarking and policy coordination, but also directives, which are legally binding (Rasnaca, 2017).

The Pillar consists of 20 principles that are organised under three headings: equal opportunities and access to the labour market; fair working conditions; and social protection and inclusion. Two of its 20 principles are relevant for this study. No. 12 on social protection: "Regardless of the type and duration of their employment relationship, workers, and, under comparable conditions, the self-employed, have the right to adequate social protection." No. 15 on old-age income and pensions: "a. Workers and the self-employed in retirement have the right to a pension commensurate to their contributions and ensuring an adequate income. Women and men shall have equal opportunities to acquire pension rights. b. Everyone in old age has the right to resources that ensure living in dignity."

The Pillar proposes four types of instruments to progress on the different principles. The first instrument is *social regulation*. This refers to EU-level legal standards in social and labour market policy. Most social regulation in the Pillar consists of directives, providing some discretion for member states to implement the norms. It is the case of three directives - two of these directives cover the work-life balance directive and the written statement - covering five principles. S*oft coordination* (SC) that involves common EU guidelines, national reporting and EU surveillance/assessment of member state policies. A variant of soft coordination is a Council Recommendation. *Social benchmarking* (SB) consists of comparisons in social policy based on common European data and EU benchmarks, but with no member state reporting, no EU surveillance and no country-specific recommendations. In the Pillar, social benchmarking is embodied in the 'social scoreboard' that has been developed in the European Semester to focus on key benchmarks. *EU co-funding*, the main funding instrument in social and labour market issues is the European Social Fund (ESF), which provides funding to spur growth and jobs and to decrease inequality (de la Porte, 2019: 5).

As for pensions, both principles considered, rely on soft coordination and social benchmarking. The former is EU-facilitated policy coordination that involves common EU guidelines, national reporting and EU surveillance/assessment of member state policies, including country-specific recommendations (although they are not binding, they may be agenda-setting). A variant of soft coordination is, for example, the Council Recommendation on access to social protection for workers and the self-employed. Such recommendation intends to underline the political willingness of member states in support of a principle. A Council recommendation could include analysis of the situation in member states and point to a relevant policy solution.

Social benchmarking (SB) consists of comparisons in social policy based on common European data and EU benchmarks. In the Pillar, social benchmarking is embodied in the 'Social Scoreboard'. Below we outline the main problems of the instrument.

The literature on the EPSR has outlined its potential for some rebalancing of the EU governance (in general and for pensions in particular). Analysts have stressed the EPSR reiterates the current EU social policy regime and raises awareness of the EU's social dimension. It also provides impetus, through various new initiatives, to support member states in responding to current challenges in social and labour market policy (de la Porte, 2019). For Sabato and Corti (2018), the first potential function of the Pillar is to revamp the EU social agenda by reinforcing social priorities, relaunching already existing debates and initiatives in the social domain and proposing new ones. This is the case for the involvement of stakeholder and trade unions in particular. What is more, the Pillar provides the EU with a social policy framework to steer Member State social policies in the direction of EU orientations and recommendations. Thirdly, the EPSR may influence the direction of EU macro-economic and fiscal policies, thus rebalancing the social and economic dimensions of the Union. The Pillar has represented a turn towards a social rights approach where the greater emphasis to social protection is framed in line with the primary objective of the promotion of social rights (see the ETUC resolution, 2019).

According to some contributions in the literature, the ES has seen a form of socialisation of the EU economic governance. That process started well before the advent of the Pillar, but has been further reinforced by the EPSR. In the words of Hacker (2019), the Annual Growth Survey 2018 did refer to 15 of the 20 EPSR principles, focusing on education, social, labour and employment policies. In parallel, in the Commission proposal on the new employment guidelines (European Commission 2017a; 2017b quoted in Hacker, 2019), reference was made to 11 of the 20 principles. In the Joint Employment Report (European Commission 2018a), twelve out of fourteen Social Scoreboard indicators were taken up – though at the request of the Member. This progress seems less evident in the field of pensions. The same Annual Growth Survey 2018 saw a very narrow interpretation of Principle 15 of the EPSR from a primarily labour market perspective: longer working lives are seen as a social measure aimed at providing for adequate retirement income.

At the same time some potential shortcomings have been stressed. From legal and procedural point of view, for Rasnaca (2017), the 'EPSR contains more of a promise than a binding pledge to use the principles and rights embedded in it' in that is largely based on non-binding and secondary regulation. On top of that, one of its key component, the Social Scoreboard, is underdeveloped (see section 2.4 below) (Galgóczi et al., 2017).

The case of the proposal for a Council Recommendation on Access to Social Protection for Workers and self-employed is of particular importance. On the one hand, it represents an opportunity for the implementation of the right-based approach to social protection and for an encompassing perspective to 'ensure highly inclusive, solidarity-based, fair, equitable, effective, adequate, and sustainable pension systems (ETUC, 2018). On the other, the final text of the Recommendation has been assessed as weak for a number of reasons: the withdrawal of the 'transferability' issue, the weakening of the priority of enhanced formal coverage (due to the reference to voluntarism as to the case of self-employment) (ibidem). Being a case of soft law, the effective monitoring of national cases and the effective coverage of old age risks is a critical point (see section below on indicators to be further developed).

