

ESPN Country Profiles

Liechtenstein

2014-2015

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EUROPEAN SOCIAL POLICY NETWORK (ESPN)

ESPN Country Profiles
Liechtenstein

2014-2015

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Highlights

There is a broad consensus existing within the political elite as well as among the public in Liechtenstein that a small state like Liechtenstein should not run into public debt at all. Based on the financial forecast 2013 to 2016, the state financial income (without external borrowings) will not be sufficient to finance the net investments for even one year of the above mentioned time period. This effect is basically the result of the estimated excess spending. This can also be seen in the indicator "self-financing" which is expected to be between -500% to -100%, whereas the defined target value by the government for Agenda 2020 is >90% (see also Art. 27 of the Financial Budget Act).¹

From the authors' point of view the following points need governmental support in order to reach the main targets of the Agenda 2020, which have a strong impact on Liechtenstein's social policy system, taking the given financial situation into consideration.

Preserve ability to act on fiscal policies – ensuring an appropriate social policy system:

- The government proposed since the financial crisis various cost-cutting measures to the Liechtenstein parliament. Many of them were implemented and in total the saving objective was increased up to 233 million Swiss francs (approx. € 221 Mio.) per year. On the income side a small tax surplus was realised by some changes made to the tax system in Liechtenstein (increasing minimum tax rate, additional tax rate for high incomes etc.) in 2013. Thus, targeted control of further measures to keep state costs low will be necessary but they have to be fairly evaluated against any social policy effects to avoid any counterproductive effect in terms of social welfare, stable labour market conditions, and a low unemployment rate.
- It can be clearly stated, that since 2010 social investment has no priority on the policy agenda of Liechtenstein. Overall, fiscal consolidation rather than social investment has been the dominant issue since 2010.
- The benefit system has basically remained unchanged, while the main focus is on fiscal consolidation since 2010.
- Social welfare benefits have been unchanged since 2010, therefore they are still on a high level, leading to a low percentage of poor households in Liechtenstein.
- State contribution to the statutory health insurance system has been reduced in two steps with the effect of higher premium payments for individual contributors. However, the social benefit for persons with insufficient income has not been adjusted.

Strengthen the country as a centre of finance and commerce

- Education spending has been protected and the investment structure remained unchanged. But in a changing environment with new requirements on the labour market, an adaptation of the current school system with regard to more individual education options seems necessary.
- Labour market policy has no specific focus on social investment or on new or enlarged supportive activities.
- Child care is still costly in Liechtenstein, and the increasing demand therefore cannot be covered by profit oriented private organisations. This lack of state

¹ Monitoringbericht 2013 zur Agenda 2020 der Regierung des Fürstentums Liechtenstein, ecopol wirtschafts und politikberatung, 2013; source: <https://www.gesetze.li/Seite1.jsp?LGBl=2010373.xml&Searchstring=Finanzhaushaltsgesetz&showLGBl=true>

support most severely hit families with children and single parent households. So basically in Liechtenstein women who try to manage both job and family are most affected.

- Liechtenstein is missing specific supportive measures for part-time work in general and partly-longer-work models for elder people combined with attractive state conditions for companies (e.g. social security contributions, etc.) to meet today's labour force expectations and keep experienced professionals longer in the labour market.
- The inability of older workers, once unemployed, to get back into work is a source of concern. Specific supportive measures for partly longer work models for elder people are slowly becoming part of the discussion and could be future instruments to keep the unemployment rate of elder people and their need for social benefits low.

Increase the quality of life

- In 2012, a national dementia strategy was published. Six different areas of improvement were identified. The main objectives are 'Awareness raising'; 'Early recognition'; 'Basic and advanced training'; 'Individual and graduated offers'; 'Co-operation and network'; and 'Caring relatives'.
- In 2012, the institutions for care of the elderly people enlarged their offer for people who do not require long stay or permanent admission to a care home. This enables e.g. concerned persons to have a break or holiday for a limited period of time, or to have support in case of emergency, illness of carers etc.
- The Liechtenstein parliament discussed the introduction of a specific care insurance. The current statement from the government is, that the idea is still there but such a complex matter would have considerable impact on Liechtenstein's social insurance structure. For those reasons, no further implementation plan or timeframe is in place at present.

1 Main social outcomes and challenges

1.1 Liechtenstein 2020 strategy

As a Non-Member State of the EU, Liechtenstein was not obliged to adopt the Europe 2020 strategy, including a National Reform Programme or National Social Report as the EU Member States had to. Nonetheless, strategic planning in Liechtenstein is very much influenced by the respective activities of the EU and its Member States.

For its strategic long-term planning the so-called Agenda 2020 was set out by the government on 5 October 2010. The Agenda 2020 contains six strategic targets which have a high degree of coverage regarding the European Strategy 2020 goals:

- Make use of small state opportunities in globalisation;
- Increase domestic political effectiveness;
- Preserve ability to act on fiscal policies;
- Strengthen the country as a centre of finance and commerce;
- Secure the natural foundations of life;
- Increase the quality of life.

To ensure a continuous implementation and promotion of the Agenda 2020, the government has set up an effective system of monitoring the Agenda 2020 progress by an independent institution. For all of the six targets, a series of indicators has been developed. The third review of the Agenda 2020 was made by an institute for economic and policy consultation, named ecopol², in November 2013³. The series of monitoring reports will not be continued in the future, though.

1.2 Update of the progress of Liechtenstein Agenda 2020

The economic and financial crises have left their mark also in Liechtenstein. In 2008 the financial result of the profit and loss account showed an expenditure surplus of 126 million Swiss francs (approx. €120 Mio.) after a clear revenue surplus in 2007. In 2009 the national balance sheet again showed a revenue surplus, but from 2010 onwards it became more and more obvious that national income was being highly influenced by the structural problems in state finance.

In the following chapters we comment on progress in three out of the six main targets of the Agenda 2020 which have a strong impact on Liechtenstein's social policy system and will create the basis for understanding the systems and policies affecting social outcomes, described in section C of this country profile. These are namely: "preserve ability to act on fiscal policies", "strengthen the country as a centre of finance and commerce", and "increase the quality of life". We will refer to the priorities identified in the Liechtenstein 2020 strategy and show the development of the implemented measures by the national review indicators. Therefore we use the latest available figures of the review report from November 2013⁴.

1.2.1 Preserve ability to act on fiscal policies

The overall assessment 2013 recorded a negative result. Four out of five defined objectives have not been reached up to now, and looking forward it can be forecasted with high certainty that within the period of financial planning 2014 to 2017 three parameters will still not be fulfilled. The reasons are diverse: decrease in company profits, declining tax revenues, increasing social and healthcare costs, and the demographic changes. The following figure shows the review result 2012 versus the latest result by the end of 2013:

Figure 1: Agenda 2020 evaluation results 2013/2012 - fiscal policies



Source: Agenda 2020 evaluation results 2013 / 2012 – fiscal policies; *Monitoringbericht 2013 zur Agenda 2020 der Regierung des Fürstentums Liechtenstein, ecopol wirtschafts und politikberatung, 2013.*

The aim is to ensure sound government finances and therefore the objective of a balanced state budget was defined with high priority. The defined measures to reach this

² Ecopol homepage: <http://www.ecopolag.ch/Home.18.0.html>

³ Monitoringbericht 2013 zur Agenda 2020 der Regierung des Fürstentums Liechtenstein, ecopol wirtschafts und politikberatung, 2013.

⁴ Monitoringbericht 2013 zur Agenda 2020 der Regierung des Fürstentums Liechtenstein, ecopol wirtschafts und politikberatung, 2013.

goal were saving up to 180 million Swiss francs (approx. €171 Mio.) in public spending (from 2010 onward to the end of the legislation period 2016), which is about 20% compared to total public spending of 900 million Swiss francs (approx. €855 Mio.) in 2013⁵ and – for the period 2013 to 2016 – to realise a reduction of 2% in the operating expenses per year. By the 2012 end-of-year results it was obvious that these measures were not sufficient to bring a stable and final turn-around. The government therefore proposed further cost-cutting measures to the Liechtenstein parliament in 2013. In total the saving objective was increased up to 233 million Swiss francs (approx. €221 Mio.). On the income side a small tax surplus was realised by the changes made to the tax system in Liechtenstein (increasing minimum tax rate, additional tax rate for high incomes etc.).

Since 2010 Liechtenstein's net investments per year could not be covered by direct state income in the same time period. Based on the financial forecast 2013 to 2016, the state financial income (without external borrowings) will not be sufficient to finance the net investments for even one year of the above mentioned time period. This can also be seen in the indicator "self-financing" which is expected to be between -500% to -100%, whereas the defined target value by the government for Agenda 2020 is >90% (see also Art. 27 of the Financial Budget Act).⁶ This fact has led to more public spending cutting in the years 2012 and 2013 and will affect in 2014/2015 for the first time the state support in the social allowance structure.

Beside all financial difficulties the state faces to find back to a balanced state budget, the indicator "ratio of reserve to expenses" is still within the target range and clearly above 100%. By the end of 2012 the financial reserves were almost sufficient to cover annual expenditure for two years, by the end of 2013 the financial reserves have dropped to a level which covers annual expenditure for only 1.5 years. But with the estimated public budget for 2015, there seems to be light at the end of the tunnel. The estimated public budget for 2015 shows for the first time since 2010 a gain in the income statement of about 4.5 million Swiss francs (approx. €4.3 Mio.) and a surplus of about 28 million Swiss francs (approx. €26.6 Mio.) in the national accounts. These effects are a clear result of the implemented cost saving measures. The forecast is mainly based on a higher level of revenues, consisting out of tax income of a one-off-effect and a surplus of the public operating income. On the cost cutting side a reduction of about 15 million Swiss francs (approx. €14.25 Mio.) contributed to the positive public budget for 2015.

In relation to individual material well-being, the Liechtenstein social welfare structure distinguishes between direct and indirect financial support. Furthermore, there are financial allowances for all families, regardless of their income (e. g. child allowance), and other benefits which are means tested (e.g. rent allowance). Finally, there is a group of financial support measures which are dedicated to specific individual living circumstances (e.g. the allowance for single parents). Within all families with children, child benefit allowance is the most effective type of social welfare help. For single-parent households, the second most important social benefit in relation to children is the lone parents' allowance. For families with a contribution from the Old Age and Widow's/Widower's Pension insurance, supplementary benefits are paid in cases where the total income (including the family's savings) is below the minimum income defined by the Regulation on the Old Age and Widow's Pension Act. As the supplementary benefits are granted by law and ensure a minimum income up to the defined annual lump sum for

⁵ Source: <http://www.regierung.li/ministerien/ministerium-fuer-praesidiales-und-finanzen/sanierung-des-staatshaushalts/>

⁶ Source:

<https://www.gesetze.li/Seite1.jsp?LGBl=2010373.xml&Searchstring=Finanzhaushaltsgesetz&showLGBl=true>

the overall cost of living, they do not count as social welfare allowances and therefore do not reduce the entitlement to receive social assistance payments. Consequently, if someone in Liechtenstein achieves an income from employment and/or social transfers (including pensions) which is below the breadlines, this person is generally entitled to social assistance. In 2013 the Old Age and Widow's/Widower's Pension supplementary benefits were 5.12 million Swiss francs (approx. €4.86) compared to 4.67 million Swiss francs (approx. €4.43) in the previous year. This shows an increase of 9.6% within one year.

Today, Liechtenstein has a universal health care system with decentralized, free market elements through mandated health insurance coverage for all citizens. Thus all permanent residents of Liechtenstein must contribute to their own private health insurance plan with government registered and regulated companies. Employees and employers pay into the healthcare fund. Dependent family members are covered by the contributions paid by employed family members. The unemployed, old age pensioners and people on long-term sickness benefit or maternity leave do not have to pay healthcare contributions. Self-employed persons must make their own contributions. The healthcare fund covers most medical services including treatment by specialists, hospitalization, prescriptions, pregnancy and childbirth, and rehabilitation. Regular health check-ups with general practitioners are covered completely, with no out-of-pocket expenses. Additionally to the compulsory health insurance, various private insurance options exist which guarantee additional insurance protection in case of illness, accident and maternity.

The high number of general practitioners and specialist doctors and the relatively small population mean that citizens enjoy excellent medical treatment. In-patients are treated either in Liechtenstein's own hospital or in one of the hospitals in the surrounding region. Medical treatment agreements have been established between Liechtenstein and these hospitals over the border.

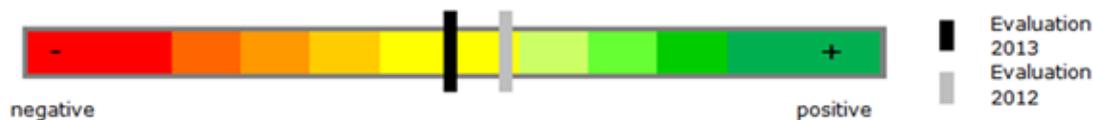
1.2.2 Strengthen the country as a centre of finance and commerce

The economic strength of Liechtenstein is based on two main pillars: industry and the financial services sector. Due to the limited size and purchasing power of Liechtenstein, both areas need an economic approach which is highly specialised and part of a strong international network. Liechtenstein, in common with all the EU Member States, is facing the pressure of increasing international competition. As the average tax rates on company profits decreased between 2004 and 2007 within the EU due to the accession of 12 new Member States, Liechtenstein could not protect itself against deep structural changes. Furthermore, the transformation process in the financial sector led directly to strengthened cooperation with third countries on tax issues.

The favourable fiscal framework for individuals and companies is the main factor for the high attractiveness of Liechtenstein's market place. The revision of Liechtenstein's tax law by the end of 2010 additionally strengthens the country's commercial attractiveness through the introduction of a flat rate for operating companies and a scheme of privileged taxation for the private asset structures. In addition to revising the tax law, Liechtenstein used the latest EU Directives on investment funds (Alternative Investment Fund Manager Directive, AIFMD) as the occasion to totally overhaul the Investment Undertakings Act. This makes the Liechtenstein marketplace much more attractive for investment funds and offers additional competitive advantages for investment funds companies operating from Liechtenstein. Liechtenstein is, however, much less attractive from the point of view of educational standard of the population and of the accessibility

of public and private transport. These were the findings of the 2012 and 2013 monitoring report on the Agenda 2020. The development of the GDP shows only a moderate annual growth rate since 2011. Meanwhile the gross value added stagnated in the financial industry sector over the last three years, whereas the industry and good producing sector showed a slightly positive performance. Nevertheless the latest figures indicate a slight decreasing trend in the labour productivity. The development of Liechtenstein as a centre of finance and commerce in 2013 versus 2012 can be seen by the following figure, representing the Agenda 2020 evaluation results.

Figure 2: Agenda 2020 evaluation results 2013/2012 – centre of finance and commerce



Source: Agenda 2020 evaluation results 2013 / 2012 – centre of finance and commerce; Monitoringbericht 2013 zur Agenda 2020 der Regierung des Fürstentums Liechtenstein, ecopol wirtschafts und politikberatung, 2013.

In respect of unemployment, Liechtenstein remains in an excellent position. The average unemployment rate in 2013 was 2.5%, compared to 2.4% in 2014. Nevertheless there are still some areas of improvement left. The number of people who have an insufficient income despite full time employment is relatively low in relation to the total employment figure, but remains a problem for Liechtenstein. The insurance benefits at the state level are given, but in most cases they are not sufficient to cover the whole costs of living. As the employer's contribution to supplementary pension insurance is linked to the employees' annual level of income, in some cases companies tend to hire and fire workers in order to avoid additional social insurance premiums. Thus, collective bargaining agreements within the framework of the social partnership have been made since 2007 with a binding effect on an entire sector, the proof of a breach of contract is difficult. These agreements cover minimum wages, working times and other terms of employment and are designed to prevent social and wage dumping.

The right to work is protected under the Liechtenstein constitution. Those in active employment are obliged to have unemployment insurance. The Employment Service strives to be pro-active – intervening to prevent unemployment before it happens. Compensatory payments for short-time working also help to prevent jobs from being automatically cut in times of economic crisis; many workers are enabled to remain connected to the world of work until the economy recovers. If unemployment does occur, a rapid assessment is made and strategies developed for reintegration into the jobs market. A broad range of measures and services, including individual case management – but also including commitments made by the unemployed person – are designed to make the period of unemployment as short as possible. The Employment Service Office (AMS FL) is the first port of call for those leaving the world of work and who are thus, at least temporarily, excluded from the marketplace. The collective work programmes offered mean that the unemployed are immediately taken up into the reintegration process. They have a right to support, advice and active job placement mediation. These services are open to all. The central location of the office ensures unhindered access. The web portal launched in 2010 has made the job search process significantly more efficient. Jobseekers are making good use of this online option, which increases the ease of access to the services. In addition to an active job search, professional training and further education are major elements in combating unemployment. The structures necessary to achieve these goals are well developed in Liechtenstein. In addition, international contacts are cultivated – for example via the Agency for International Education Affairs, and the EU's "Lifelong Learning" project (Comenius, Erasmus, Leonardo da Vinci,

Grundtvig). The office for vocational training and advice⁷ and the adult education office⁸ are also active in the area of professional training and further education.

Within the Act on Unemployment Insurance and the bye-law to the Act on Unemployment Insurance regulations the prerequisites for claims are defined and have to be fulfilled to be entitled to the receipt of benefits. The duration of benefits depends on the period of contribution and the age of the unemployed person. The amount of benefit is set at 80% of the latest insured earnings.