2. The Action Plan and the link between EPSR and NGEU

The EPSR is thus a counterweight of the EU economic governance and is expected to fertilize the European Semester and broader strategy for the economic (and social) coordination of the Member States. After some years from the official declaration of the 20 principles at the core of the Pillar, the focus on the EU is now on delivering the same pillar. The latter is a shared political commitment and responsibility of the EU institutions, national, regional and local authorities, social partners and civil society.

While the EU has already progressed on the legal regulation of some of the twenty principles - e.g. the Recommendation on access to social protection for workers and the self-employed of 2019 - the EU aims at supporting the implementation through the different EU funds. As stressed by the Action Plan of the EPSR of 2021-30, this is the case of the programmes to invest in fair recovery and the twin green and digital transitions.

After the pandemic crisis, more EU funds are available to support reforms and investments in line with the European Pillar of Social Rights. The EU's long-term budget for 2021—2027, coupled with the Next Generation EU (NGEU) recovery instrument, is the largest stimulus package ever financed through the EU budget: EUR 1.8 trillion for a greener, more digital and socially just economic progress. In particular, the Recovery and Resilient Facility (RFF), with its EUR 672.5 billion budget is a key part of the fiscal capacities to support the Member States. The latter are expected to provide a detailed reform programme in their National Recovery and Resilient Plan (NRRP) in line with the relevant country-specific recommendations under the European Semester and the 20 principles of the European Pillar of Social Rights. This is expected to contribute to the economic, social and territorial cohesion and convergence within the Union.

The scope of application of the RRF refers to policy areas of European relevance structured in six pillars: (a) green transition; (b) digital transformation; (c) smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong SMEs; (d) social and territorial cohesion; (e) health, and economic, social and institutional resilience, with the aim of, inter alia, increasing crisis preparedness and crisis response capacity; and (f) policies for the next generation, children and the youth, such as education and skills.

In line with these six pillars, the general objective of the RRF is to promote the Union's economic, social and territorial cohesion by improving the resilience capacity and growth potential of the Member States, by mitigating the social and economic impact of that crisis, in particular on women, by contributing to the implementation of the EPSRs, by supporting the green transition, by contributing to the achievement of the Union's 2030 climate targets. As indicated by the Commission, the aim is thus contributing to the upward economic and social convergence, restoring and promoting sustainable growth and the integration of the economies of the Union, fostering high quality employment creation, and contributing to the strategic autonomy of the Union.

In line with the key assumptions of the so-called Silver economy - the sum of all economic activity that serve the needs of people aged 50 and over, including the products and services they purchase directly and the further economic activity this spending generates, social services for the old age have to be seen not as a cost but as an investment providing more effective protection (and prevention) of social risks and opportunities for jobs and economic activity (European Commission, 2018b). In the past, the same Commission stressed the need to address the increased demand for care services for the elderly. Providing and paying for long-term care is driven by demographic ageing and wider societal changes in the role of women and changing family ties, as well as demand for higher-quality services that are more responsive to the needs of both direct users and their informal carers (Anderson, 2012). In the same line, the recent Pension Adequacy Report and the LTC Report of the European Commission and the Social Protection Committee (European Commission and SPC, 2021a; 2021b) confirm the link between monetary transfers and services for an effective strategy for old age protection.

The NRRPs are expected to provide an opportunity for encompassing programmes to improve social protection rights especially for the elderly. In what follows we focus on selected countries – Italy and Spain - to look at the synergies (if any) between different policy tools that may contribute to enhancing social rights in old age. We first refer to pension policy measures to assess the reform line included in the NRRP: if consistent with improved rights and protection (access for all workers and the self-employed; reference to minimum benefits, etc.) or with cutbacks and austerity measures. Then we refer to other social protection branches (like healthcare) and socio-assistance programmes. All these are in fact part of the services dedicated to the elderly and contribute to effective protection of old age risks.

3. National Recovery and Resilience Plans: the cases of Italy and Spain

This section focuses on the analysis of the NRRPs of two EU countries: Italy and Spain. The two countries are between the net beneficiaries of the EU Recovery Plan and are between the member states the most affected by the pandemic. The two are thus a good test for assessing the recovery strategy of the EU and the opportunity to revise the social policy reform strategies of the past.

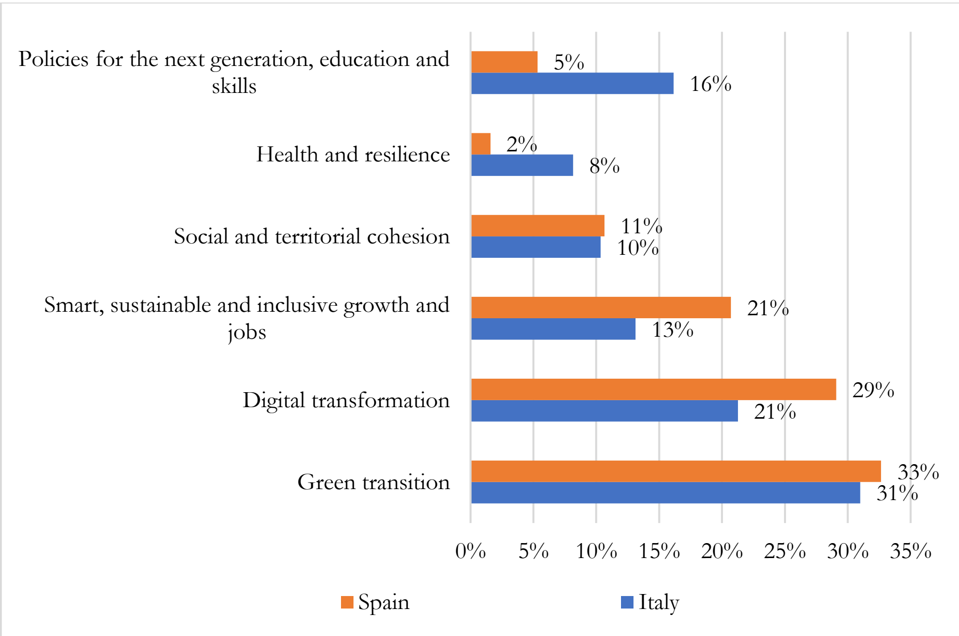
Table 1 and Figure 1 compare the composition of the two plans along the six RRF's pillars: 1) green transition; 2) digital transformation; 3) smart, sustainable and inclusive growth and jobs; 4) social and territorial cohesion; 5) health and resilience; 6) policies for the next generation, education and skills.

Table 1. NRRPs in Italy and Spain: Allocation of funds (billion euros)

	Italy (2021-2026)	**Spain (2021-2023)**
Green transition	59.5	22.7
Digital transformation	40.3	20.2
Smart, sustainable and inclusive growth and jobs	25.4	14.4
Social and territorial cohesion	19.8	7.4
Health and resilience	15.6	1.1
Policies for the next generation, education and skills	30.9	3.7
TOTAL	191.5	69.5

Source: Authors' elaboration based on the Italian and Spanish NRRPs (Gobierno de España, 2021; Governo Italiano, 2021) and algebris.com

Figure 1. NRRPs in Italy and Spain: Allocation of funds (%)



Source: Authors' elaboration based on the Italian and Spanish NRRPs (Gobierno de España, 2021; Governo Italiano, 2021) and algebris.com

As we shall see, the two plans diverge in their structure. Whereas in Italy resources are allocated along six policy areas as identified in the RRF, Spain follows a different approach, distributing funds along four transversal pillars which are in turn divided into ten key policies. Moreover, whereas the Italian Plan refers to the period 2021-2026, the Spanish one details the reforms to be implemented during the period 2021-2023. Therefore, problems of comparability have arisen in analyzing budgetary allocations in the two plans.

In what follows, we mainly focus on budgetary allocations along two RRF pillars as identified by Algebris.com: 1) social and territorial cohesion; and 2) health and resilience. These are the pillars that mostly relate to the policy areas we are interested in investigating, namely, pension policy and elderly care. However, we also look at the pillars concerning the digital transformation and the smart, sustainable and inclusive growth given their cross-cutting nature. As we shall see, whereas the importance of elderly care (and elderly care economy) is emphasized in both Plans, pension policy features the Spanish NRRP only. Moreover, whereas both Plans make reference to the EPSR, no reference to the Recommendation on access to social protection for workers and the self-employed has been found.

Italy

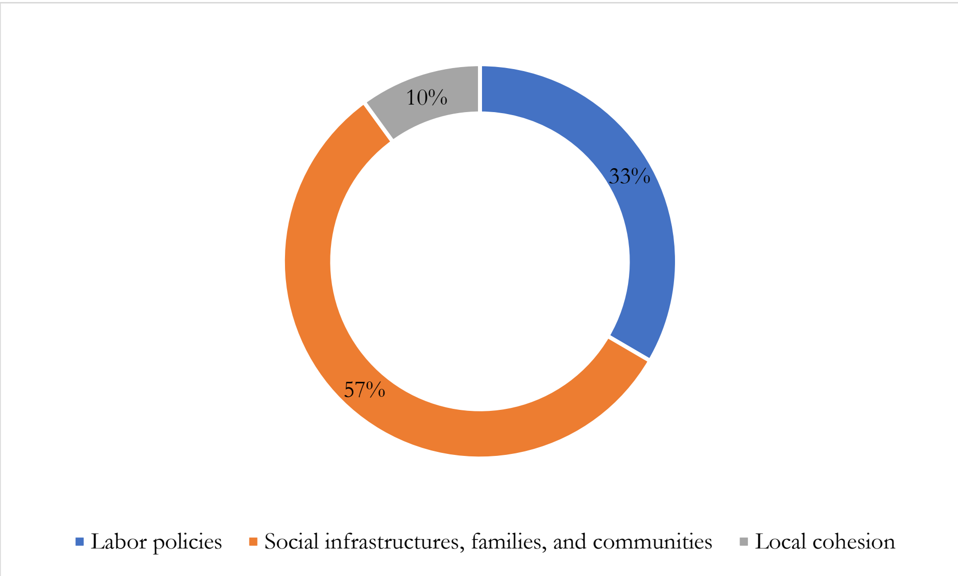
The Italian NRRP has requested a total of €191.5 billion under the RRF over the period 2021-2026—comprising of €68.9 billion in grants and €122.6 billion in loans. The Plan is structured around six areas: 1) digitalisation, innovation, competitiveness and culture; 2) green revolution and ecological transition; 3) infrastructure for sustainable mobility; 4) education and research; 5) cohesion and inclusion; and 6) health.