In Liechtenstein's well-functioning education system access is guaranteed for all children and young people domiciled in Liechtenstein, regardless of origin, religious affiliation, sex or a possible disability. This means, the current legal situation in Liechtenstein gives the right and the obligation for children, based on the Act on School Education (*Schulgesetz, SchulG*)⁹, to participate in the state school system from the age of six and thence continuously for 9 school years (split up in 5 years primary school and four years secondary school). A voluntary tenth year is available for students to prepare for career opportunities and select professional choices. This compulsory school system guarantees that each child domiciled in Liechtenstein acquires a basic grounding. At the end of the primary school each child is assessed by his/her performance and, based on this result, selected to one of the three lower secondary school types. These three secondary school types differ by the scope of education and training given, which leads to clearly different certificates at the end of secondary school and therefore to restricted or non-restricted admittance to higher education, e.g. university.

The school education is financed by the state. Optionally there exists the possibility to attend private institutions which are appropriate for meeting the statutory requirements of compulsory schooling. Currently Liechtenstein's government supports financially two private institutions domiciled in Liechtenstein which fulfil the state curriculum.¹⁰ The access to such private school institutions is mainly only given to pupils from families with good financial background, as school fees have to be paid privately. An exception is given by the Waldorf School as the school fee depends on the financial income of the family and therefore the school system relies on additional private donations. Based on the 2011 and 2012 Pisa studies and the conclusions found for Liechtenstein, the main measure to support children from deprived economic backgrounds within the educational system in Liechtenstein, were focused on pupils from an immigrant background.¹¹ In particular, children from immigrant families – where the parents have a non-German mother tongue and are often of lower social status – are at a disadvantage in terms of equality of opportunity. To counter these disadvantages, the government implemented special remedial lessons in German as a second language for children of such families, and there are other educational, socially remedial and school support measures in place.

⁷ Link: <http://www.llv.li/#/12554/amt-fur-berufsbildung-und-berufsberatung>

⁸ Link: <http://www.erwachsenenbildung.li/index.asp>

⁹ Schulgesetz (SchulG), 15.12.1971, LGBl. 1972 no. 7.

Source: <https://www.gesetze.li/Seite1.jsp?LGBl=1972007.xml&Searchstring=Schulgesetz&showLGBI=true>

¹⁰ These private institutions are: Waldorfschule, Schaan: <http://www.waldorfschule.li/> and the Formatio Schule, Triesen: <http://www.formatio.li/>

¹¹ Forschungsgemeinschaft 2011, S. 20; Konsortium PISA.ch, Source:

https://pisa.educa.ch/sites/default/files/20140923/pisa2012_vertiefende_analysen_0.pdf

1.2.3 Increase the quality of life

In creating the economic basis for satisfying individual and global social policy needs, the income and prosperity are major components of the quality of life and have therefore an important impact on attaining the goals of the Agenda 2020. As Liechtenstein has an unusual high number of commuters it is more appropriate to use the GNI (gross national income) as this indicator concentrates on the resident population of a country, instead of the gross domestic product (GDP), which includes the significant contribution of the commuters. The GNI of Liechtenstein decreased in 2011 by about 9.5% compared to 2010. Unfortunately it was not possible for the Liechtenstein government to increase the real internal growth of the household income. Additionally a trend of increasing social allowance was noticed during the same time period. On the other side a positive impulse is seen in a constant employment quota and a reduction in the unemployment rate from 2006 to today.

Based on the Liechtenstein Agenda 2020 review indicators, an increase in the general state of health of the Liechtenstein population, an increase in the educational level of the society and the constant employment level of people working more than 50 hours per week (showing that the work-life balance has not changed dramatically), are positive results showing that the quality of life has increased in Liechtenstein. Summarizing, the following figure shows the Agenda 2020 evaluation results for the segment "quality of life in Liechtenstein".

Figure 3: Agenda 2020 evaluation results 2013/2012 – quality of life



Source: Agenda 2020 evaluation results 2013 / 2012 – quality of life; Monitoringbericht 2013 zur Agenda 2020 der Regierung des Fürstentums Liechtenstein, ecopol wirtschafts und politikberatung, 2013.

The field of social activities in Liechtenstein is much diversified, covering activities in the areas of culture and music, sports, environmental projects, care projects, and education. The number of officially registered social organisations is continuously increasing. From an official point of view, the government supports – mostly financially – various social activities. For many of these organisations this is the most important source of both income and planning security for future activities. In the context of the current state of public finances, voluntary and unpaid activities will need to be promoted and supported more strongly in the future if the current levels of social activity in Liechtenstein are to be maintained. In October 2014 a new website based on these developments was installed in order to activate more people supporting various social organisations on a voluntary basis.¹²

The quality of life is very much depending on the health situation of each individual. Thus, the health insurance fund in Liechtenstein covers treatment by specialists, hospitalisation, prescriptions, pregnancy and childbirth and rehabilitation. Regular health check-ups with general practitioners are covered completely, with no out-of-pocket expenses. Surgery, therapy and other treatments to be covered by insurance are laid down in Annex 1 to the by-law to the National Insurance Act¹³. The accident insurance provides for entitlement to additional funds to compensate for bodily injury or loss of a

¹² Source: <http://www.freiwillig.li/>

¹³ Verordnung zum Gesetz über die Krankenversicherung (KVV), LGBl. 2000, no. 74: <https://www.gesetze.li/Seite2.jsp?LGBl=2000074.xml&Searchstring=null&showLGBl=true&suchart=lgblaktuell>

function. The Accident Insurance Act¹⁴ covers the cost of medical treatment for rehabilitation measures by hospital departments or other health services approved by the competent authorities or bodies. The Act on Invalidity Insurance states that early recognition and intervention for the purpose of preventing any kind of disability is part of the duties of the disability insurance. The by-law to the Act on Invalidity Insurance covers measures regarding socio-professional rehabilitation which means, that the Invalidity Insurance provides for remittance of additional funds to insured persons for the purpose of gainful employment, performing their usual work, learning a trade, or functional rehabilitation. Lastly, the federal Old-Age and Survivors' Insurance Act provides for award of additional funds to old-age pensioners requiring expensive equipment to move around, to communicate with the people round them or to ensure their independence.

In Liechtenstein, care work within the family is the predominantly form of long-term care. It is mostly provided on a voluntary basis, in particular by relatives, and has not yet been legally regulated. Further, commercial carers and the family assistance association¹⁵ provide care at home. The family assistance association is set up as a non-profit organization funded by the State and the municipalities of Liechtenstein, by billable services towards insurance carriers and private donors as well as membership fees. The main State aid regarding long-term care are the helplessness allowance (*Hilflosenentschädigung*) and the care allowance (*Pflegegeld*). Helplessness allowance is granted irrespectively of the applicant's economic circumstances and is additionally to the care allowance. The helplessness allowance is financed by the general State budget; the care allowance is financed by half from the State and half by the communes. The problem of long-term care was first addressed in 2008 with no further initiatives. In 2010 the Liechtenstein government initiated a reform of its long-term care system which was followed by the National Dementia Strategy in 2012. The long-term care issue can be subsumed under the topic "increase quality of live" as part of the Agenda 2020. Long-term care is provided in Liechtenstein in five care homes¹⁶ and organised through one point of information¹⁷. This structure was set up as a result of the initiative to ensure more effective support to the affected families. These institutions are mainly funded by the municipalities and the government and by billable services towards insurance carriers.

The human rights situation in Liechtenstein is good. Regarding discrimination, the national law includes different legal acts which cover most aspects of the following Directives, which Liechtenstein has signed and ratified:

- The international Convention on the Elimination of All Forms of Discrimination against Women, into force since December 1995;
- The Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women, which came into force on October 2001;
- The international Convention on the Elimination of All Forms of Racial Discrimination in March 2000.

¹⁴ Gesetz über die obligatorische Unfallversicherung (UVersG), 28.11.1989, LGBl. 1990, no. 46.

Source: https://www.gesetze.li/get_pdf.jsp?PDF=1990046.pdf

¹⁵ Familienhilfe Liechtenstein: <http://www.familienhilfe.li/Organisation.aspx>

¹⁶ The Liechtenstein Foundation for the Care of the Elderly and Sick (LAK) runs old people's homes in Vaduz (Haus St. Florin), Schaan (Haus St. Laurentius), Eschen (Haus St. Martin) and Triesen (Haus St. Mamertus). See link: <http://www.lak.li/>. Additionally there exists the old people's home in Balzers (Alters- und Pflegeheim Schlossgarten). See link: <http://www.aph-schlossgarten.li/>

¹⁷ The one point of information is managed by the Liechtenstein Foundation for the Care of the Elderly and Sick (LAK) and is called Kontakt- und Beratung Alterspflege (KBA). See link: <http://www.familienportal.li/index.php?id=70> or <http://www.lak.li/pflegen-und-betreuen/beratung-und-anmeldung/>

- The European Convention on Human Rights (ECHR)¹⁸, which Liechtenstein signed in 1982, is also applicable. It protects individuals from discrimination on grounds of gender, race, colour, language, religion and belief, political and other opinions, origin, national minority, property, birth and other status.

Liechtenstein installed 'specialised bodies' for the promotion of equal treatment irrespective of racial or ethnic origin. The Office for Equality of People with Disabilities¹⁹ was installed by the government according to Art. 22 of the Act on People with Disabilities (AEPD). The Office is attached to the (private) Association for People with Disabilities and acts independently. The Office for Equal Opportunities²⁰ is the administrative department with the broadest spectrum of issues concerning disadvantage and discrimination. The main focus, based on the Act on Equality between Women and Men is gender equality. The Office is also mandated by the government to cover other grounds of discrimination (disability, sexual orientation, migration and integration, social disadvantage). Migration and integration as one of the fields of work of the Office for Equal Opportunities includes discrimination on grounds of race and ethnic origin, although this is not a major task of the Office. In addition, the Integration Office at the Alien's Department serves as an institution to advise people and to conduct activities for a better integration of migrants.

1.2.4 Main challenges for the Liechtenstein government

With respect to the three pillars of the Agenda 2020 outlined above, Liechtenstein's current position, especially based on the level of unemployment and social assistance, is not as bad as in many other European countries. Nevertheless, given the facts presented in the foregoing chapter, there is an increasing pressure on the social system of Liechtenstein which cannot be ignored. One can observe that social benefits are affected in several respects, e.g. health insurance, pensions, etc. Up to now, implementations of cost saving measures have in most cases been tailored to avoid social injustice. Based on the estimated public budget for 2015, which shows a surplus of about 28 million Swiss francs (approx. €26.6 Mio.) in the national accounts, it seems that no further cost cutting measures are necessary.

Within the next chapter we will go in more details on how the general savings target is implemented in the various social areas and if specific population groups will suffer in a more extensive way than others from these measures.

2 Systems and policies affecting social outcomes

2.1 Social investment and access to services

Within the Agenda 2020, the Liechtenstein government has also followed the aspirations set out in the 2013 European Commission's Social Investment Package (SIP), even though Liechtenstein is not part of the European Community. Liechtenstein's understanding of social investment policies is to improve human capital and to support people's participation in economic and social life, as well as establishing preventative

¹⁸ Konvention vom 4. November 1950 zum Schutze der Menschenrechte und Grundfreiheiten, LGBl. 1982, no. 60/1; Source: <https://www.gesetze.li/Seite3.jsp?LGBIm=1982060a>

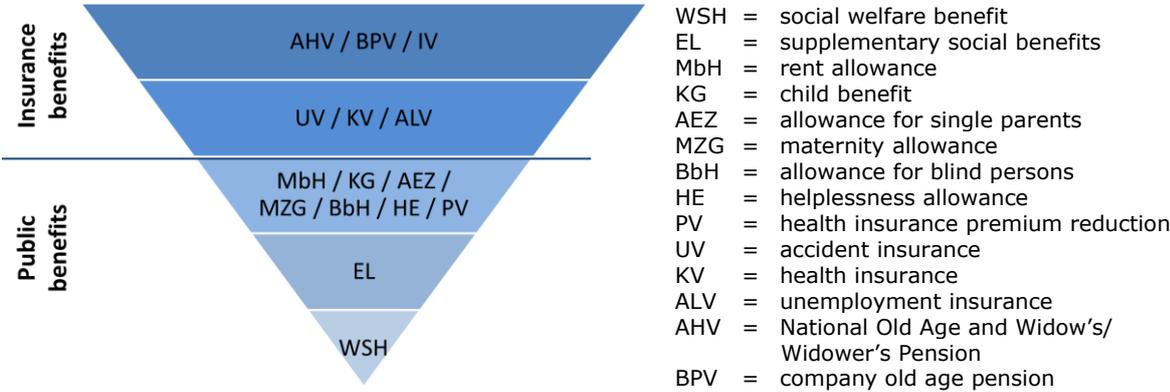
¹⁹ Source: Liechtensteiner Behinderten-Verband: <http://www.lbv.li/Dienstleistungen/B%C3%BCrof%C3%BCdieGleichstellung/tabid/916/Default.aspx>.

²⁰ Source: Stabsstelle für Chancengleichheit: <http://www.llv.li/amtstellen/llv-scg-home.htm>.

policies to confront social risks, including poverty. In examining the overall extent to which there is a social investment approach to tackling key social challenges in the Principality of Liechtenstein, it is helpful to understand the specific situation of a very small country, economically well established, and extremely dependent on foreign markets. Liechtenstein's economy is heavily export-oriented due to its small domestic market. Consequently, the framework given by the government seeks to enable companies to succeed internationally in highly competitive markets. The strong economic growth in technology-driven and knowledge-based industries over the past decades and the small size of the country require an increasing input of foreign labour forces, mainly from neighbouring countries.

The social welfare system in Liechtenstein consists out of a two-component modular structure as shown below:

Figure 4: Overview of the social welfare system in Liechtenstein



The illustrated system is set up as an "add-on" modular structure. Whereas the social security system (insurance benefits) covers all persons residing or working in the country, the public benefits are given as add-ons to the insurance benefits to persons residing in the principality of Liechtenstein. Within the social security system, the State pension's fund, corporate pensions funds (a mandatory occupational scheme for employees) and private pensions funds are the three main pillars that form Liechtenstein's social insurance system. This system makes it possible for workers to cover the risk of unemployment among others. State and corporate pensions are mandatory, while private pensions are voluntary. The state pension fund is financially supported by state subvention on an annual basis.

Taking the impact of the economic crisis into consideration, the financial forecast 2013 to 2016 for the state financial income (without external borrowings) will not be sufficient to finance the net investments for even one year of the above mentioned time period. This effect is basically the result of the estimated excess spending. These figures lead to a clear consolidation and cost-cutting policy with a strong impact on Liechtenstein's social policy system. Nevertheless the publication of the 2012 national accounts shows that Liechtenstein is now one of the few countries in the world to have achieved the international target for official development assistance (ODA). For the purpose of comparing ODA across countries the ODA/Gross National Income (GNI) indicator is used, with an international target of 0.7%. Liechtenstein has achieved an ODI/GNI of 0.75% and is now in an excellent fifth place worldwide. Despite its massive austerity measures, Liechtenstein has thus exceeded the international target for the first time. Based on the latest available GDP data, the GDP per capita average annual growth rate is about 2.9%

over a time period from 1990 to 2012. As only a stable and sustainable financial budget is the driver for continually high social investments the Liechtenstein government started a restructuring process in 2010 followed by two cost-cutting programmes and a reduction of 2% of the operating expenses per year. These measures are expected to improve the current financial situation and to consolidate the national accounts figures, to ensure an appropriate ODA/GNI indicator, and to reflect the requirements of the Stability and Growth Pact.

As Liechtenstein faces no real problems with the general main social investment structure (e.g. unemployment services, poverty rate and access to support measures, healthcare structure, etc.) no specific focus was given to these issues when setting up the general cost-cutting measures from the Agenda 2020 in Liechtenstein from 2009 onward. In 2014/2015 the government focus was still on cost-cutting measures and within these, the first debate in Liechtenstein's state parliament regarding the termination of the state subvention to the unemployment insurance took place. This would lead to an increase of the contribution of employees to the unemployment insurance funds (as part of the state pensions fund) to ensure that current and future benefits can still be funded.

The sections below report on specific policy areas. Summarizing it can be said, that whilst social investment is sometimes highlighted by the government, it is not a consistent issue; the priority is on fiscal consolidation. The impact favours creating a sustainable future pension scheme by minimising the intensification of the current pensioners and creating more state budget.

2.1.1 Early childhood education and care

After the birth, parenting counsellors from the Red Cross organisation in Liechtenstein can advise parents at their request on the task of parenting an infant, as well as observing and evaluating the baby's development on a regular basis. Parents have the possibility to discuss an individual nutrition plan for the child, to receive support in caring for a healthy or sick child, and to discuss everyday parenting matters with the parenting counsellor. Health visiting services are very much appreciated by Liechtenstein's families and are seen as an essential resource for families, and it frees up paediatricians to a certain degree.²¹ Depending on the social insurance of the mother, some insurance companies reward mothers' breastfeeding for a determined period. Since no legal obligation exists, the criteria and the amount of financial support varies from one social insurance agency to another.