The dominant cross-cutting theme is that of the digital transformation, which recurs in all six areas. In fact, as stated in the Plan, among the causes of the low economic productivity is the inability of the country to seize the many opportunities linked to the development of information and communication technologies (ICTs) and their use in both the public and private sectors. This delay is deemed to be due to the lack of adequate digital infrastructure as well as the structure of the economic fabric. In fact, the latter is characterised by a prevalence of small and medium-sized enterprises, which have often been slow to adopt new technologies and move towards higher value-added production. As mentioned, the lack of use of digital technologies is a problem that features the public sector as well. In this respect, the Plan estimates that, before the COVID-19 outbreak, 98.9 per cent of public employees had never made use of smart working.

The Plan makes explicit (but loose) reference to the EPSR. In this regard, it is stressed that to be effective, Italy's recovery must give equal opportunities to all citizens, especially those who do not fully express their potential today. The persistence of gender inequalities, as well as the absence of equal opportunities irrespective of origin, religion, disability, age or sexual orientation, is seen as significant obstacle to economic growth. This is all related to the €19.8 billion invested in social and territorial cohesion (see Table 1) and distributed along three main areas: 1) labour policies (€7 billion); 2) social infrastructures, families, and communities (€11.2 billion); and 3) local cohesion (€2 billion) (Figure 2 below).

As for the investments in the field of social infrastructures, families, and communities, there are few provisions that refer to elderly care. The Plan aims at strengthening the role of territorial social and health services and at defining personalised models for the care for families, younger people, people with disabilities and the elderly. The envisioned measures have to be analysed in light of the Italian health system model. Italy has a national health service committed to ensure universal access, financed out of general taxation, and based on a decentralized organizational structure which gives great managerial autonomy to the regions.

Figure 2. NRRP in Italy: Allocation of funds for social and territorial cohesion (%)



Source: Authors' elaboration based on the Italian NRRP (Governo Italiano, 2021) and algebris.com

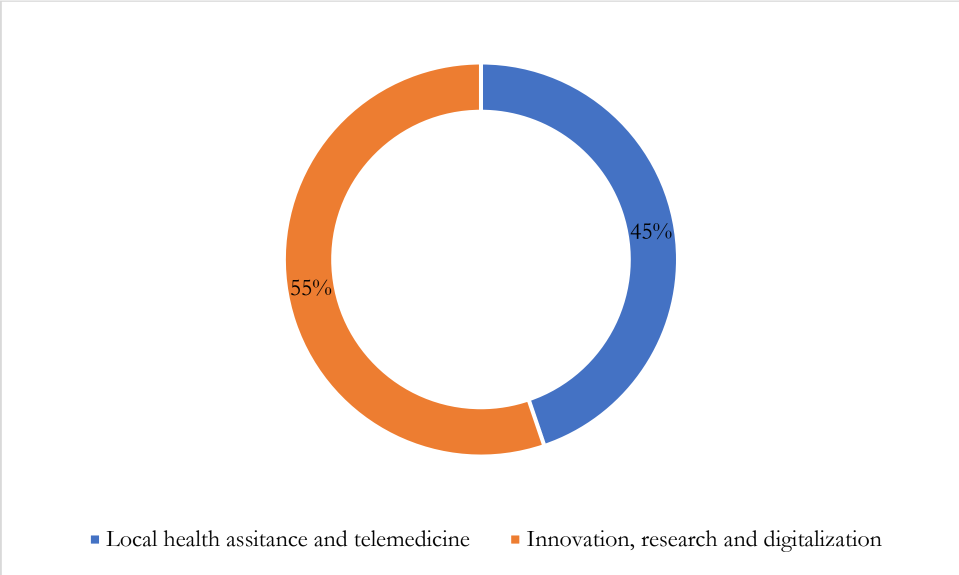
Since the early 1990s, the regions have been able to adopt very different organisational strategies (Terlizzi, 2019). Among the regional health services, there are significant differences not only in terms of organization and management, but also in terms of the quality of the provision of services (Toth, 2014). Against this background, despite some common directives provided by the national level, research has shown that regions have countered the spread of the pandemic through different organizational approaches and policy means (Casula, Terlizzi and Toth, 2020). In particular, while some regions (e.g. Lombardy) have adopted a response strategy focused on a hospital-centred model, other regions (e.g. Veneto) have relied upon community- and home-based care. At least during the first month of the Covid-19 outbreak, evidence suggest that an approach based community- and home-based assistance is more effective than a strategy predominantly focused on hospitals (Casula, Terlizzi and Toth, 2020; Cepiku *et al.*, 2020).

The pandemic has therefore brought to the fore the importance of reinforcing community- and home-based care. Overall, four area of interventions are envisaged in the field of territorial social and health care services for vulnerable people: 1) interventions aimed at supporting parenting skills and supporting families and children in vulnerable conditions; 2) interventions for independent living and de-institutionalisation of the elderly —namely, replacing institutions with community-based services to support older persons to live independently in the community; 3) interventions to strengthen social services at home to ensure early discharge and prevent hospitalisation; 4) interventions to strengthen social services through the introduction of sharing and supervision mechanisms for social workers.

In particular, €500 million are earmarked for support to vulnerable people and the elderly to strengthen territorial and "proximity health services" (*servizi di prossimità*). Of this amount, €300 million is earmarked for the conversion of nursing homes for the elderly (*Residenze Sanitarie Assistenziali*, RSAs) into groups of independent flats. The aim is to ensure autonomy and independence of the elderly. Digital means related to domotics, telemedicine and remote monitoring would make it possible to increase the effectiveness of these measures, flanked by services for strengthening home care with particular reference to social and health integration and attention to the needs of the individual.

The investments for the elderly in the area of social infrastructures, families, and communities are strictly intertwined with those envisioned for the health sector, which, overall, amount to a total of €15,6 billion (see Table 1) and are distributed along two areas: 1) local (territorial) health assistance and telemedicine (€7 billion) and 2) innovation, research , and digitalization (€8,6 billion) (Figure 3).

Figure 3. NRRP in Italy: Allocation of funds for health and resilience (%)



Source: Authors' elaboration based on the Italian NRRP (Governo Italiano, 2021) and algebris.com

This line of intervention allocates funds for the strengthening of health care and the territorial health network. In particular, €2 billion will be invested in the activation of 1,288 "Community Homes", namely, points of continuous care for the population, in particular for the vulnerable people and the elderly. Other resources are earmarked for the strengthening of home services and telemedicine. These investments are aimed at strengthening "proximity" and home healthcare services in order to provide healthcare services closer to the most fragile individuals, such as the non-self-sufficient elderly, thus reducing the need to "institutionalise" them, but guaranteeing them all the necessary care in an autonomous and socially appropriate context.

As for the pension system, there are no specific provisions in the Plan. However, the European Commission has established that the NRRPs should address challenges identified in the European Semester. Accordingly, the Italian Plan mentions the European Semester's Country-Specific Recommendations (CSRs), in particular those issued in 2019 where it is required to fully implement past pension reforms to reduce the share of old-age pensions in public spending and create space for other social and growth-enhancing spending.

While the Italian NRRP does not mention pension policy, the topic is again at the top of the Italian reform agenda and some recent developments confirm both the government and social partners are working on the dossier. As stressed elsewhere (Natali and Terlizzi 2021), the pension reform process has restarted as a consequence of the expected termination of the pilot initiatives of the Conte Government (the above-mentioned *Pensione quota 100*) and the need to address some long-term challenges. The transitional phase of application of the so-called *Quota 100* will end at the end of 2021 and will be replaced by measures aimed at categories with exhausting tasks. The details, however, are all to be defined.

Another issue on the agenda is the need to help the turn-over in the public administration with possible consequences for pension policy. The reform of the public administration is a key and transversal dimension of the Italian NRRPs. The need to invest in the public bureaucracy both at national, regional and local level (after decades of cost containment) is at the core of the document. The reform is in fact framed in terms of the precondition for the effective implementation of the NRRPs and the capacity to spend all the financial resources provided by the EU. On top of that, even if it is not mentioned in the Plan, in March 2021, the Draghi Government and trade unions (CGIL, CISL and UIL) signed the "Pact for the innovation of public work and social cohesion". It is an agreement that consists of six articles: contract renewals for the three-year period 2019-2021; online work; revision of professional classification systems; staff training; trade union participation systems; and occupational welfare. The Pact marks the first collaboration between the Draghi Government and the trade unions, to give a boost to the Public Administration reform called to play a leading role in the NRRPs. The government has declared the intention to invest on the turn-over in the public administration: to allow for earlier retirement in the public sector, while speeding up the process for hiring new generations of employees with skills to address the technological transition and the further challenges the country will face in the near future. The Draghi Government – and in particular the Minister of Public Administration (PA) – is working on different hypotheses of pension reforms with the attempt to help the turnover between older employees and younger cohorts that would bring higher skills to the civil service and the PA in general. Mass media have referred to the hypotheses of lower retirement age for the public sector (with the possibility to retire at 62 instead of 67). This proposal is in line with the one of the trade unions for private employees – at least for some categories.

To sum up, even if the pension field is not mentioned in the NRRPs, it is largely debated by the government and social partners with a shared intention to help workers to retire earlier. The latter is seen as a decisive measure to help upgrading the average skills of the active population and buffer the short-term effects of the pandemic on the labour market.

Spain

The Next Generation EU financing instruments provide Spain with up to 140 billion euros in transfers and credits over the period 2021-2026. However, as stated in the Plan, given the uncertainty regarding long-term actions, the Spanish NRRP details the reforms and investments to be deployed over the period 2021-2023, totaling €69.5 billion in grants under the RRF. The Plan is structured around four pillars: 1) green transformation; 2) digital transformation; 3) social and territorial cohesion; and 4) gender equality. It includes measures concerning sustainable mobility, energy-efficiency, clean power, digital skills, digital connectivity, and social housing.

As with Italy, the dominant cross-cutting theme is the digital transformation, which features prominently in several areas, from the urban agenda to education, from agriculture to tourism, from industry to mobility, from the modernisation of public administration to the new care economy.