Additionally there are private institutions which are financially supported by the government and offer parental services which focus on giving parents a platform for sharing their concerns, finding support by professionals, and learning new approaches for supporting children and their wellbeing.²²

Beyond the age of five, Liechtenstein offers a kindergarten education. Kindergarten attendance is voluntary as long as the child is not a non-German speaker. If so, Art 23 of the school law (*Schulgesetz*)²³ states that kindergarten attendance is mandatory for at least one year before compulsory school starts. This measure was set up to prepare children with a migration background for school. After that, the current legal situation in

²¹ Source: <http://www.rotekreuz.li/index.php>

²² Main private institution are the «Eltern Kind Forum»: <http://www.elternkindforum.li/> ; the «schwanger.li»: <http://schweiz.schwanger.li/wir-informieren/eltern-werden>

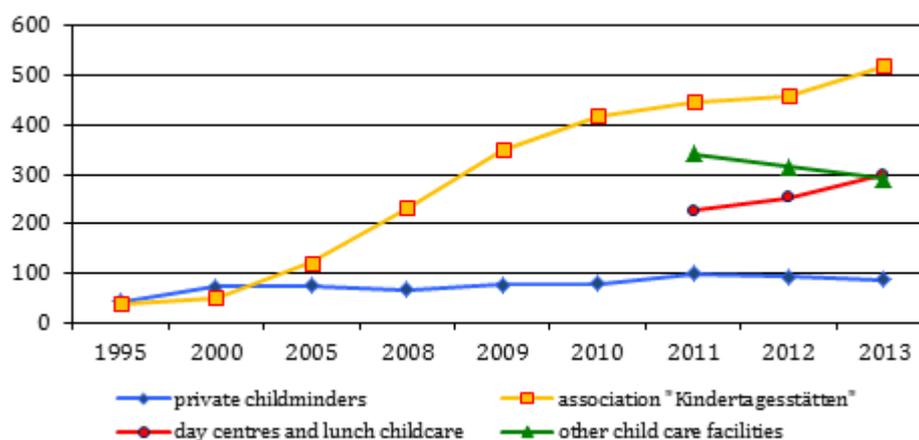
²³ Schulgesetz (SchulG) vom 15.12.1971, LLGB 7, 1972: <https://www.gesetze.li/Seite1.jsp?LGBI=1972007.xml&Searchstring=Schulgesetz&showLGBI=true>

Liechtenstein obliges children domiciled in Liechtenstein to participate in the state school system from the age of six and thence continuously for nine school years. This is mostly done in public schools, but private schools are admitted as well. Kindergarten and the attendance in the state school system are free of cost for all children living in Liechtenstein.

Liechtenstein does not offer any part-time free early education for children under five year olds. Even though there is a continuously rising number of parents who want a part-time early education for their children, in times of fiscal consolidation the government has refrained from any kind of measures to cope with this demand. Parents with good financial background are able to use one of the private early child-care facilities. Families with low income face difficulties in reconciling work and family life for men and women. In Liechtenstein the possible starting age for early childhood education in a private child-care facility is at around 6 months. It is clear from looking at the paid maternity leave period (which ends 5 months after birth) and the starting age for early childhood education, that there is a time gap which can only be closed by taking unpaid leave or holiday from work. Depending on the individual situation of the family there is still a high number of mothers who do not return to their work place after the paid maternity for this reason. Compared to the starting age for early childhood education in most EU countries, which in practice is around 3 months, Liechtenstein is facing a lack of modern early childhood education.

In recent times the acknowledgement that the foundations of educational success are laid down before formal education begins, raises the question as to how good the actual education system in Liechtenstein is and how the need for child care structures might be combined with pre-school education. As a first step in acknowledging these facts, the family policy as part of the Liechtenstein Agenda 2020 implemented specific measures to promote efforts to reconcile work and family life for men and women.²⁴ These efforts resulted in financial support to out-of-house childcare facilities which extended the amount and offer of child care facilities in Liechtenstein, but did not include the setup of public early childhood education facilities. Beside the positive results from the official family programme, there are still officially 188 children registered on the waiting list for a care place based on figures from 2014. The development of child care facilities over time in Liechtenstein is shown in figure 5.

Figure 5: Development of child care facilities in Liechtenstein



Source: Development of child care facilities in Liechtenstein;
http://www.liechtenstein-institut.li/Portals/0/contentionistUniverses/408/rsc/Publikation_downloadLink/2014_Menschenrechte_final2.pdf

²⁴ Source:

[http://www.familienportal.li/fileadmin/user/Dokumente/Familienfoerderung ASF Oktober 2014 web.pdf](http://www.familienportal.li/fileadmin/user/Dokumente/Familienfoerderung_ASF_Oktober_2014_web.pdf)

Access to ECEC, early learning opportunities and pre-primary provision for children are important factors in preparing children for school, minimising school dropout rates, and maximising their future earnings and economic potential. In 2013/2014 a pilot project was launched in one primary school with the goal to enlarge the early childhood education for children with language difficulties. The focus is thereby given to the parents, especially mothers who themselves have difficulties in speaking, reading, or comprehending German. This makes it problematic and stressful to their children in learning the German language adequately.

Based on early learning opportunities and pre-primary provisions a successful passage through the years of compulsory schooling is also associated with a wider range of opportunities at the beginning of adult life. At this stage Liechtenstein is facing a challenge to find solutions for closing the gap between children with an immigration background or special needs and those without, in terms of their educational development. Therefore Liechtenstein still needs additional measures and the question about an adequate school system is still under discussion. Additionally to the acknowledged positive impacts of early childhood education, it is clear that without more child care facilities, the need to secure employment cannot be met which might result in more financial difficulties for various households. The development of new employment patterns, especially in the knowledge economy and the growing need of highly qualified employees, shows that there is a need for further progress in early childhood care. Investment in early childhood education supports the participation of parents, especially women, in the labour market and would lead to a higher use of the potential of well-educated mothers who are mainly the ones staying at home and taking care of their children. A key challenge for Liechtenstein will be the answer to the question of how households with low income can receive special consideration for increasing their possibility of securing full time employment or increasing their part-time employment to avoid poverty and inadequate child well-being. Based on these facts the government resolution from the end of 2011, to give no further financial support to new child care facilities due to the overall financial situation, was discarded by beginning of 2014. The government set up an interdisciplinary project group, including business representatives, to work out a concept for an efficient and fair state funding for child care facilities. Results are expected during 2015.

2.1.2 Support to the unemployed

The Liechtenstein Labour Market Service (AMS)²⁵ offers a range of support services for unemployed individuals to get back into work. Independently of the length of time being unemployed and claiming unemployment benefit the AMS helps to break down the barriers and move into sustainable work through a number of programmes. The AMS is the official office from the government department providing services to enable and reintegrate long-term unemployed persons into the labour market. The offer consists out of two different types of services:

- Collective activation programmes and
- Individual supportive services.

The collective activation programmes²⁶ offer classes to enlarge the individuals knowledge portfolio from communication technics to practical IT-application usage, to activate the

²⁵ Source: <http://www.amsfl.li/ams/>

²⁶ Link: Collective activation programmes:

http://www.amsfl.li/ams/upload/downloads/Kollektive_Aktivierungsprogramme_AMS_FL_Uebersicht.pdf

motivation to hand in application forms, set up internships and expand professional networks. There are no complaints or dissatisfaction with the extent and type of activation services known to the authors. As a minor weakness it could be mentioned, that additional focus might be given to specific employment schemes and to the political support to encourage the private-sector employers to integrate long-term unemployed with more effort (e.g. state contributions to the social security payments, financial promotion of employment, set up internships etc.).

The range of supportive services²⁷ is wide, including individual coaching, development of soft skills and of the personality. Currently the AMS offers supportive service programmes as follows:

- analysis of the individual situation
- identify the strengths and potential
- motivation
- work-life-balance and health management
- communication: practice interview techniques, practice letter writing
- conflict management
- NLP in daily live
- Building and use of social networks
- Project management
- Professional help to develop labour market and individual applications documents

Official statements regarding a specific concentration of the efforts of the AMS are not known to the authors. But from the given activities, i.e. the different activation programmes, it can be assumed that great emphasis is given on the beginning phase of an unemployment with the focus on a very quick reintegration into the labour market, and – if applicable and useful – vocational training and individual support to improve the chances of a reintegration into the labour market as soon as possible. Therefore the various programmes are tailored to different groups and needs of unemployed persons (e.g. people with a low educational level, non-German speaking persons, women, etc.). There are no requirements regarding the time period of being unemployed to become eligible for a specific programme. Within these programmes the AMS rely on one side on standardised approaches like enrolment in a work preparation course, mandatory attendance at group job search activities, etc. These activities certainly have a place in service delivery but their impact is limited especially in the case of long-term unemployed. On the other side, the AMS finds out in interviews with their clients what their strengths and weaknesses are, what they really brought to unemployment, evaluate the given job experience and sets up an individualised training plan. The main goal is to give the unemployed the possibility in learning how to interview, how to improve their resumes, meet with mental-health counsellor and receive counselling about improving their self-confidence.

Individuals with long-term unemployment suffer especially under the additional uncertainty of their situation. This can lead to increased stress and anxiety as individuals take on loans to get them through the time and keep up with a certain life standard to avoid social consequences of less income than before. The correlation between personal

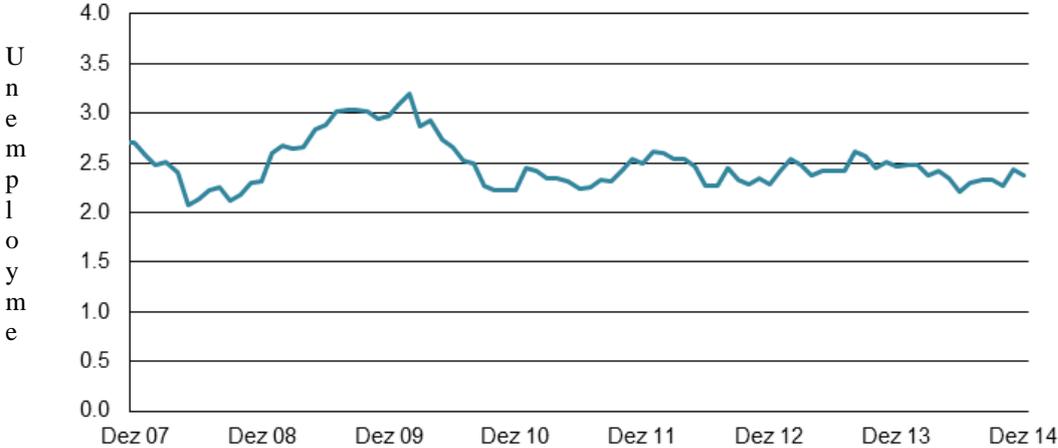
²⁷ Link:

http://www.amsfl.li/ams/upload/downloads/informationsblatt_unterstuetzende_programme.pdf

debt and specific common mental disorders has been scientifically proven (Meltzer et al., 2012)²⁸. To prevent long-term unemployed from this risk, the AMS launched various programmes as the health management and NLP in daily live etc. Nevertheless due to the low unemployment figures and the low long-term unemployed in Liechtenstein, specific labour market policies have not been of high priority for the government within the Agenda 2020.

Nevertheless, within the Agenda 2020 supportive measures have been launched with respect to get young people ready and fit into a job and integrate older people for a longer time period into the labour market. Figure 6 shows the statistic results about unemployment in Liechtenstein for the time period 2007 to 2014:

Figure 6: Unemployment statistic 2007 – 2014 of Liechtenstein

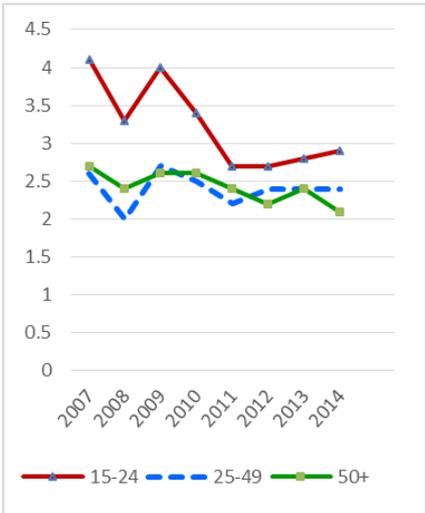


Source: Unemployment statistic 2007 – 2014 of Liechtenstein; http://www.llv.li/files/as/Indikatoren_2014_Internet.pdf

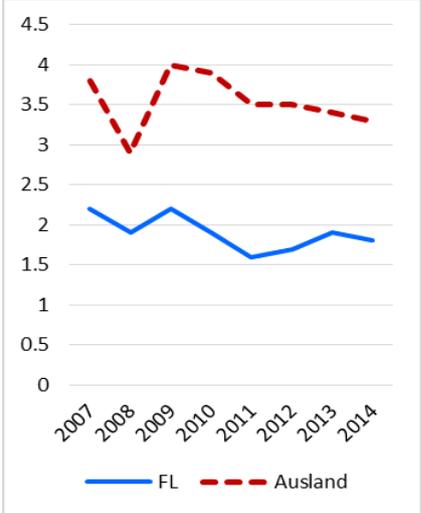
The unemployment details in respect to unemployment by age and by nationality can be seen by figure 7.

Figure 7: Unemployment statistic 2007 – 2014 of Liechtenstein

Unemployment rate by age



Unemployment rate by nationality



²⁸ Source: <http://www.ncbi.nlm.nih.gov/pubmed/22434207>

Source: Unemployment statistic 2007 – 2014 of Liechtenstein by age and by nationality;
<http://www.llv.li/#/11432/arbeitslosenstatistik>

In 2014 the significant gap between the unemployment rate regarding age as well as nationality required state action. Feedback received from employers have identified that young job seekers are often not job-ready. They need employees who are reliable, willing to learn and able to fit into the workplace. The Liechtenstein Employment Service therefore established a variety of measures and programmes to get young people ready and fit into a job as quickly as possible. This included in 2014 the programme "Zuender"²⁹. The goal of this programme was connecting young people with local employers to ensure that young people are able to meet current workplace needs and to create links with real employment opportunities. The specific for youth unemployment developed programme "Chance Liechtenstein"³⁰, established in 2010 was very successful. Based on a job-finding-rate of 80% after the first run of the program, it was already stopped again in 2011. The current unemployment rate for young people (age 15 to 24) lays at 3.3% by November 2014 which shows a slight increase of 0.3% compared to November 2013. If this might lead to a recovery of the "Chance Liechtenstein" is not decided yet.

Work Experience Access to real workplace experience is critical to building work readiness. Therefore the Liechtenstein Employment Service Office connects unemployed persons to real-life opportunities to get a taste of varied workplace environments and obtain meaningful work experience and volunteering placements. This was done in 2014 by a specific cooperation with the Liechtenstein Chamber of Commerce called "100pro!"³¹ and various internship arrangements as well as by foreign internships and apprenticeships within the MOJA project of the EU. Another very important activity for the Liechtenstein Employment Service in 2014 is to assist young people to navigate the vocational education system and to avoid being churned through training courses that do not lead to jobs. This is done by supporting young people to identify, plan and work towards their career aspirations in a realistic way.

In 2011 the "45plus – using your talents for Liechtenstein" project was launched by organisations dealing with adult education and learning provision.³² In 2014 a special initiative for "50+" was launched to integrated older people better into the work life.³³ The "Arbeitsleben.li" competence centre³⁴ has a website on which it presents information and courses on generation management, personnel management, occupational work and capacity management. The focus here is on generating greater awareness of the potential of older citizens in the world of work. By the end of November 2014 the unemployment rate for persons with age 50+ was 3.1%, meaning that 133 older persons had been seeking for a job. Compared to the same month in 2013 this reflects a decrease of 5% and shows that the established measures are helpful.

Concerning the possibility of unemployed persons to get quickly one foot in the door of the working world the AMS launched the "job-speed-dating"³⁵ program. With this

²⁹ Source: <http://www.100pro.li/index.php?src=news&srctype=detail&category=News&refno=256>

³⁰ Source: <http://www.chance-liechtenstein.li/>

³¹ Source:

<http://www.100pro.li/index.php?submenu=Coaching&src=gendocs&ref=Coaching&category=Main>

³² Source: <http://bua.gmg.biz/BuA/default.aspx?nr=145&year=2008&content=ges>

³³ Source:

http://www.arbeitsleben.li/Wissenswertes/Newsdetail/tabid/75/Default.aspx?shmid=400&shact=424789243&shmiid=FuYN34Dm8Fw__eql__

³⁴ Source: www.arbeitsleben.li t about the funding of ohter

³⁵ Source: <http://www.amsfl.li/unternehmen/job-speed-dating/index.html?a=117&level=1>

programme the AMS setup a model of bringing long-term-unemployed in direct contact to employers. The concept is very simple on the basis of the motto "the first impressions count". After the unemployed had an individualised support program, the AMS arranges a couple of "job-speed-dating" – interviews with local employers. The employer and the AMS client have each 5 Minutes to present them self and to get a first impression of each other. If the first impression was very good, the job application documents will be handed over to the employer and the recruiting process starts. The "job-speed dating" participation is not binding for both sides, but the feedback from the employer side after the first sessions had been held, was very positive and the AMS was able to find a new workplace for some of their clients.³⁶

2.1.3 Healthcare

Liechtenstein's healthcare system is closely linked to the country's economic and social situation. The first healthcare law ("*Sanitätsgesetz*") was passed in 1874. The 1921 constitution stipulated that the state is responsible for caring for the sick. The second major healthcare law was passed in 1945 following the introduction of provisions on healthcare in schools (1935) and dental care in schools (1942). Regular check-ups were introduced in 1977, in particular for pregnant women and young children. In 2004 the Doctors' Act ("*Ärztegesetz*") and the Office of Public Health were introduced. This Office is in charge of coordinating the healthcare system on behalf of the government. The current public health care system is based on the Health Insurance Act of 2007³⁷.

In 1999, the Liechtenstein public health system was changed into an open system of family-doctors ("*Hausarztsystem*"). Within this system a family-doctor is either part of the public system with a higher percentage of cost-reimbursement for the patient (depending on the individual medical insurance contract) or not (0% reimbursement). This system was introduced after the accession of Liechtenstein to the European Economic Area (EEA), a consequence of which was that doctors from other EEA States were increasingly settling in Liechtenstein. Therefore, since 2004, only a restricted number of health care providers are allowed to be part of the public health care system, which is related to the actual need of health service providers in relation to the population. The Liechtenstein Health Insurance Funds' Association and the Chamber of Doctors decide on the number of doctors under the public system.

Today, Liechtenstein's healthcare system meets the healthcare standards of a modern state. All resident citizens in Liechtenstein are required by law to have medical insurance and therefore must be registered with a medical insurance company / fund. All citizens aged 16 years or older must have health insurance, children that age have compulsory health insurance by law (the state defrays the costs thereof) which grants them access to healthcare. Employers must make the necessary declarations in respect of employees, regularly deduct contributions from their salaries and transfer these to the social insurance authorities. The self-employed and people without gainful employment must register themselves with the relevant social insurance company / fund and pay the contributions.

National law in Liechtenstein does guarantee the right to access healthcare for all persons on an equal basis. Art. 4 of the Health Act states that the promotion of health as well as the prevention of illness and accidents is the main obligations of the public health care. Thus, the compulsory health insurance guarantees protection in the event of

³⁶ Link: <http://www.amsfl.li/stellensuchende/job-speed-dating/index.html?a=116&level=1>

³⁷ Source:

<https://www.gesetze.li/Seite1.jsp?LGBl=2008030.xml&Searchstring=Gesundheitsgesetz&showLGBl=true>

sickness, accident and maternity. It pays the costs for medical care (medical treatment) and pays daily sickness benefits to cover loss of earnings during illness and during maternity leave.³⁸ Employees receive (through the employer) special accident insurance for occupational accidents, occupational diseases, and also accidents occurring during leisure time. The accident insurance pays the costs of medical care necessitated by an accident and also pays accident benefits or accident pensions and indemnities for severe disablement as a result of an accident. In the case of persons who are not insured for accident through their job, the medical insurance also pays the costs of medical care required as a result of an accident.

Statutory benefits are subject to compulsory insurance fee in pursuance of the Health Insurance Act. Mainly there are two different types of the mandatory health care insurance in Liechtenstein. First, health care insurance with a limited choice of outpatient benefit providers (contributions for treatments provided by unauthorised outpatient benefit providers are not paid). The monthly contribution system is shown in figure 8 as an example from one of the three official health insurance companies:³⁹

Figure 8: Premium system of the standard mandatory health care insurance

Age bracket	Monthly premium with accident cover	Monthly premium without accident cover
Children up to age 16	no premium	no premium
Age 17 – 20	177.30 Swiss francs	169.40 Swiss francs
Age 21 and above	354.60 Swiss francs	338.70 Swiss francs
Retired adults	354.60 Swiss francs	338.70 Swiss francs

Source: Premium system of the standard mandatory health care insurance; <https://www.concordia.li/content/concordiali/de/private/produkte0/grundversicherung/basic.html>

By agreeing to an annual deductible amount, the health care insurance premiums can be reduced.

Second, health care insurance which covers the free choice of outpatient benefit providers and the assumption of costs up to the tariff as follows (premium structure from one official health insurance company, the premiums can differ in the category of free choice of outpatient benefit providers as shown in figure 9.⁴⁰

Figure 9: Premium system of the mandatory health care insurance with free choice of outpatient benefit providers

Age bracket	Monthly premium with accident cover	Monthly premium without accident cover
Children up to age 16	10 Swiss francs	10 Swiss francs
Age 17 – 20	197.30 Swiss francs	189.40 Swiss francs
Age 21 and above	394.60 Swiss francs	378.70 Swiss francs
Retired adults	394.60 Swiss francs	378.70 Swiss francs

Source: Premium system of the mandatory health care insurance with free choice of outpatient benefit providers; <https://www.concordia.li/content/concordiali/de/private/produkte0/grundversicherung/plus.html>

Mandatory health care insurance covers the minimum required by law in the event of illness, accident and maternity. Regarding the need of a hospital stay, the covered health care consists of the costs of a stay in the general ward of a hospital – that is, only at the hospital rate of a contracted hospital partner of Liechtenstein. The possibility of free hospital choice, full coverage and private class has to be covered by additional hospital insurance.

³⁸ Earnings-related state maternity benefits for women who are not entitled to daily sickness benefits during maternity, apply to the Office of the National Economy.

³⁹ The numbers in € are about 5 per cent lower than the Swiss francs quotation.

⁴⁰ The numbers in € are about 5 per cent lower than the Swiss francs quotation.

The insurance companies / funds are run by private organizations, underlying the National Insurance Act and subsidized by the public authorities. The Office of Public Health⁴¹ oversees the health service and provides licenses for medical and non-medical healthcare. When it comes to hospital treatment, no contract is concluded with the Liechtenstein Health Insurance Funds' Association, but instead with the Liechtenstein government, which has the responsibility to provide for hospitals, care homes and other institutions in the field of health care. As there exists only one rather small hospital in Liechtenstein, ca 20 agreements with medical institutions outside of Liechtenstein, primarily in Switzerland and Austria, have been concluded, in which the free access of persons insured under the Liechtenstein health care system is agreed. In this case, the medical institution has direct access to the Liechtenstein insurance company and the patient does not have to pay in beforehand for the services. If an insured person seeks treatment in a foreign hospital without agreement, reference tariffs are applied, where the patient has to provide for a co-payment.

An insured person may seek treatment from every health care provider who has a contractual relation with the Liechtenstein Health Insurance Funds' Association. This contract allows the health professionals to provide services subject to agreed tariffs with the insurance funds. All health care providers being connected to the Liechtenstein Health Insurance Funds' Association can directly claim the reimbursement of their services with the health insurance companies. Thus, the patient does not have to pay the treatment in advance (benefit-in-kind system). In case a health professional is not linked with the Liechtenstein Health Insurance Funds' Association (a so called "private doctor"), the insurance funds reimburse something between 50% to 0% of the costs the insured had to pay to the service provider, based on the type of health service. For the rest, the patient has to cover the costs himself or claim a private supplementary insurance. In case of an explicit reference to a specialist doctor who has no contractual relation with the Liechtenstein Health Insurance Funds' Association, due to lack of specialist knowledge of doctors within the public health system, the Health insurance fund would also reimburse 100%.

The Liechtenstein health care system is financed via contributions from insured persons and the employers, meaning that 50% of the total contribution is paid by the employer and 50% by the employee (private insurance agreements are not taken into consideration). The contributions are not calculated as a percentage of income, but per capita. Children up to the age of 16 are exempted from this rule; persons until the age of 20 pay only 50%. Persons under a certain threshold of annual income may profit from a reduction up to 40% of the amount of the contributions.⁴² For persons in full employment the employer contribution corresponding to 166.50 Swiss francs (approx. €158) per month, which is 50% of the average total healthcare contribution of an insured person in Liechtenstein.

Additionally the state contribution to the health insurance is the third essential, financial pillar of the health insurance. The State finances health care in particular via three instruments, accounting for about 25% of State subsidies in the health care sector:

- Co-financing of health insurance funds by general reduction of contributions for children

⁴¹ Source: <http://www.llv.li/#/1908/amt-fur-gesundheit>

⁴² For couples the threshold is currently 54,000 Swiss francs (approx. €51,299) and for singles it is 45,000 Swiss francs (approx. €42,749).

- Replacement of contributions for economically weak persons by special reduction of contributions
- Support for hospitals to reduce costs for health insurance funds.

The remaining 75% are located to the health insurance funds. The amount of State subsidies is fixed for every year based on Article 24(a) Health Insurance Act. While the amount was increasing every year reaching its peak in 2010 with 57 million Swiss francs (approx. €54.1), in 2011, the amount was lowered to 54 million Swiss francs (approx. €51.3) and frozen at that level until 2013.⁴³ A more substantial reduction to 42 million Swiss francs (approx. €39.9) was realised in 2014.⁴⁴

The state contributions for economically weak persons are called health insurance premium reductions and focuses on a basic income protection. Reductions on premiums are available up to 60 percent depending on the level of their income.

The official cost cutting measures, which are based on the current financial situation of the state budget, also affect the healthcare and social insurance area. Thus, the government decided in June 2014 a further premium reduction of the state contribution to the health insurance. This measure was preceded by similar reduction in 2011 and 2013. These premium reductions of the state contribution do have a significant effect on the premium amount paid by the residents, meaning that the individual premium contribution is increasing by 12% and is therefore an additional burden to the family's budget. To alleviate the effects of additional expenses for healthcare insurance for Liechtenstein's families, the reduction of state contribution of about 9 million Swiss francs (approx. €8.6) in total excludes non-adults (e. g. children). This means, the premium for children's health care will not increase based on the state contribution reduction. Figure 9 gives an overview about the cost cutting measures within the healthcare area based on official data from 2013.⁴⁵ Unfortunately no more recent figures are available.

Figure 10: Cost cutting measures 2013 in the health care area

Measures of savings in 2013	figures in Swiss francs
Removing funding for the Disability Insurance	2 million
Integration of the blind allowance into the Disability Insurance	220 thousand
Reduction of contributions to associations in the health sector	126 thousand
Removing funding of the accident insurance for pupils	112 thousand
Removing the public funding of the Caritas	40 thousand

Source: Cost cutting measures 2013 in the health care area; Liechtenstein Gouvernement, Bericht und Antrag der Regierung betreffend den Staatsbeitrag an die Kosten der obligatorischen Krankenpflegeversicherung der übrigen Versicherten für das Jahr 2014, No. 26/2013; <http://www.llv.li/files/srk/bua-057-2015.pdf>

Any reductions in the state contribution to health insurance have a knock-on effect on the individual monthly health insurance premiums, as well as on the level of the

⁴³ Liechtenstein Government, Bericht und Antrag der Regierung betreffend den Staatsbeitrag an die Kosten der obligatorischen Krankenpflegeversicherung der übrigen Versicherten für das Jahr 2013, No. 63/2012. Source: <http://www.regierung.li/ministerien/ministerium-fuer-gesellschaft/downloads/>

⁴⁴ Source: Liechtenstein Government, Bericht und Antrag der Regierung betreffend den Staatsbeitrag an die Kosten der obligatorischen Krankenpflegeversicherung der übrigen Versicherten für das Jahr 2014, No. 26/2013.

⁴⁵ The numbers in € are about 5 per cent lower than the Swiss francs quotation.

insurance excess which those insured have to pay. One has to keep in mind that up to now around half of the health care insurance costs are borne by the state. The exemption from health insurance for children, lower insurance premiums, and either no or reduced excesses for young people and the retired are made possible by the state subsidies.

To cope with the increasing healthcare costs, the parliament adopted the reinforcement of the Economic Efficiency/Expedience and Effectiveness-Assessment which obliges the health insurance funds to document the auditing control in a yearly report, in May 2012. This controlling-system had been introduced to give national authorities the opportunity to check that this is actually done and to publish the results to show where substantial costs occur. The background for the adoption lays in the steadily increasing healthcare costs, about 30% arising from services provided by doctors. The purpose of this system is that the service providers shall reduce the treatments based on the necessity of each individual patient, which has to be documented. The health insurance companies/funds inform the Liechtenstein Health Insurance Funds' Association about their reimbursements, and based on this information, the Liechtenstein Health Insurance Funds' Association publishes statistics and assess whether the individual service provider was acting in accordance with the principles of this system. The proposal was controversial, in particular regarding the publication of the results. Due to the small size of Liechtenstein and the low number of doctors, the later fear that their medical assessment might be influenced by financial pressure and the patient will be the "victim" of this. Thus 66 doctors took the case to the Liechtenstein Data Protection Commission, claiming that the law would infringe their right of data protection. This claim was rejected. The doctors brought their case before the Constitutional Court where the appeal against the decision was dismissed and the judgment of the Data Protection Commission was affirmed on 18 February 2013.

Bases on the fact that substantial parts of the health care reform had been rejected in December 2012 by the parliament, the newly elected government has mainly to deal with the question of lowering the state subsidies which has been committed in the coalition agreement. Therefore the government established a strategy on how to distribute the burden equally or in a fair manner over the insured persons, doctors, and insurance funds. As the substantial decrease of the state subsidies will take effect in 2015, in 2014 a draft revision of the Health Insurance Act was prepared by the government and is currently (05/2015) in discussion within the Liechtenstein parliament. The aim of the current revision of the Health Insurance Act is to freeze the health insurance contribution of the employers and to introduce a system of health accounts, with the effect that patient who are using medical advice and help more often than others, will have to pay more for the medical service.

2.1.4 Long-term care

Liechtenstein always had a high standard of service provision concerning institutionalised care. Already in 2007, Liechtenstein has initiated a major reform of its long-term care system. In recent years this reform has been implemented step by step. However, until 2010, there was no complete system in place concerning long-term care at home, thus care was mostly provided informally by family members at home. A major part of the care concept was based on voluntary participation of care providers, in particular within the families, and on services provided by the family support associations (*Familienhilfevereine* and *spitalexterne Dienste (Spitex)*). The latter are organised on regional level, being supported by its federal association, which depend to a large part on honorary participation and donations. State and communes support the budget with 30% each. The remaining 40% self-financing part is accomplished via billable services towards insurance carriers, membership fees or donations.

With the implementation of the new care allowance in 2010, the government of Liechtenstein initiated a reform of its long-term care system which was followed by the National Dementia Strategy in 2012. The government and parliament agreed on additional measures to be conducted in order to ensure an adequate infrastructure for home care. The long-term care system reform has been based on three pillars: prevention, home care, and institutionalised care. Long-term care is provided in Liechtenstein either in care institutions or at home. There are five care homes⁴⁶ and one point of information⁴⁷. All these institutions – except for the *Alters- und Pflegeheim Schlossgarten* – are run by the Foundation for Old-age and Invalidity Assistance (*Liechtensteinische Alters- und Krankenhilfe – LAK*). Since September 2011, the LAK is a foundation under public law. These institutions are mainly funded by the municipalities and the government and by billable services towards insurance carriers. In addition to operating care institutions, the LAK serves as central contact point for consultation and execution of tasks in relation to long-term care. It is mainly funded by the municipalities and the government.

Care work at home, within the family, can be assumed as the predominantly form of long-term care in Liechtenstein. There is no official statistical data about care work at home available, but from the large number of requests for a care place within one of the official institutions in Liechtenstein, such an assumption can be derived.

It is mostly provided on a voluntary basis, in particular by relatives, and has not yet been legally regulated. Further, commercial carers and the family assistance association⁴⁸ provide care at home. Commercial carers usually come from outside Europe, in particular from Brazil. However, more and more care nurses originate from the new EU Member States. Sometimes the legal status of these migrant workers is not clarified, which pushes them to the verge of illegality.⁴⁹ The family assistance association is set up as a non-profit organization funded by the State and the municipalities of Liechtenstein, by billable services towards insurance carriers and private donors as well as membership fees.

The main State aid regarding long-term care are the helplessness allowance (*Hilflosenentschädigung*) and the care allowance (*Pflegegeld*).⁵⁰ Within the first step of the 2010 reform, the government decided a sustainable system of preventive, home and institutionalised care for senior citizens. To cover the most urgent needs, namely the financing of home care, the government has effectively introduced a new care allowance as of 1 January 2010. Eligibility to both allowances depends on physical or mental disorder and the associated need for support to perform daily tasks. Therefore an early identification of the illness, which is based on competent medical examinations, is very important to receive financial support for long-term care which occurs to be necessary.

⁴⁶ The Liechtenstein Foundation for the Care of the Elderly and Sick (LAK) runs old people's homes in Vaduz (Haus St. Florin), Schaan (Haus St. Laurentius), Eschen (Haus St. Martin) and Triesen (Haus St. Mamertus). See link: <http://www.lak.li/>. Additionally there exists the old people's home in Balzers (Alters- und Pflegeheim Schlossgarten). See link: <http://www.aph-schlossgarten.li/>

⁴⁷ The one point of information is managed by the Liechtenstein Foundation for the Care of the Elderly and Sick (LAK) and is called Kontakt- und Beratung Alterspflege (KBA). See link: <http://www.familienportal.li/index.php?id=70> or <http://www.lak.li/pflegen-und-betreuen/beratung-und-anmeldung/>

⁴⁸ Familienhilfe Liechtenstein: <http://www.familienhilfe.li/Organisation.aspx>

⁴⁹ Annual National Report 2012 "Pension, Health Care and Long-term Care", Bernhard Zaglmayer. See link:

http://socialprotection.eu/files_db/1252/asisp_ANR12_LIECHTENSTEIN.pdf

⁵⁰ Both benefits have their legal basis in the legal act:

Gesetz vom 10. Dezember 1965 über Ergänzungsleistungen zur Alters-, Hinterlassenen- und Invalidenversicherung (Act on Supplementary Benefits), (LGBl. 1965, No. 46); Ordinance to the Supplementary Benefits Act, Article 41 bis (Verordnung vom 1. Dezember 1981 zum Gesetz über Ergänzungsleistungen zur Alters-, Hinterlassenen- und Invalidenversicherung, LGBl. 1982, No. 5).