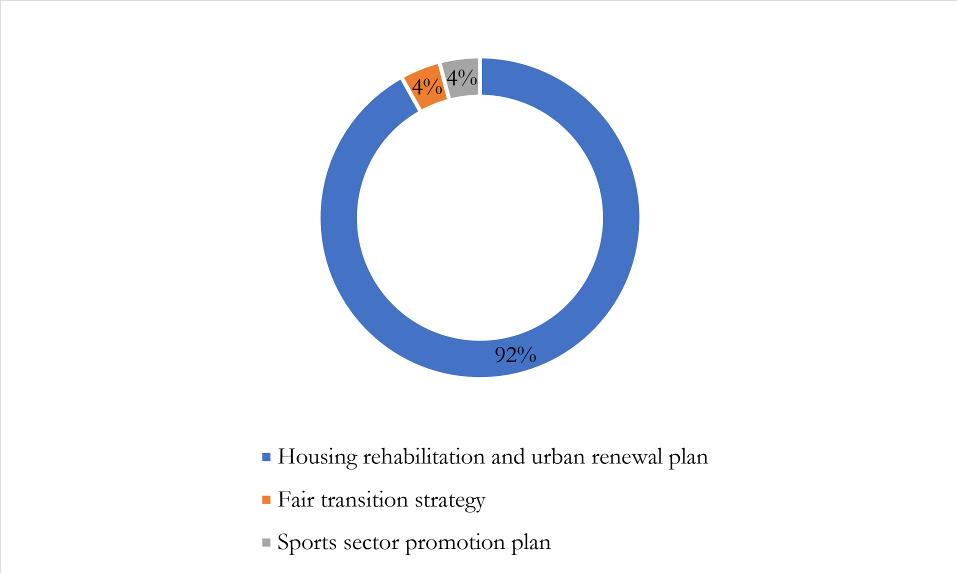
The Plan makes reference to the EPSR. In this regard, the social dimension of the Plan aims at strengthening the capacities of the national health system, increasing accessibility to public services, improving the education system, strengthening and modernising the care economy, and implementing public policies for an inclusive labour market. In particular, the second and third principles - gender equality and equal opportunities respectively - of the EPSR are addressed. The Plan also aims at addressing European Semester's Country-Specific Recommendations (CSRs) issued in 2019 and 2020. In particular, it addresses the long-term sustainability of the public pension system within the framework of the Toledo Pact.

Differently from Italy, it contains specific provisions regarding the pension system. The Plan aims at guaranteeing the purchasing power of pensions and ensuring their adequacy. Measures to bring the effective retirement age closer to the statutory retirement age are envisaged. Moreover, provisions to reform the contribution system for self-employed workers and to promote the development of complementary pension systems are mentioned. In particular, the reform of the pension system is aimed at ensuring financial sustainability of the system in the short, medium and long term, preserving its role in protecting against poverty and guaranteeing intergenerational equity. On the basis of the broad parliamentary consensus that led to the approval of the recommendations for the reform of the Toledo Pact, a series of measures are proposed, including: 1) separation of the sources of financing of contributory and non-contributory protection in order to recover financial equilibrium in the short term; 2) the repeal of the Pension Revaluation Index introduced by the 2013 reform in order to guarantee the maintenance of the purchasing power of pensions; 3) the alignment of the effective retirement age with the statutory retirement age through incentives to delay retirement; 4) the adjustment of the calculation period for the calculation of the retirement pension to the new professional careers, which aims to reinforce the progressive and contributory nature of the system by making the retirement pension more reflective of the reality of a labour market in which interruptions and gaps are becoming less and less exceptional; 5) the replacement of the sustainability factor by a mechanism of intergenerational equity, which implies incorporating, together with the evolution of life expectancy, other complementary indicators that together provide a more reliable picture of the challenge to the system posed by population ageing; 6) a New Social Security contribution system for self-employed workers based on their real income, which seeks to gradually implement a new contribution system in the Special Regime for Self-Employed Workers (RETA); 7) a reform of the maternity pension supplement with the aim of compensating the cost of childbirth and childcare for parents in order to make a decisive contribution to reducing the gender gap in pensions; reform and promotion of complementary pension systems, which envisages the approval of a new legal framework to promote occupational pension plans; 8) the adjustment of the maximum contribution base of the system.

The reform debate in the months before the delivery of the Spanish NRRP saw tensions within the parliamentary majority. Between the end of 2000 and the first week of 2021, proposals included the reinforcement of early and partial retirement, the promotion of employment beyond the official retirement age ("delayed retirement" for those above the age of 65 or 67), and the prohibition of forced retirement clauses when the legal age is reached, which can now be included in the agreements. The most controversial proposal for pension reform was the extension of the retirement calculation period from the current 25 to the proposed 35 years. Mass media reported the pressing of the European Commission to include pension reform in the bunch of structural reforms the Spanish Plan should focus on (Heller, 2021).

The provisions in the field of pensions are considered 'zero-cost' measures which are deemed to contribute to the RRF' pillars pertaining: 1) smart, sustainable and inclusive growth and jobs; 2) policies for the next generation, education and skills; and 3) social and territorial cohesion. Overall, investments in social and territorial cohesion amount to €7,4 billion which are mostly allocated to housing rehabilitation and urban renewal (€6,8 billion) (Figure 3).