Helplessness allowance is granted irrespectively of the applicant's economic circumstances and is additionally to the care allowance. The helplessness allowance is financed by the general State budget. Helplessness allowance is available for persons with residence in Liechtenstein and when they are not entitled to helplessness allowance under the accident insurance. The allowance is not covering ailments of birth or invalidity. A person is considered to be helpless if he/she permanently requires a considerable degree of help from a third person or personal surveillance in order to carry out daily tasks, i.e. getting up, getting dressed/ undressed, nutrition, personal hygiene and social interaction. The term 'permanently' implies that the state of helplessness has been present without substantial interruptions during the previous three months for persons aged 65 and older, for persons under this age the relevant period is one year.

Three levels of need of care are distinguished for persons below the age of 65, first, second and third degree. Persons above 65 receive the allowance only if they are at least dependent in the second degree, except a first-degree dependency has already existed before reaching the age of 65. A first-degree dependence level is defined as either being unable to perform two daily tasks or being dependent on continuous supervisions or being dependent on special care due to a particular ailment or being able to keep social contacts only with the help of a third person due to a particular ailment. The second degree of dependency is defined as being unable to perform most of the daily tasks or being unable to perform two daily tasks and being dependent on continuous supervisions. A third degree of dependency refers to complete helplessness. This is the case when a person is unable to perform all daily tasks and needs continuous supervision.

In 2015, the helplessness allowance amounts to 464 Swiss francs (approx. €441), 696 Swiss francs (approx. €661) and 928 Swiss francs (approx. €881) per month depending on the level of helplessness.⁵¹ These amounts equal 40%, 60% and 80% of the minimum retirement pension level respectively. The allowance is financed from the general budget. The helplessness allowance is not supplementing any other social benefit provided by Liechtenstein, meaning that the allowance is awarded irrespectively of whether the recipient is entitled to a sickness benefit or a pension on any other basis. It is administered by the Old-Age and Survivors' Insurance institute (AHV institute).

The care allowance has been introduced on 1 January 2010 and replaces the home care benefit. Eligibility to care allowance depends on residence in Liechtenstein, as well as on physical or mental disorder of at least one month and the associated need for support to perform daily tasks. The age of the applicant is irrelevant. The benefit is not means-tested, as this would put the dependent person in a worse position at home than in a care home, which should be avoided. The attendance allowance is granted in addition and shall not reduce the care allowance. The care allowance is not taxable, however, the allowance is to be taxed from the caring person as income and accordingly social contributions have to be paid.

The care allowance can only be used for paying the expenses for carers. To this end, a payment on account is made by the AHV institute, which administers the care allowance. Subsequently, after receiving the invoices, a settlement of accounts is made. The amount of the care allowance depends on the degree of care dependency. At maximum, it equals CHF 180 (approx. €150) per day. This amount will be regularly indexed to prices. The maximum level of the benefit is set at this amount, as it comes close to the costs of institutionalised care. It is envisaged that at that point the limits of possible home care are reached.

The care allowance is financed from general taxation, so no specific contributions are levied. Half of it is financed by the State and half by the communes.

⁵¹ Source: http://www.ahv.li/fileadmin/user_upload/Dokumente/Online-Schalter/MB/AHV-IV-FAK-MB-6-01--HE.pdf

As in any other European State the demographic situation is pointing towards an increase of the older population for which potential care facilities and human resources have to be foreseen. Even if there are currently sufficient places in care homes in Liechtenstein, it is estimated that this will be the case until 2018, but then 75 more places are necessary.

The efforts of Liechtenstein's government in the field of care to set up a system on three pillars must be appreciated. One area of concern, however, is the availability of sufficient, qualified care personnel, in particular for home care. To this end, a project had been started together with the family assistance associations, to find a way to create a more efficient and effective framework for home care, with the following main targets:

- one family assistance association for whole Liechtenstein;
- one contact point for advice in the field of home care;
- central coordination of all services;
- provision of services on the weekends and during night-time.

Regarding the problem to find qualified carer personnel due to a lack of a pool of carer, the government referred to its objective to create one single family assistance association. With this measure, the government argued, sufficient physician assistants and nursing specialists would be available to cover the given need in Liechtenstein in the long-term care area. Thus, there exists no need to ease immigration laws for foreign nursing specialists. This statement of the government was then criticised in parliament, as the problem of illegal employment of foreigners in the area of home care was commonly known.⁵² Up to now, there had not been any softening of the immigration law or special immigration law status for physician assistants and nursing specialists from abroad who start working in the long-term care in Liechtenstein.

Since July 2013, the 5 family assistance associations and 10 local communities work together to create a care personal pool, where specific service provisions has been agreed on. The family assistance of *Balzers* however decided to go a different route and teamed up with the care home *Schlossgarten*, to coordinate their services and human resources.

In autumn 2012, the Liechtenstein Foundation for the Care of the Elderly and Sick (LAK) has been set up anew as a foundation with participation of the Liechtenstein government. The government expects that the LAK provides excellent qualitative services in stationary and ambulant care, in particular also concerning preventive measures. Moreover, the LAK has to review the need of care places on a regular basis and provide the government with information about this. The LAK is providing training for care personal.

In the area of care work taking place within the family provided on a voluntary basis, in particular by relatives, a 'social time card' (volunteer work certificate) was launched for those who work on a voluntary basis. Volunteers were able to use the volunteer work certificate to record their accomplishments and how much time they have spent. The idea was that evidence of volunteer work and corresponding training could be important in particular for re-entering the workforce. It turned out, that the acceptance of the 'social time card' was very low, the impact as an additional reference for later job seeking activities was over estimated. Therefor the programme was not further prolonged in

⁵² An example of the political discussion can be found in the annual statement of one of the political parties in Liechtenstein for the year 2011: <http://www.fbp.li/assets/dateien/6-Punkte%20Programme/6-Punkte-Programm%20Sommer%202010.pdf>

2014. It is unclear whether this was due to a lack of interest or due to limited opportunities. Basically the idea of the "social time card" failed.⁵³

The institutions for Care of the Elderly enlarged the offering for people who do not require long stay or permanent admission to a care home in 2012 (e.g. to enable home based carers to take scheduled holidays or breaks throughout the year). The short-term or short-stay care may be required for a number of reasons such as:

- Respite care enables home based carers the opportunity to take scheduled holidays or breaks throughout the year. During the limited period the patient is in 24-hour care service.⁵⁴
- Emergency respite/short stay when the normal package of care in a person's usual place of care breaks down either because the carer becomes ill or the person receiving care develops a short term illness that requires clinical intervention that cannot be managed or provided at home but does not require hospital admission.

It was undisputed by all long-term care affected parties as well as by the government, that Liechtenstein lacks sufficient, qualified care personnel in this specific area. Proposals in the area of softening the immigration law for physician assistants and nursing specialists from abroad to obtain legal residence and working permission in Liechtenstein, did not find support within the government. Thus, a national education programme within the organisation of the LAK was set up by the management of the LAK. The long-term care facility of the LAK in *Schaan* received the "Quality in Palliative Care" label in 2013 and set out further quality measures in 2014.⁵⁵ An internationally recognised title sponsored by the Swiss Quality Association in Palliative Care (palliative.ch) and audited by the Swiss Foundation for Quality Assurance in the health care services. This label grants that the LAK fulfils 65 quality criteria's in the area of palliative care and long-term care, including well-training care specialists.

Up to now, the availability of care personnel had so far not been tackled with the same urgency and attention as the introduction of the care allowance. Thus, the legal situation for home-care personnel is still in some areas not clarified.

Since an independent care insurance law is lacking in Liechtenstein, the government discussed the idea to introduce a new type of social insurance to cope with the increasing costs of financing long-term care and the related services and infrastructure measures. Currently the government stated that the idea is still there but such a complex matter would have considerable impact on Liechtenstein's social insurance structure. This is why there is no further implementation plan or timeframe in place so far.

Along with the discussion of a new care insurance, the question about a sufficient legal basis for social protection in the case of need for care, which is primarily guaranteed by the laws regarding sickness insurance and accident insurance, was also defined as an area of improvement. These topics could not be solved during the legislation period of the government. After the elections in 2013 the new government did not focus on the

⁵³ Link: <http://www.culturalpolicies.net/web/liechtenstein.php?aid=514>

⁵⁴ For reference pls. see the protocol of the community in Schaan:
https://www.google.li/?gws_rd=cr&ei=6ifRUum_MaS6yAOtqICQcw#

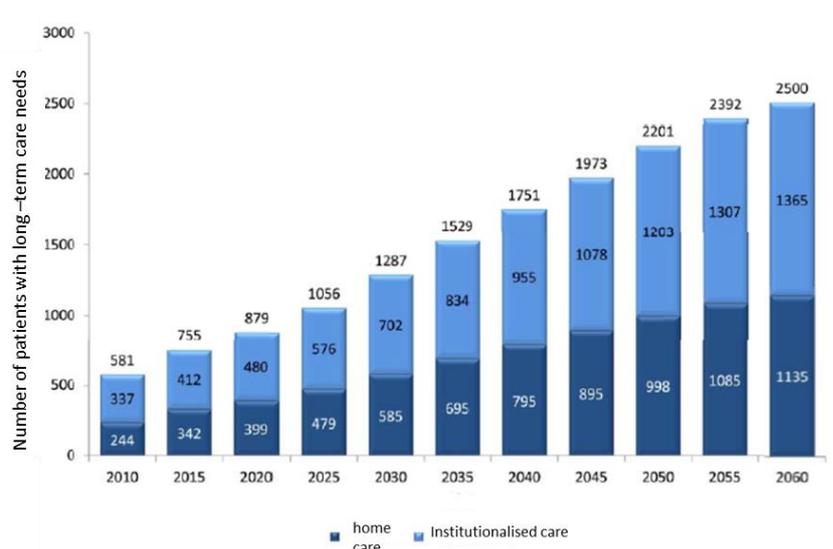
⁵⁵ An internationally recognised title sponsored by the Swiss Quality Association in Palliative Care (palliative.ch) and audited by the Swiss Foundation for Quality Assurance in the health care services. This label grants that the LAK fulfils 65 quality criteria's in the area of palliative care and long-term care, including well-training care specialists.

measures regarding long-term care with the same intensity, and the discussion of adaptations of the legal basis for social protection in the case of need for care have ended for the time being. It is still an open issue that new legislation or changes to existing regulations may be needed to link together long-term care requirements and health insurance and to solve logistical challenges.

All the actions from the Liechtenstein government reform of the long-term care system and from the National Dementia Strategy have not solved the challenge to extend institutionalised care, especially in the form of home care. Thus, Liechtenstein's policymakers are required to consider more options to improve long-term services and supports for the soaring numbers of people with physical or mental disorder and the associated need for support to perform daily tasks. Beside this, the funding of the increasing financial costs has to be ensured permanently.

Figure 11 shows the expected development of long-term care needs in Liechtenstein.

Figure 11: Expected development of long-term care needs in Liechtenstein



Source: Expected development of long-term care needs in Liechtenstein; Raffelhüschen et al. – Generationenbilanz 2012, S 59; http://www.regierung.li/files/attachments/Generationenbilanz_FL_2012.pdf?t=635690219928587979

2.1.5 Housing

Liechtenstein housing policy focuses primarily on supply-side subsidies for new construction and the upgrading of existing dwellings. Individuals and households with low levels of income can be offset by government housing benefit as part of the housing subsidy system in Liechtenstein. This system protects against poverty and homelessness and covers all residents. Beside the housing benefit system, Liechtenstein has a rent allowance in place. The rent allowance paid in 2014 was 1.83 million Swiss francs (approx. €1.74), which shows a decrease of approx. 2.2% compared to 2013 (1.87 million Swiss francs, approx. €1.78 Mio.). Compared to the figures for previous years, the rent allowance shows a relatively constant number of recipients and amounts paid. Nevertheless it is a trend in Liechtenstein that the share of single parent households receiving rent allowance is high. This is also reflected in the amounts paid per household. First statistical data was published in 2012 showing that rent allowance to single parent households with one child was representing 29.1% of the total amount paid in the same year.

Beside the state granted housing benefit, no public funded social housing for individuals exists in Liechtenstein. Sheltered and semi-sheltered accommodation is organized by two private associations, the Special Education Centre and the Association for Sheltered Housing, both financially supported by the State. These non-profit associations run several sheltered residential homes.

Based on the background of rising public expenditures and reduced public income, the government in Liechtenstein raises the question whether all benefit instruments of the housing policy can be regarded as efficient. For the large majority of the population no specific benefits should be provided by the government. Instead housing allowances are to be restricted to those households which even under the aforementioned condition are unable to meet their housing needs. The first attempt to abolish of the child promotion of housing was suggested by the government in 2009 but refused by the parliament. Based on Art. 23 (1, 2) of the Housing Construction Subsidy Act, LGBl. 1977 Nr. 46, a one-off payment, called "child promotion", of 5,000 Swiss francs (approx. €4,748) is granted for each minor child if the total household income is below the maximum permissible income. As in 2009 the government is of the opinion that this promotion is not in line with the originally set outcome goal of the Housing Construction Act, as it reflects much more a measure of family support for a specific group. The Subsidy Act was therefore amended under the given financial situation. In 2014 the government presented a legal proposal to the parliament, which was accepted and put in place by beginning of 2015.

Furthermore, in 2014 a private initiative, supported by the biggest community in Liechtenstein, Vaduz, founded for the first time a non-profit housing cooperative to ensure that everyone can have effective access to housing which is adequate, appropriate and affordable in Liechtenstein. The initial developers are convinced that the initiative leads to a lower amount of rent allowance and serves therefore as an additional contribution to the cost saving measures of Liechtenstein's Agenda 2020. Up to 2015 no housing units have been realized so far, but building applications are underway and should be realized in 2016.

2.1.6 Other social services

The social welfare benefit represents the ultimate safety net within the social welfare system of Liechtenstein. In 2013 713 client records were registered at the Office for Social Services, compared to 700 records in 2012. Out of this, 522 households received social welfare benefits, which reflect a social welfare recipient's ratio as of 2.2% of the total population. The total amount of social welfare paid was 7.27 million Swiss francs (approx. €6.9 Mio.) in 2013, showing a significant increase of about 23.4% compared to the previous year. There are a variety of reasons for this increase of social welfare benefits in 2013. The main issues are unemployment, insufficient income and an increased timely need of financial support.

Figure 12 shows the development of social welfare benefit from 1995 to 2014:⁵⁶

Figure 12: Development of social welfare benefits from 1995 – 2014 in Liechtenstein

⁵⁶ Official data regarding social welfare benefit for 2014 has not been published by the time of this report.



Source: <http://www.llv.li/#/16345/bezieher-wirtschaftlicher-sozialhilfe>

2.2 Income support

2.2.1 Child and family income support

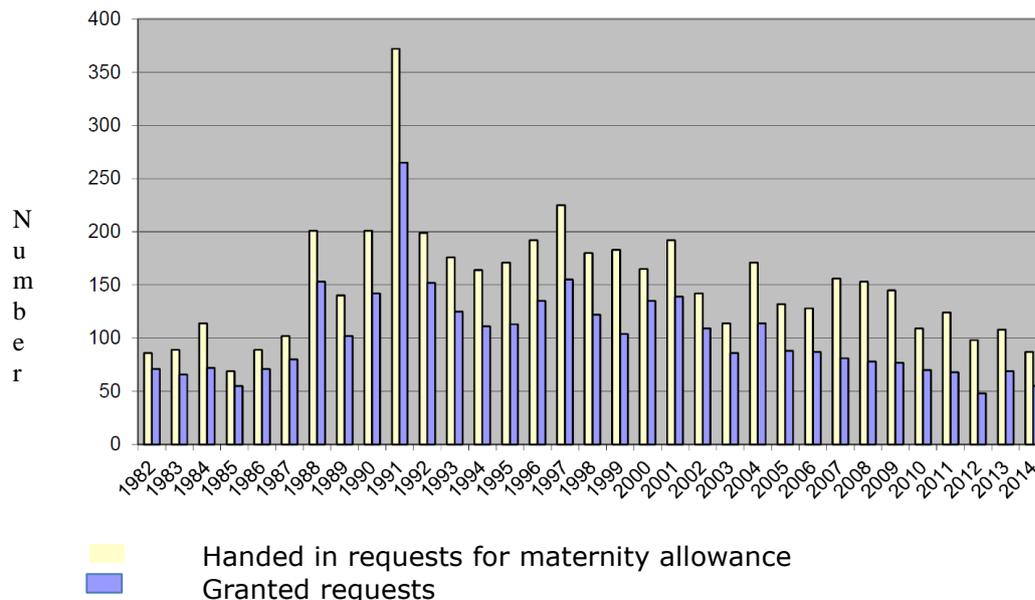
A key focus of the government's modern family policy is on granting the relevant minimum of financial support to prevent children from growing up in poverty. Thus, the basic family benefits directly related to children comprise:⁵⁷

- maternity allowance with a fixed minimum level
- a lump-sum birth allowance (also for the adoption of children under the age of 5);
- a monthly child allowance (payable until the child reaches the age of 18);
- a monthly single-parent's allowance (payable until the child reaches the age of 18).

These types of social welfare help are not means-tested and are therefore given to all families with children, resident in Liechtenstein.

Working women, registered with a sickness fund for at least 270 days before the date of birth, are entitled to sickness cash benefit for 20 weeks. Of these, at least 16 weeks must follow the birth. It amounts to at least 80% of lost wages, including regular supplementary allowances. Tax financed and income-dependent **maternity allowance** (*Mutterschaftszulage*) is provided to those residents who are not gainfully employed. The amount depends on the spouse's income and on the number of children. The minimum amount of maternity allowance is 500 Swiss francs (approx. €475), the maximum 4,500 Swiss francs (approx. €4,300). The maternity allowance is one-time, tax free paid. The development over the last 30 years shows for the last 10 years a decrease in the number of requests, as presented in figure 13.

Figure 13: Development of maternity allowance from 1982 – 2014 in Liechtenstein



Source: Development of maternity allowance from 1982 – 2014 in Liechtenstein;
http://www.llv.li/files/asd/ASD_print.pdf

⁵⁷ Source: <http://www.familienportal.li/index.php?id=71>

The right of men for the same compensation payments or to job guarantee after a period of paternity leave are not granted by law in Liechtenstein. Parents are entitled by law to a supplementary unpaid parental leave of a maximum of four months after the birth of a child. A prerequisite for this rule is that the child lives in the same household as the requesting parent and that the employment period has been existing for more than one year.⁵⁸ Fathers can only request this supplementary unpaid parental leave if mothers have not done so.

The **birth allowance** is paid to every mother, resident in Liechtenstein with the birth of her child as a lump sum of 2,300 Swiss francs (approx. €2,184). In the case of multiple births the respective allowance is increased to 2,800 Swiss francs (approx. €2,659) per child. These amounts of lump-sums have been unchanged since 2007.

The amount of the monthly **child allowance** (*Kinderzulage*) depends on the number and the age of the children. It amounts to 280 Swiss francs (approx. €266) per child if the family has one or two children, and it increases to 330 Swiss francs (approx. €313) per child in the case of multiple births, if there are three or more children in the family or for every child over the age of 10 years. Birth grants (*Geburtszulagen*) are provided at childbirth and the adoption of a child younger than 5. Birth grants are slightly higher in case of multiple births. The amount of child allowance has been unchanged since 2007.

For single-parent households, the second most important social benefit after the child benefit is the monthly **single-parents' allowance** (approx. €92) which is paid on top. These benefits have been unchanged during the fiscal consolidation policy since 2010. The amount of single-parents' allowance has been unchanged since 2007.

In summarising, it can be said that Liechtenstein's way of financially supporting families is by giving the benefits directly to the individual children/families, mainly through the Office of Social Services (*Amt für Soziale Dienste, ASD*) which is a multifaceted body generally accessible to children, young persons and adults who face personal or economic difficulties. It provides individual assistance in the form of counselling, care and treatment, financial support, and other benefits. The ASD provides no funding to schools, e.g. for free school meals. Since 2011 the main reason for consulting the ASD was to request financial support as a result of insufficient household income. For families with insufficient household income there are additional benefits to ensure an adequate standard of living, e. g. social welfare benefit, supplementary social benefits, rent allowance etc.

In the face of increasing pressure on public expenditure the approach of ensuring a needs-oriented way of granting social help has a high relevance within the social structure. From a state budget assessment, child allowance is the most costly social benefit. In 2013 the total amount was 47.8 million Swiss francs (approx. €45.4) whereas in 2014 the total amount was 47.3 million Swiss francs (approx. €44.9). Up to now, there had been no signs ahead that cost cutting measures are evaluated in the area of child and family income support beside the child housing promotion. It is very clear to the government that the social welfare structure is notably strongly developed in Liechtenstein, but also necessary as about 29% of all families with 2 or more children would be affected by poverty without the social welfare system. As the amount of child benefit or single parent allowance has not been adjusted since 2007 based on the fact

⁵⁸ Paternity leave: source: <http://www.schwanger.li/wir-informieren/arbeit-und-recht>

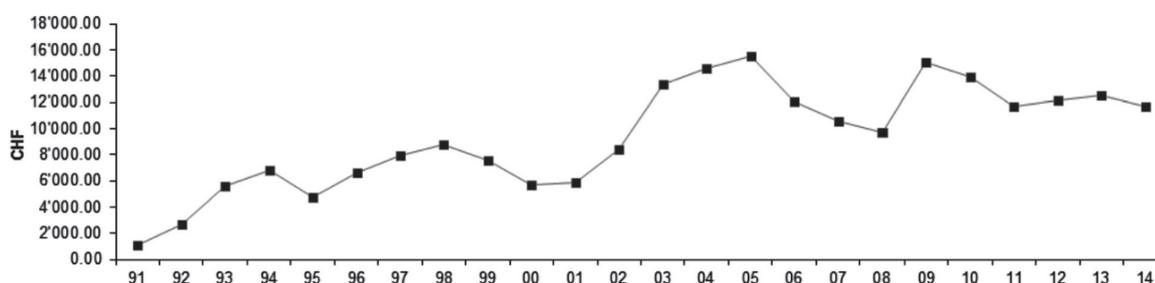
that the financial state budget remained under pressure, the real value of child benefit or single parent allowance has fallen as inflation has risen over time.

2.2.2 Unemployment benefits

State pensions, corporate pensions and private pensions are the three main pillars that form Liechtenstein's social insurance system. This system makes it possible for workers to cover the risk of unemployment among others (e. g. illness, accidents, disability and to prepare financially for retirement). The contribution to the unemployment insurance (ALV) is 0.5% of the salary for both employers and employees, whereas no contribution is due for earnings over 126,000 Swiss francs (approx. €119). The insured must have at least 12 months of coverage in the last two years before claiming unemployment benefits, be available for work, and satisfy any other necessary requirements. 80% of the insured's covered earnings is paid as unemployment benefit for up to 260 days to an insured person up to age 49 with at least 24 months of contributions, 400 days for 1.5 years if aged 50 to 59 and 500 days for 22 months if aged 60 to 64. It may be reduced to 70% in case there are no dependent children, full daily cash benefit over 140 Swiss francs (approx. €133) is received, and the recipient is not a person with disability. Regarding these financial benefits, the verification and payment is the responsibility of the Office of Economic Affairs (AVW)⁵⁹. Applicants have to register in person with the Office of Economic Affairs for a check on the first day from which they are claiming unemployment benefit. Liechtenstein's unemployment benefits are generous, but conditions are rather strict compared to international standards. Claimants must accept any appropriate job offered by the public Labour Market Service (AMS), unless it pays less than 70% of the previous salary.

By the end of 2014 Liechtenstein faced an average unemployment rate of 2.4% compared to 2.5% in 2013.⁶⁰ Thus, the amount paid by the ALV to unemployed persons was 11.63 million Swiss francs (approx. €11 Mio.) as against 12.5 million Swiss francs (approx. €11.9 Mio.) in 2013. This development reflects the expected correlation between the unemployment allowance sum and the unemployment rate. The development of the unemployment insurance capital from 1991 to 2014 can be seen by figure 14, as stated below (in thousand Swiss francs).⁶¹

Figure 14: Development of the unemployment insurance capital from 1991 – 2014 in Liechtenstein



Source: Development of the unemployment insurance from 1991 – 2014 in Liechtenstein ; <http://www.llv.li/files/srk/rb14-rechenschaftsbericht-2014-gesamt.pdf>

Comparing the average unemployment allowance with the lump sum payment for a 1-person household based on the Law on Social Assistance, the average unemployment allowance is nearly 4 times higher, i.e. a very high level of unemployment allowance which enables the affected persons to continue living without any deep impact on their

⁵⁹ Source: <http://www.llv.li/#/139/arbeitslosenversicherung-alv>

⁶⁰ Source: <http://www.llv.li/files/srk/rb14-rechenschaftsbericht-2014-gesamt.pdf>

⁶¹ The numbers in € are about 5 per cent lower than the Swiss francs quotation.

position in society. This very favourable situation is based on the financial situation of the unemployment insurance. As per end of 2014, the financial balance sheet of the unemployment insurance showed a revenue surplus of 10.47 million Swiss francs (approx. €10 Mio.) and an equity capital as of 46.75 million Swiss francs (approx. €44.4 Mio.) compared to 36.28 million Swiss francs (approx. €34.5 Mio.) in 2013. The state contribution to the unemployment insurance was 3.46 million Swiss francs (approx. €3.3 Mio.) in 2014, which reflects a decrease of about 13.8% compared to 2013 which was due to the cost cutting measures of the government based on the Agenda 2020.

When exceeding the maximum days of unemployment help (long-term unemployed) and the unemployed person is in the situation of minimum resources, he/she may be entitled to social assistance. The administration of social assistance is the responsibility of the Liechtenstein Office for Social Services (ASD), where a claim for benefits should be lodged. The ASD determines the subjective right of the claimant and calculates the differential amount according to the income, assets and expenditures of that person. The payments are very much suited to the individual situation and can consist out of the following different types of public social welfare benefits:

- social assistance (representing the most relevant one)
- supplementary social benefits
- rent allowance
- child benefit
- allowance for single parents
- helplessness allowance
- health insurance premium reduction

The public social benefits are legally defined as a guaranteed basic income. If the long-term unemployed reaches the age for pension entitlement (currently at the age of 64), the calculation of the individual income has to take these pension payments into consideration. If the total income (now including the pension payments) is above the breadline, the right to receive social benefits has ceased.

In 2014 the total number of all persons who received social assistance due to unemployment (unemployed and long-term unemployed) counted 243 (252 unemployed persons in 2013). The number of persons being unemployed varies between the different age groups, as shown in figure 15.⁶²

Figure 15: Unemployed persons receiving social assistance – by age – in 2014

Numbers in percent	18 – 25 years	26 – 35 years	36 – 45 years	46 – 55 years	above 55 years
Unemployed persons	40	73	56	53	21

Source: Unemployed persons receiving social assistance – by age – in 2014; Labour Market Service Centre; <http://www.llv.li/files/srk/rb14-rechenschaftsbericht-2014-gesamt.pdf>

The amount of paid social assistance to these unemployed persons in 2014 was about 2.4 million Swiss Francs (approx. €2.3 Mio.), which reflects approx. 33% of the total paid social assistance in Liechtenstein.

⁶² Source: <http://www.llv.li/files/srk/rb14-rechenschaftsbericht-2014-gesamt.pdf>

Within the group of long-term unemployed Liechtenstein is facing an increase in the number of persons receiving social benefit. From 2012 to 2013 the number of long-term unemployed persons increased by 3.3%, whereas the amount of social benefit paid increased (in the same time period) by 26.3%. In 2014 66.1% of unemployed persons requesting social assistance had been without work for more than 24 months.

With regard to the Agenda 2020 no specific cost cutting or contribution reduction measures are in discussion for the unemployment insurance at the moment. The financial situation of the unemployment insurance is still positive and efforts are mainly taken in the area of re-entry in the labour market and in the avoidance of unemployment.

2.2.3 Minimum income protection

Liechtenstein's minimum income protection regime is a system of social welfare provision that guarantees that all citizens / families have an income sufficient to live on, provided they meet certain conditions. Eligibility is determined by citizenship. The primary goal of the minimum income protection is to avoid and reduce poverty.

Following the EU definition, the percentage of the population living in households with an equalised income below 60% of the national median counts as poor. According to the Liechtenstein legal regulations for the definition of an annual disposable income, different official breadlines exist for various forms of social assistance. The two most important regulations that can be mentioned are the Act on Supplementary Aid to the National Old Age and Widow's/Widower's Pension (ASANP) and the Act on Rent Allowance for Families (ARAF).

Art. 1 of the Act on Supplementary Aid to the National Old Age and Widow's/Widower's Pension defines the breadline as a minimum of taxable income as follows:⁶³

- | | |
|---|---------------------|
| • Single living person | 17,090 Swiss francs |
| • Married / registered same sex couples | 24,990 Swiss francs |
| • Orphans | 8,330 Swiss francs |

The ARAF defines the breadline on the basis of chargeable income with respect to the Liechtenstein tax law, but it gives different minimum amounts of household income per year due to the fact that there must be at least one child (which has no income) in the same household (e. g. 2-person-household = single parent plus child):⁶⁴

- | | |
|-----------------------------|---------------------|
| • 2-person-houshold | 55,000 Swiss francs |
| • 3-person-houshold | 65,000 Swiss francs |
| • 4-person-houshold | 70,000 Swiss francs |
| • 5-person-houshold | 75,000 Swiss francs |
| • 6-person-houshold or more | 80,000 Swiss francs |

The subsistence level for social welfare benefit is laid down in Art. 12a of the Regulation to the Law on Social Assistance (*Verordnung vom 7. April 1987 zum Sozialhilfegesetz*,

⁶³ The numbers in € are about 5 per cent lower than the Swiss francs quotation.

⁶⁴ The numbers in € are about 5 per cent lower than the Swiss francs quotation.

LLGB 1987 no. 18, Art. 12a⁶⁵). This definition is based on the four factors: minimum subsistence level, cost of living, premium on compulsory health insurance, and occupational extra costs. For each of these factors the regulation contains additional criteria. Art. 20a of the Regulation to the Law on Social Assistance defines the amount of lump sums per household and month to meet the basic needs mentioned above as follows: ⁶⁶

- 1-person-houshold 1,110 Swiss francs
- 2-person-houshold 1,700 Swiss francs
- 3-person-houshold 2,070 Swiss francs
- 4-person-houshold 2,375 Swiss francs
- 5-person-houshold 2,660 Swiss francs
- 6-person-houshold 2,940 Swiss francs
- 7-person-houshold 3,225 Swiss francs
- For each additional person 461 Swiss francs

Consequently, if someone in Liechtenstein achieves an income from employment and/or social transfers (including pensions) which is below the above-mentioned breadlines, this person is generally entitled to social assistance. The social assistance is legally defined as a guaranteed basic income. It follows from the above-mentioned definitions that the overall model of social help in Liechtenstein is very much suited to the individual situation of the person involved and contains step-up options in addition to the given lump sums of social welfare benefit. The overall costs spent in 2014 with regards to social welfare benefits by the Office of Social Assistance, as the local authority in charge, were 7.3 million Swiss francs (approx. €6.93 Mio.). This amount can be subdivided into different reason-categories for social welfare benefits as shown by figure 16.⁶⁷

Figure 16: Reason for social welfare benefit in 2014

Reason for social welfare benefit	Amount spend (in Swiss francs)
Unemployment	2.4 million
Incapacity to work	1.6 million
Insufficient income (income below the subsistence level for social welfare)	1.0 million
Single-parent household	0.5 million
Medical help for hospital treatment	1.8 million

Source: Reason for social welfare benefits in 2014;
<http://www.llv.li/files/srk/rb14-rechenschaftsbericht-2014-gesamt.pdf>

2.2.4 Sickness benefits

National law in Liechtenstein does guarantee the right to access healthcare for all persons on an equal basis. Thus all permanent residents of Liechtenstein must contribute to their own private health insurance plan, with government registered and regulated

⁶⁵ Sozialhilfegesetz vom 15. November 1984, LGBl 1985 no. 17source:
https://www.gesetze.li/get_pdf.jsp?PDF=1985017.pdf

⁶⁶ The numbers in € are about 5 per cent lower than the Swiss francs quotation.

⁶⁷ The numbers in € are about 5 per cent lower than the Swiss francs quotation.

companies. Employees and employers pay into the healthcare fund. Dependent family members are covered by the contributions paid by employed family members). The unemployed, old age pensioners and people on long-term sickness benefit or maternity leave do not have to pay healthcare contributions. Self-employed persons must make their own contributions. The healthcare fund covers most medical services including treatment by specialists, hospitalization, prescriptions, pregnancy and childbirth, and rehabilitation. Regular health check-ups with general practitioners are covered completely, with no out-of-pocket expenses.⁶⁸ Additionally to the compulsory health insurance, various private insurance options exist, which guarantee additional insurance protection in case of illness, accident and maternity.

Liechtenstein's sickness benefit system is closely linked to the country's economic and social situation. Based on the short cut in national financial income, the government decided in 2014 to reduce the state contribution to the health insurance. After 2013 and 2010 this was another step which led to an increase of the health insurance premium which had to be covered by the contributing individual since no accompanying measures were set in place by the government. Basically the funding of the sickness insurance occurs by state, employee and employer contributions. The state cost cutting measures in 2014, which caused a reduction of the state contribution to the sickness insurance, were followed by an increase of the corresponding sickness benefit allowances. This led to an increasing number of households who applied for the sickness benefit allowance, of which slightly more than 50% were single households or single parent households with a relevant income below the breadline of 30,000 Swiss francs (approx. €28,486) per year. The most affected type of recipients within the single households are pensioners.

Through the given premium increase the health insurance companies had to keep the sickness benefits unchanged according to the government. Thus, no reductions in the sickness benefits have been seen in 2014 and so far in 2015. The agreement on financing the additional costs states that it will be covered mainly by a reduction of the financial reserves of the health insurance companies.