Figure 3. NRRP in Spain: Allocation of funds for social and territorial cohesion (%)



Source: Authors' elaboration based on the Spanish NRRP (Gobierno de España, 2021) and algebris.com

The NRRP also aims at strengthening national health system capacity. The Spanish national health system is based on the principles of universality and is mainly funded by taxes. As with Italy, the system is characterized by a considerable degree of decentralization with competences which are transferred to the 17Autonomous Communities. The Plain allocates around €1 billion to carry out reforms in five key areas: (i) strengthening primary and community care, (ii) reform of the public health system, (iii) consolidation of cohesion, (iv) equity and universality, and (v) reinforcement of professional capacities and reform of the regulation of medicines and health products.

Moreover, an investment plan of €3.5 billion is provided for the reinforcement of inclusion policies, social services, and the (elderly) care economy. As with Italy, the Plan promotes a change in the long-term care model towards a more person-centred care with an emphasis on deinstitutionalisation. In particular, innovative and community-integrated day centres will be financed to enable "proximity social services" and favouring their development in rural areas. Home-based facilities will be introduced to encourage the promotion of personal autonomy.

4. Preliminary conclusions

The protection of the elderly is a key part of the EU renewed attention on social protection and social rights in general. This is confirmed in the aftermath of the pandemic crisis: while the Stability and Growth pact is suspended and the European Semester is to some extent under revision with a reduced emphasis on pension reform in the last two years, the NRRPs represent the evidence of a new focus on pro-growth strategies. Recalibrating welfare policies and social protection is often at the core of national strategies to address the major challenges of Covid-19.

The analysis of the NRRPs in Italy and Spain represents an exploratory comparative study to shed light on the strategies for the economic recovery. The analysis provided above has proved difficult due to the different strategy followed by the two countries and the limited comparability of the data and information collected so far. The latter is also a matter of the complexity of the NRRPs, some ambiguity and vagueness of the concepts and policy measures referred to in the texts and the largely different organization of the recovery strategies and the national documents that summarize them.

Irrespective of these problems of comparability, the analysis shows some interesting points for reflection. Firstly, the two Plans are quite different in terms of the financing strategies (Italy plans to spend about 195 billion euros (with a mix of grants and loans) while Spain plans to invest more than 60 billion euros through grants only. In the case of the Italian Plan, the part on implementation is rudimentary; while the Spanish Plan implementation is more detailed.

The parts of the Plans dedicated to the elderly also show relevant difference. In Italy, pensions are not mentioned in the Plan, irrespective of the recent CSRs in the ES on that point. While there are no explicit references to the point, the Italian Government has addressed pension reform in more implicit terms. One of the key axes of the Italian NRRP is in fact the reform of the public administration. The latter is put at the core of the recovery strategy through more investments and the speed-up of the turnover between older and younger workers. The Plan refers to the implementation of a number of reforms in the public administration. The first steps in the field have seen the set-up of tripartite negotiations on a number of policy issues, including the revision of the retirement age for the public sector employees.

By contrast Spain refers to pension reform with an encompassing programme to revise the old Toledo Pact. In the Spanish Plan there is some ambiguity on the aims of the reform programme: the Plan provides a mixed agenda where financial sustainability and social adequacy are improved in parallel. But recent tensions in the left/populist majority and between the ruling coalition and the EU on the topic suggest cost-containment will be at the core of the future reform proposal with room for further conflicts between the Commission and the Spanish policymakers.

All in all the two countries show different pension reform strategies and an apparent different level of salience of the issue. While in Italy, the government seems ready to increase public pension spending, in Spain the issue is more debated and the EU attention to cost-containment seems more evident.

Beyond pension policy, health and social assistance for the elderly are at the core of the two Plans. In the case of Italy there is reference to about 15 billion euros of investment on the digitalization of the healthcare system, and territorial assistance. Detailed measures consist of 2 billion euros investment in community houses and less than 1 billion euros in nursery homes and proximity services (in the context of more than 11 billion euros of investments in social infrastructures). Spain provides evidence of more limited spending increase in social policy and elderly care: about 3.5 billion euros.

At the same time, the two Plans have many things in common. References to the EPSR, the ES and the CSRs are non-systematic. Still in terms of similarities, the two Plans show changes in the priorities at the top of the national agenda. The two countries converge towards a person-centered approach and on the progressive de-institutionalisation of elderly care. They also aim at improving social protection and assistance for the elderly, after years of austerity. Reforms are accompanied by the increase of public spending. Yet we do not see evidence of a 'u-turn' in terms of social policies for the elderly: the different policy measures that affect the elderly are hardly connected, neither through the frame of the Silver economy, nor through the reference to the good mix of social services and transfers. The strategy in the NRRPs seems ambiguous and vague. What is more, the Stability and Growth Pact is temporarily suspended but if and when it will be back, problems with the long-term sustainability of pensions and social policy in general risk skyrocketing. In all these respects, further investigations are needed for a more detailed reconstruction of the national reform packages and to assess the room for a true and effective strategy to address economic recession and social risks.