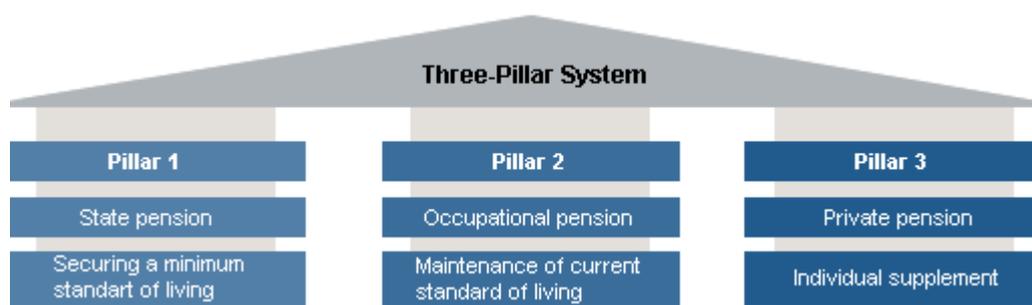
Beside the changes in the contributing system to the health system, the government is discussing a new and more transparent cost tariff for all physicians with working permission in Liechtenstein. The steadily increasing health costs have led to deeper analyses of the cost drivers by the government. The results showed some significant high service bills by some physicians. Thus, the government is currently discussing a new medical-treatment-tariff to optimize the given inappropriate inspection and control measures.

2.2.5 Pensions

The concept of not putting all your eggs in one basket was taken very seriously by the designers of the Liechtenstein pension system. Instead, they decided to divide the eggs between three baskets and developed a pension system that is based on three pillars as shown in figure 17.

Figure 17: Pension system in Liechtenstein

⁶⁸ Earnings-related state maternity benefits for women who are not entitled to daily sickness benefits during maternity, apply to the Office of the National Economy.



Source: Pension system in Liechtenstein; <http://www.regierung.li/news1.aspx?id=86269&nid=7218>

2.2.5.1 State pension: AHV

The first pillar of Liechtenstein pensions is the old-age and survivors insurance scheme (*Alters- und Hinterlassenenversicherung, or AHV*)⁶⁹. Contributions to the AHV are obligatory for all self-employed, employed and unemployed over the age of 20 and they are evenly split between the employer and the employee, directly deducted from employees' salaries. The contribution basis is given by the salary (under a specific adding and deduction mechanism) and in the case of inhabitants of Liechtenstein who are without employment, a certain fixed sum has to be contributed.

The main criteria for the Old Age and Widow's/Widower's Pension is given in the following act and regulation:

- Old Age and Widow's/Widower's Pension Act, 14.12.1952 (AHVG)
- By-law on the Old Age and Widow's Pension Act, 30.11.2010 (AHVV)

Men and women who have reached the age of 64 are entitled to draw an AHV pension. The resulting pension is meant to cover basic needs.

The guaranteed pension amount for a regular pension was most recently fixed in 2011 and stands at 1,160 Swiss francs (approx. €1,101) per fixed calendar month (the prerequisite is an uninterrupted contribution period), being paid 13 times a year. The widow's/widower's pension allowance has been set since 2011 at a minimum of 928 Swiss francs (approx. €881) per month under the same regulations as the regular pension allowance.

Comparing the guaranteed minimum annuity with the amount of lump sum per 1-person household based on the Law on Social Assistance, the pension amount is only slightly higher than the defined breadline. Taking into consideration that the minimum annuity reflects the main income for a household of more than one person, additional income seems to be necessary to meet the basic needs of living. This is provided to some extent by the additional child allowance added to the regular pension allowance.⁷⁰ The guaranteed minimum child annuity is paid 13 times a year for each child below the age of 18 (up to the age of 20 if the child is in education). Thus, in cases where there is only one household income, consisting of the guaranteed minimum annuity and including the additional child allowance, the total income remains below the given breadline definition of the Law on Social Assistance. This shows very clearly that without any further company pension income or a second income from another family member, supplementary benefits are necessary to meet the cost-of-living expenses. The total amount paid out by the AHV in 2014 was 262.14 million Swiss francs (approx. €248.91)

⁶⁹ Old Age and Widow's/Widower's Pension; source: <http://www.ahv.li/home.html?F=0print%2Fprint%2Fprint.html>

⁷⁰ There are no official figures available regarding the amount of regular pension allowance and additional child allowance recipients.

showing a significant increase of approx. 3.3% compared to the year 2013.⁷¹ Within the same period the number of entitled persons to receive an old age and widow's/widower's pensions increased of approx. 4.3%.

2.2.5.2 Occupational pension: company pension funds

Company pension funds are the base of the occupational benefit plan, which is the second pillar of the Liechtenstein pension system. This pillar is intended to provide pensioners with the means to lead a comfortable life in the sense that the whole costs of living which occur during a person's working life mostly cannot be covered by the first pillar, the *AHV*. Ideally, *AHV* and the Company Pension Fund combined should correspond to 60% of the last salary before retiring and therefore the benefits from an occupational benefit plan can be seen as additional allowances above the defined minimum income. The regulation is laid down in the following act and by-law:

- Act on Occupational Retirement, 20.10.1987 (BPVG)⁷²
- By-law on Occupational Retirement, 20.12.2005 (BPVV)⁷³

The contribution system is not based on a redistributing from workers to pensioners, instead each worker pays contributions towards his personal pension fund.

Pension funds, which are subject to the Law on the Supervision of Institutions for Occupational Retirement Provision (Pension Funds Act; PFA), require a license by the Financial Market Authority of Liechtenstein (FMA) to take up their business activities. The FMA supervises all business activities of pension's funds and requires them to comply with appropriate internal control procedures.

There exists still the possibility to take an early retirement (based on the state pension and the occupational pension), currently from the age of 60, with reduced benefits.

2.2.5.3 Private pension

The so-called individual occupational pension scheme subsidizes private savings and life insurances and is voluntary. Contributions are under specific constellations deductible from taxable income or fall under specific tax regulations. The idea behind the third pillar is to supplement the state pension with sufficient means to provide for an ultimately comfortable retirement. Increasingly, however, it is used to help secure the basic standard of living. They also offers employees more liberty, as the first and second pillars are beyond the control of the individual, whereas the third pillar allows the employee to decide how to invest his or her money. Nevertheless, the third pillar is no supported pension scheme and does not included state contributions.

2.2.5.4 Reform trends

Within the Agenda 2020, the Liechtenstein government announced reforms and cost cutting measures within the area of the social protection system, mainly with regard to

⁷¹ Source: http://www.ahv.li/fileadmin/user_upload/Dokumente/Ueber/Jahresberichte/AHV-IV-FAK-Jahresbericht--2014.pdf

⁷² Act on Occupational Retirement, Source: <https://www.gesetze.li/Seite1.jsp?LGBL=1988012.xml&searchstring=AHV&show.GBL=true>

⁷³ By-law on the Act on Occupational Retirement, Source: <https://www.gesetze.li/Seite1.jsp?LGBL=2005288.xml&searchstring=AHV&show.GBL=true>

pensions. These measures had been introduced primarily as a reaction to revenue losses from the financial and economic crisis.

With regard to pensions, the Liechtenstein parliament decided to grant the federal subvention until 2017, but with a fix subvention amount instead of subsidising the *AHV* regime with 20% of the *AHV*'s annual expenditure as done in the previous years. This will give the government a higher planning reliability. Thus, from 1 January 2015 on, the annual subsidies will be fixed at 50 million Swiss francs (approx. €47.5 Mio.) - which is slightly lower than the current subsidies - plus indexation, and will thus be below the current subsidies (58.2 million Swiss francs - approx. €55.3 Mio. - in 2013). According to first estimates, this measure will save approximately 15 million Swiss francs of the national budget in 2015, and even more in the following years. As compensation for the loss of income of the *AHV* the following measures have been implemented:

- higher reduction rates for early retirement pensions
- the adaptation of the indexation mechanism and
- increase of certain *AHV* contributions.

The first stage of the proposed reductions in state support for the pensioners, widows and bereaved insurance (*AHV*) would have no direct effect on those insured. In any event, transitional grace periods will be put in place so that those who are about to retire are guaranteed their legal rights and can plan securely for their future.

This reform is only time-limited due to different opinions within the government's political parties. Thus, the 50 million Swiss francs (approx. €47.48) rule is only in force between 2015 and 2017. As it is unclear at the moment, if the federal subvention to the *AHV*, which had been 13% of the total income of the *AHV* in 2013, will be continued from 2018 onwards, all involved parties await with interest on the outcome of the government working group for the future regulatory measures. The amendments, i.e. cutting state subsidies and introducing compensation measures, have triggered a fierce debate amongst the political parties as it is obvious that further measures to increase *AHV* income (e.g. increase of the contribution payments) and reducing costs (e.g. years needed for a full pension, raise of pension age) are necessary to ensure long term sustainability.⁷⁴

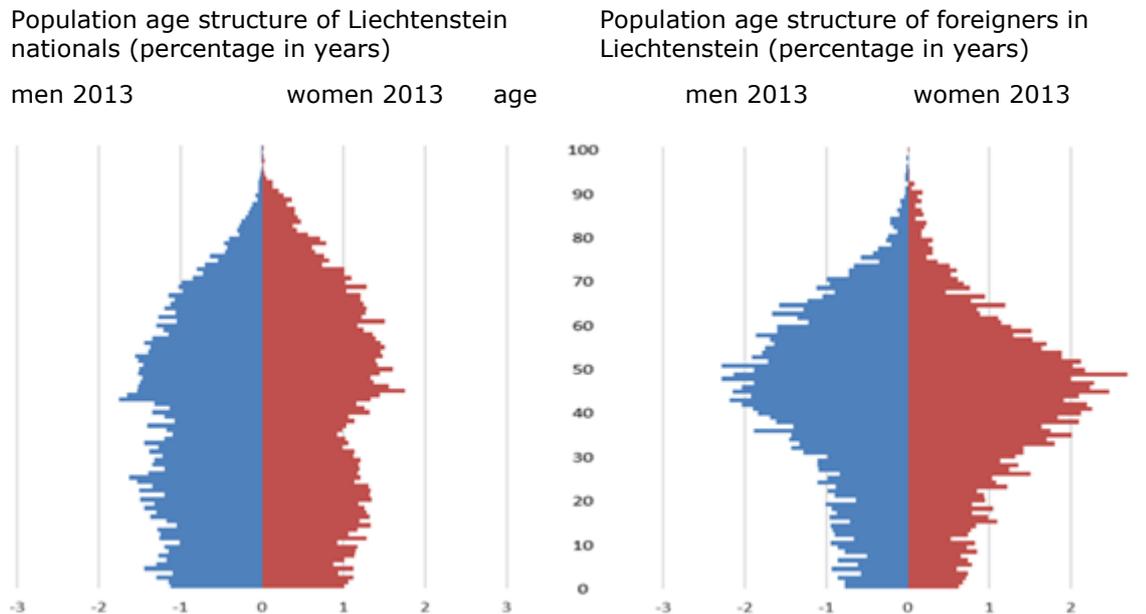
Currently, consideration is being given to a change in the age at which early retirement can be taken (currently from the age of 60, with reduced benefits), and also to a possible change in the official retirement age (currently 64 for both sexes).

2.2.5.5 Assessment of adequacy indicators

There are no specific adequacy indicators to measure the level and the recent evolution in the area of risk of poverty or social exclusion. Within the Agenda 2020, Liechtenstein's government realized that there is need to support the development of statistical tools and methods and common indicators. Statistical data in the area of social policy, differentiated by gender and age, would be necessary for that purpose. Nevertheless, up to now adequacy indicators are still not in place and statistical data for any long term comparison is not available. The population age structure in Liechtenstein can be shown by figure 18.

⁷⁴ Source: Erste Ergebnisse der Generationenbilanz 2012, Stabstelle für Finanzen.
<http://www.regierung.li/index.php?id=158&uid=1206>

Figure 18: Population age structure in Liechtenstein



Source: Population age structure in Liechtenstein; <http://www.llv.li/#/12588>

Having a look at the demographic composition of the Liechtenstein population, it can be said that both genders of the foreign population are overrepresented in the working age group. The high degree of persons in the labour force age is predominantly caused by immigration into Liechtenstein. The foreign population shows a significant difference to the population with Liechtenstein nationality. Foreigners living in Liechtenstein are strongly overrepresented in the labour force age. When reaching pension age, some of the foreigners prefer to go back to their country of origin to spend the last part of their life there. Another important factor is the clearly cheaper cost of living in most of these countries of origin compared to those in Liechtenstein.

A very specific effect of the high share of foreigners in Liechtenstein and commuters to Liechtenstein is the number (and of course the amount) of pensions paid to persons abroad. In 2013 62.3% of all pensions paid out by the *AHV* – the number, not of the sum of pensions - were transferred abroad.

Contributions by the current working population are certainly insufficient to cover the needs of pensioners in the future. Additionally the falling birth rate and the ageing of the population in general (based on better medical treatment, social help, etc.) will boost the effect to financial difficulties within the state pension funds (*AHV*).

2.2.5.6 Current adequacy

As mentioned before, there are no specific adequacy indicators to measure the level and the recent evolution in the area of risk of poverty or social exclusion in Liechtenstein. The state pension funds, *AHV*, established a linear system related to contributed pension-payments and paid pension benefits based on the insured remuneration and the time period of contribution to the *AHV*. Nevertheless the system is guided by a minimum and a maximum retirement's pension. Based on these guidelines, an average yearly income of 83,520 Swiss francs (approx. € 79,304) and more leads to the maximum retirement's pension of 2,320 Swiss francs (approx. €2,203) per month. Thus, the state pension funds, *AHV*, acts as a redistribution mechanism as top earners contribute more into the *AHV* than they will later receive in the form of pension payments. For low-wage earners the *AHV* functions vice-versa. Therefore it can be said that one of the main duties of the

AHV and related social benefits which are granted is to prevent people from sliding into material poverty by the end of their active working life.

When looking deeper into the current structure of the AHV, it can be observed that women and low-wage earners generally are in a less favourable position than other contributing groups. The fact that younger women tend to be better educated will reduce the currently given gap between pension payments for men and women in the future. Nevertheless, Liechtenstein still faces room for improvement to give women equal opportunities in the labour market. This includes the mostly common issues as, for example, a denser and affordable net of child care facilities, part time working conditions, etc.

The impact on these gender issues can be seen in figure 19, showing that the percentage of employed women is still significantly below 50% of the total employed persons in Liechtenstein.

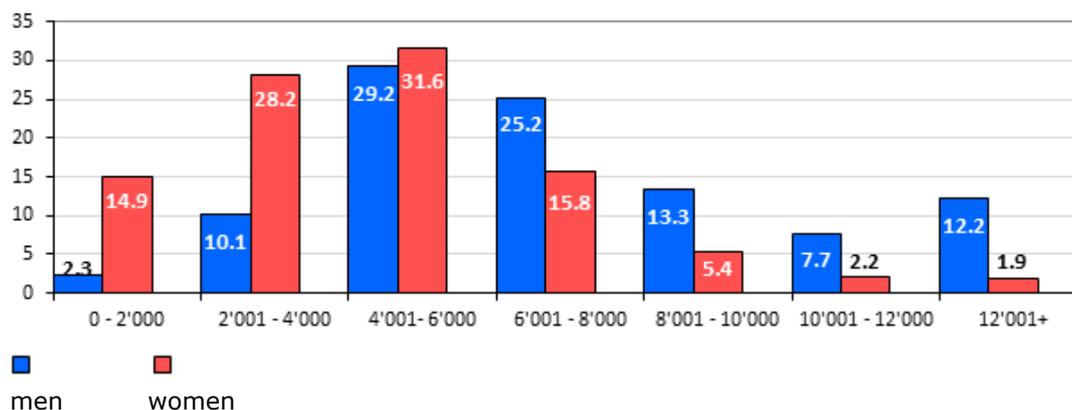
Figure 19: Employed persons in Liechtenstein

Year	2000	2008	2009	2010*	2013
Total employed persons	26'797	33'415	32'877	34'334	36'224
Employed women	10'216	13'122	12'958	13'809	14'537
Employed women in % of total employed persons	38 %	39 %	39 %	40 %	40 %

Source: Employed persons in Liechtenstein; <http://www.llv.li/#/11367/beschaeftigungsstatistik->

Additionally, the frequency distribution of average gross monthly wages between men and women, as shown in figure 20, reflects the above mentioned situation for women:

Figure 20: Distribution of average gross monthly wages in Liechtenstein



Source: Distribution of average gross monthly wages in Liechtenstein; <http://www.llv.li/#/1956/lohnstatistik>

Concentrating on the situation of foreigners in Liechtenstein we have two main groups. Foreigners with a high level of education, mainly from German speaking countries (neighbouring countries to Liechtenstein), on the one hand, and people from non-German speaking countries, with – on average – lower level of education and job qualification skills, often from regions as for example Southern Europe, Turkey and Eastern Europe who are mainly employed as semi or unskilled workers, on the other hand. In 2013, 20% of the households claiming social welfare help were foreigners from countries outside the EEA and were thus clearly overrepresented. In many cases such households exhibit a lower level of education and job qualification skills which has a significant influence on their employment prospects. This effect can be seen at the

proportion of social benefits of residents in Liechtenstein by nationality as laid down in figure 21.