References

Anderson, R. (2012), White jobs? Employment potential of the care sector, https://www.eurofound.europa.eu/areas/labourmarket/jobcreation/article1

Casula, M., Terlizzi, A. and Toth, F. (2020) 'I servizi sanitari regionali alla prova del COVID-19', *Italian Journal of Public Policy/Rivista Italiana di Politiche Pubbliche*, 15(3), pp. 307–336

Cepiku, D. *et al.* (2020) 'New development: Managing the Covid-19 pandemic — from a hospital-centred model of care to a community co-production approach', *Public Money & Management*, 0(0), pp. 1–4. doi: 10.1080/09540962.2020.1821445.

Copeland, P. and Daly, M. (2018) 'The European Semester and EU Social Policy', *Journal of Common Market Studies*, 56(5), pp. 1001–1018. doi: 10.1111/jcms.12703.

Darvas, Z., & Leandro, Á. (2015), *The limitations of policy coordination in the euro area under the European Semester. Bruegel Policy Contribution 2015/19.* http://bruegel.org/wp-content/uploads/2015/11/pc_2015_194.pdf

de la Porte, C. 2019. *The European Pillar of Social Rights Meets the Nordic Model.* Swedish Institute for European Policy Studies.

European Commission (2017a) Proposal for a Council Decision on guidelines for the employment policies of the Member States, COM(2017) 677 final, 22 November 2017.

European Commission (2017b) Annex to the Proposal for a Council Decision on guidelines for the employment policies of the Member States, COM(2017) 677 final, 22 November 2017.

European Commission (2018a), *Joint Employment Report 2018*, as adopted by the EPSCO Council on 15th March 2018.

European Commission (2018b), *Silver Economy. Executive Summary*, Brussels, European Commission, ISBN 978-92-79-76905-4 doi:10.2759/640936

European Commission and Social Protection Committee (2021a), *Pension Adequacy Report 2021*, Brussels, EU Commission.

European Commission and Social Protection Committee (2021b), *Long Term care Report 2021*, Brussels, EU Commission.

ETUC (2018) *ETUC for Growth and Social Progress: ETUC Package for Early Stage Consultation on Semester 2019 (Resolution)*. Brussels: European Trade Union Confederation.

Graziano, P. and Polverari, L. (2019) The Social Impact of EU Cohesion Policy/L'impact social de la politique de cohésion de l'UE, in Vanhercke, Bart, Ghailani, Dalila, and Spasova Slavina (eds.) *Social Policy in the European Union: State of Play 2019*.

Gobierno de España (2021) Plan de Recuperación, Transformación y Resiliencia.

Governo Italiano (2021) *Piano Nazionale di Ripresa e Resilienza*.

Guardiancich, I. and Natali, D. (2021) 'German and Italian Pensions: Similar Roots, Different Reform Paths, Comparable Trajectories?', *German Politics*, pp. 1–19. doi: 10.1080/09644008.2021.1902506.

Guidi, M., and Guardiancich, I. (2018), 'Intergovernmental or supranational integration? A quantitative analysis of pension recommendations in the European Semester.' *European Union Politics*, *19*(4), pp. 684–706.

Hacker, B. (2019). 'A European Social Semester? The European Pillar of Social Rights in practice. The European Pillar of Social Rights in practice.' ETUI Research Paper-Working Paper.

Heller, F. (2021), *Spain planning reforms to access EU funding sooner*, https://www.euractiv.com/section/economy-jobs/news/spanish-government-to-submit-ambitious-reform-plan-to-soon-access-eu-funding/

Natali, D. (2020), 'Pensions at the time of Covid-19: Recent changes and future challenges.' *ETUI policy brief*, n. 13/20, pp. 1-5.

Natali, D. and Terlizzi, A. (2021), 'The impact of Covid-19 on the future of pensions in the EU.' *expert study for the project SociAll,* Brussels, ETUC.

Rasnaca, Z. (2017), *Bridging the gaps of falling short? The European Pillar of social rights and what it can bring to the EU-level policymaking. ETUI working paper 2017/05*, Brussels.

Sabato, S., and Corti, F. (2018). "The times they are a-changin'?'The European pillar of social rights from debates to reality check.' Social policy in the European Union: state of play 2018, 51.

Sabato, S., Corti, F., Vanhercke, B., and Spasova, S. (2019) 'Integrating the European Pillar of Social Rights into the roadmap for deepening Europe's Economic and Monetary Union.' Brussels: European Economic and Social Committee.

Spasova S., Bouget D., Ghailani, D. and Vanhercke B. (2017). *Access to social protection for people working on non-standard contracts and as self-employed in Europe. A study of national policies*. European Social Policy Network (ESPN), Brussels: European Commission.

Terlizzi, A. (2019) *Health System Decentralization and Recentralization: Ideational and Institutional Dynamics in Italy and Denmark*. Cham: Palgrave Macmillan.

Toth, F. (2014) 'How Health Care Regionalisation in Italy is Widening the North-South Gap', *Health Economics, Policy and Law*, 9(3), pp. 231–249. doi: 10.1017/S1744133114000012.

Verdun, A., and Zeitlin, J. (2018), 'Introduction: the European Semester as a new architecture of EU socioeconomic governance in theory and practice.', *Journal of European Public Policy*, 25(2), pp. 137-148.