Figure 21: Number of total social benefit recipients from 2010 – 2013

Year	2010	2011	2012	2013
Number of total social benefit recipients	440	451	487	522
Percentage of Liechtenstein citizens	60 %	56 %	56%	58%
Percentage of EEA citizens	16 %	19 %	18.2%	17%
Percentage of Switzerland citizens	7 %	6 %	6.8%	5%
Percentage of other nationalities	17 %	18 %	19.1%	20%
Percentage of unknown nationalities	-	1 %	-	-

Source: Number of total social benefit recipients from 2010 – 2013; http://www.llv.li/files/asd/ASD_print.pdf

The future prospects of unskilled workers will depend largely on the education system and on the willingness of the government to continue providing income supplementation to low-skill workers and their families. Liechtenstein’s policymakers should focus on preparing young adults to enter the labour market. Reducing the flow into the low-skilled market both improves the job opportunities of young, better-trained workers, and lowers the overall supply of low-skilled workers, which makes low-skilled adults scarcer.

Finally, Liechtenstein faces a political discussion regarding the currently given possibility to receive a one-off payment of the total amount of one’s individual pension entitlement with the beginning of the pension. This given system might enforce the risk of later poverty due to misguided behaviour when spending or losing the money too fast and early. As a result, these persons can fall back to be dependents on the state social welfare system and in need of social benefits.

2.2.5.7 Austerity measures or budgetary consolidation impacting current pensions

Generally, within the Agenda 2020, the Liechtenstein government initiated cost cutting projects which included measures concerning the social welfare system. One main challenge had been the public pension fund for civil servants and for employees of several public institutions and enterprises (PVS), which suffered from a financial shortfall of approximately 331 million Swiss francs (approx. €314 Mio.) as per December 31, 2012. This financial shortfall prompted the government to restructure the PVS and to create a new public pension fund to tackle chronic underfunding. By now, no legal action against those responsible for a sizeable funding gap at the original scheme had been taken by the government as the government concluded that there was not enough evidence to file individual lawsuits. Liechtenstein’s parliament has approved the creation of a new state pension fund, which now operates as an independent foundation.

The new fund is set up as a collective, defined contribution scheme, which would allow municipalities or state-owned companies to join. This is different from the previous defined benefit plan. The state has to account for most of the funding gap of the old pension plan by making a 206 million Swiss francs (approx. €195.6 Mio.) contribution, increasing the funding level up to 90%. It also grants an interest-free loan covering the final 101 million Swiss francs (approx. €95.9 Mio.), which is to be repaid during years with good returns. The contribution of the employees amounts to around 200 million Swiss francs through cuts in their benefits. Retirees will also have to transfer parts of their benefits into these buffers.

Another big issue is the Old Age and Survivor's Insurance (*AHV*). The well-known problems have not finally been solved yet and they have resulted in a sustainability gap of approximately 68.6% of the gross domestic product (GDP), as announced in March 2013.

The discussed and planned measures have an impact on specific population groups, by far the most frequently mentioned were pensioners and those approaching retirement. Concerning the *AHV* the discussion includes a restriction of the currently very attractive access to early retirement, the complete elimination of the granting of a thirteenth pension-payment at the end of the year, and the increase of the statutory retirement age (which is equal for both genders, currently at the age of 64). Any cutting of the pension levels (at least in nominal terms, which may be partially offset by falling prices) has not been part of the public considerations so far. In principle, changes in access to the state pensions, such as raising retirement ages in the future, have the advantage from a cyclical point of view that they signal a longer-term commitment to fiscal consolidation without immediately depressing demand. Cuts in current state pension levels, however, unless targeted at those on higher incomes, will be regressive in distributional terms and have a substantial depressing effect on demand, as state pensions are more than proportionately important for those on low incomes.

Until present, no final decisions have been taken on any further cost cutting measures.

2.2.5.8 Gender pension gap

The before mentioned inequalities between women and men regarding employment, full and part time work, and respective contributions to the *AHV* due to child education time found – at least – partially consideration in the *AHV* structure of pension payments. Persons who are charged with looking after children below the age of 16 years are eligible for care credits, which are divided equally between the spouses. Here, the number of years, and not the number of children, is decisive. The education credit is granted not in the year of the birth of a child but in the year in which the youngest child turns 16. The compensation fund applies education credits automatically when calculating pensions. These credits constitute supplements to the pensionable income, but are not direct cash benefits. Thus, education credits increase the relevant average annual income, and this leads to a larger pension. However, the credits will raise *AHV/IV* benefits at the most to the maximum pension of 2,320 Swiss francs (approx. €2,203) per month.

Persons, who look after relatives are eligible for care credits, provided the following requirements are met: The relatives require assistance and receive care allowance for a moderate or severe disability from the *AHV*, Disability and Accident Insurance. The decisive factor is the number of years during which care is provided, not the number of persons. While no credit applies in the year when care starts, the year in which care ends will receive the full amount in credits. An application for the care credits must be filed each year with the cantonal compensation fund of the *AHV*.

As women are in most cases the ones within a family who take care after children / elderly people who need care, these measures at least partially cover their home-based work for the time period when they cannot actively participate in the labour market. Further, the gender pension gap problem received an early regulation within the *AHV* systematic, saying that the earned income of the spouses is split if both are entitled to a pension. As long as only one spouse is eligible for a pension, the pension will be calculated without the split. The splitting is also applicable in the case of divorcees and widowed persons. In case of divorcees the earned income is divided either at the time of the divorce, according to the request of the spouse (joint or individual application by the spouses) or by virtue of the office when a pension case starts. But facing the fact that the majority of older people are women and that the amount of pension households in Liechtenstein who receive social benefits increased from 2010 to 2013, more attention

has to be paid to reforms concerning women and their future old-age income. Thus, when reforming social protection systems and labour market conditions it is absolutely essential to take account of the gender impact. Currently, no specific gender issues are discussed in the content of the *AHV* in Liechtenstein.

2.2.5.9 Future adequacy

Pension systems can no longer promise to provide generous benefits to the ever-increasing number of pensioners in Liechtenstein. Increases in life expectancy, sharp declines in fertility, and the ageing of the society have contributed to compromise the affordability of Liechtenstein's pension system. As a pragmatic imperative, it needs continuous periodization and a framework of coherent activities within the social welfare system. To cope with these challenges it seems necessary to the authors to install a series of indicators to monitor the various developments and report on a regular basis in order to reflect influences on work and family life, on the labour market, and on government policy in respect of the material welfare situation in Liechtenstein. Based on the low level of available data regarding widely used definitions when measuring social welfare, especially pension adequacy in Liechtenstein, no long-term comparison with other countries is possible. The advantage of such analyses would be to record the standards achieved, to discuss the results shown by other nations, and to adapt measures that were implemented with success in other highly developed economies to the local level of Liechtenstein.

The three-pillar pension system in Liechtenstein has already laid the foundations to strengthen the link between contributions and entitlements. But there is still urgent need for changes. Some of the implemented structures do not scope with the given challenges (e.g. increase in the elderly population) or may give rise to further gender imbalances (e.g. rising amount of home care primarily done by women with the result that they stay away longer away from the active labour market and individual contributions to the pension system).

To summarise, there are different ways and modes to face the demographic challenges to pension systems by generating additional fiscal revenue to cover pension deficits, and increasing the number of contributors to the system. Expanding the number of contributors in prime-age (35–45) is hardly possible. With an unemployment rate of only 2.4% (November 2014), most people in prime-age are already working. Space to expand the labour force, apart from immigration, is given at the older population and women. This can be reached either by longer vesting periods or by reducing the attractiveness of the early retirement attractively. It will be necessary to provide more long-lasting measures for gradual retirement, which link the part-time work with collecting a partial pension in a more effective way as today. Additionally, an increasing retirement age will lead to positive effects regarding the contribution period in total.

Another challenge which has not been covered yet is to bring in informal workers into the state pension system. There is still a certain number of people with a lower level of education and job qualification skills working in Liechtenstein, for whom no social security payments are being made. No research and data exists regarding this issue, though. These illegal workers should be brought into the regular labour market.

2.2.5.10 Challenges for pension adequacy

Currently, Liechtenstein faces various challenges, of the major one's are the financial stabilisation measures concerning the Old Age and Survivor's Insurance which have resulted in a sustainability gap of approximately 68.6% of the gross domestic product (GDP) as reported in March 2013. In respect of the *AHV* the main reasons for this result

are the weaker fiscal position, the 2012 newly introduced care allowance, and the income decrease due to a not completely revenue neutral total revision of the tax system. The respective figures were published in a study by independent experts, ending with the conclusion that the existing financial reserves were not sufficient to grant actual and future pension benefit claims. Further measures to increase *AHV* income (e.g. increase of the contribution payments) and/or reducing costs (e.g. years needed for a full pension, raise of pension age) are necessary to ensure long term sustainability.⁷⁵

Another challenge is still the public pension fund for civil servants and for employees of several public institutions and enterprises (PVS), which came up with a financial shortfall of approximately 331 million Swiss francs (approx. €314.29 Mio.), as per December 31, 2012. An expert commission was installed by the government to analyse the situation and the extent of the financial shortfall. On 16 March 2013, the commission presented the final report of the investigation, which made clear that the main deficit has to be taken up by state contribution and therefore, finally, by the tax payers, and that at least some of the deficit could only be reduced by cutting employees' benefits. According to the government's report to the parliament, the main necessary changes were:

- Conversion from a defined benefit to a defined contribution system;
- General reduction of the performance target of approximately 10% of the last eligible salary;
- Restructuring of the financial status and closing the budget gap by liquidating the fund for cost-of-living adjustments (effect on the amount of pension payment for actual pension beneficiaries), reduction of the performance target by up to 5% based on the last eligible salary for all actively insured employees, and a major contribution (nearly 100%) to be made by the employer.

The National Administration of Liechtenstein as the main policyholder of the PVS is very strongly affected by the measures to restructure the PVS. The political parties are distinctly and unanimously dedicated to achieving a balanced budget, but there is still much to do to reach this goal. The new rules entered into force on 1 July 2014.

2.2.5.11 Recommendations

To bring contributions to the pensions system in balance with the continuously higher life expectancy, thus ensuring financial sustainability, is the most urgent issue for the *AHV* in Liechtenstein. This will either lead to reduced pension benefits, compared to today's pension scheme. The annuity calculation, meaning the way in which pension accumulations are converted into an income stream, must therefore be revised. Other options are: increasing the share of employed persons (in particular women who often work part time or stop their employment when they have children); reducing the attractiveness of early retirement; increasing the retirement age of currently 64 years for both, men and women. This, of course, needs public debates and political decisions, and it has also to be taken into account that the Liechtenstein constitution provides for direct influence of the people by means of referendum and popular initiatives.

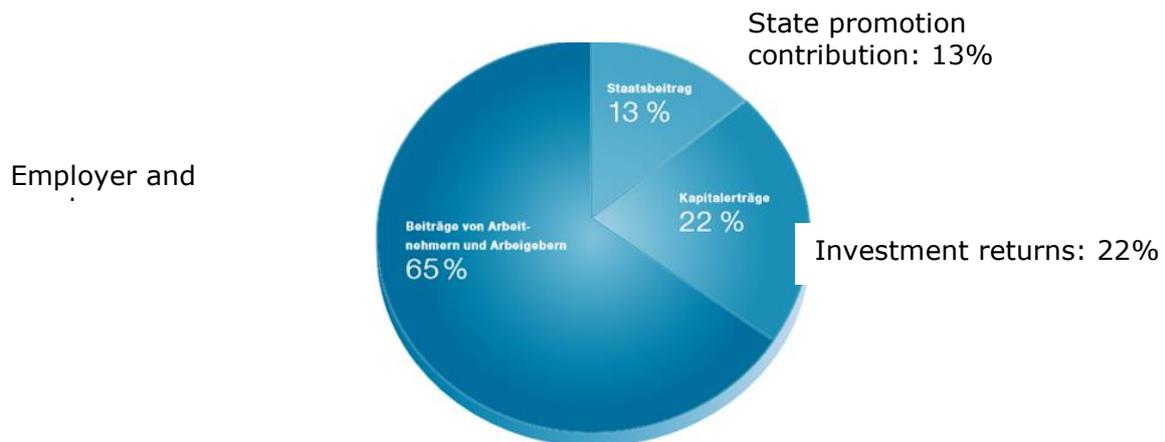
Another possible approach to improve the current state pension system might be to explore new ways to either shift or share more of the risk with their employees. This might be reached by shifting employees from defined benefit to defined contribution plans, cash balance, or hybrid plans. These new plans typically offer less generous benefits than the given *AHV* system which they would replace, but they would make the whole *AHV* system more affordable in the long term. Such a defined benefit plan would be a widespread approach for pension reform and will come with increased legacy costs

⁷⁵ Source: Erste Ergebnisse der Generationenbilanz 2012, Stabstelle für Finanzen.
<http://www.regierung.li/index.php?id=158&uid=1206>

but could be an option to better manage the long-term liabilities of the state pension system. It has also to be stated, of course, that it must be secured that solutions do not widen the wealth and income gap between different social groups, and that the risk of poverty should be reduced by any future measures instead of increasing that risk.

Currently, the *AHV* is mainly funded by employer and employee contributions as shown by the total contribution system in figure 22.

Figure 22: Contribution system to the *AHV* in Liechtenstein



Source: Contribution system to the *AHV* in Liechtenstein; <http://www.ahv.li/ueber-uns/jahresberichte/>

Although investment returns are just one instrument to reach financial sustainability of the system, they are an interesting aspect as they raise numerous questions regarding the funding structure. Thus, questions arise such as "How much should a pension plan rely on investment returns versus employer and employee contributions?", "How much risk should a pension plan take to achieve its assumed rate of return?" or "Who should pay if the plan investments do not perform as assumed, the employee or the taxpayers, current employees or future employees?"

These aspects could also be taken into consideration by the government when making the Liechtenstein *AHV* fit for future challenges.

2.2.5.12 Impact of the crisis on current pension systems and present pensioners

The global financial crisis has drawn attention on its potential impact on pension systems and the retirement security of the aging population. Most of this attention has been directed towards the effects of the dramatic decline in the value of the assets in individual retirement savings accounts and the deterioration of the financing of the public pension systems. Within this Annex we show how the crisis has impacted on Liechtenstein's current pension system, especially Liechtenstein's first pillar pension scheme, the *AHV* (*Alters- und Hinterlassenenversicherung*) and the social situation of the present pensioners.

- How has the financial crisis affected the current pension system and influenced the financial situation?

When the financial crisis occurred, it resulted – as with most pension funds – in a devaluation of the accumulated funds of the *AHV*. Though, the extent of the devaluation is depending strongly on the pension scheme which the pension funds may apply, the *AHV* had to realize financial losses and there was a growing recognition among all stakeholders that capital gains can fluctuate significantly. As

these investment returns, as shown in chapter 5, are the second largest income generator for the AHV, high attention was given to the fact that such investment returns are of high-risk and by far no certain earning-planning data. The performance development of the AHV funds returns can be seen in figure 23.

Figure 23: Development of the AHV fund in Liechtenstein from 2004 - 2014



Source: Development of the AHV fund in Liechtenstein from 2004 – 2014;
http://www.ahv.li/fileadmin/user_upload/Dokumente/Ueber/Jahresberichte/AHV-IV-FAK-Jahresbericht--2014.pdf

Additionally Liechtenstein is very much linked to the Euro-area crisis, as it is the main external factor threatening the Liechtenstein economy. In 2010 and 2011, the Swiss franc was rapidly appreciating against the euro, causing a drop in exports, losses for the tourism business and a rise in unemployment. On the other side, investors consider the Swiss franc as a “safe haven” asset, bought the currency and dramatically pushed up its value. An expensive Swiss franc hurts Switzerland and Liechtenstein because the economy is heavily reliant on selling goods and products abroad: exports of goods and services are worth over 70% of GDP. To bring down the Swiss franc’s value, the Swiss National Bank (SNB) created new francs and used them to buy Euros. Finally, the SNB introduced an exchange-rate peg in 2011 (one Euro was worth 1.2 Swiss francs). When on 15 January 2015 the SNB suddenly dropped the cap for several reasons, there was almost panic. The Swiss franc soared and the value of the Swiss francs had fallen to just €0.85. A number of hedge funds across the world made big losses. The Swiss stock market collapsed and the effect on Liechtenstein’s pension system is not clear yet. Nevertheless it can be expected, that there will be a noticeable gap between the forecasted earnings of the pension funds and the realistic ones after that market shock which will probably lead to even more financial problems in the future funding and pension payment structure.⁷⁶ At present, 1 Euro values approx. 1.04 Swiss francs.

When looking at the effects of the financial crisis, the question about sufficient regulations and supervision rises automatically. As within the AHV regulation, no gap regarding an improvement of the given risk management standards was detected, the given legal and risk management regulations did not need to be adjusted. The AHV, as a first-pillar pension fund is designed to function over a long time horizon and therefore there is a need that the first-pillar ensures protection for all pensioners vulnerable to this kind of shock. From a political point

⁷⁶ Source: <http://www.economist.com/blogs/economist-explains/2015/01/economist-explains-13>

of view, the reform of the current pension system represents therefore a necessity. The most important lesson learned from the crisis is that the reform should be driven to completion even when politicians are expected to respond in financial crises to fundamentally critical measures like early retirement or pension guarantees. These actions affect structural reform and have long-term negative effects on the public pension system's sustainability.

- How will upward adjustments of the pensionable age and restrictions in the access to early retirement benefits have affected labour market patterns and social conditions?

The first discussion about an upward adjustment of the pensionable age rose in 2010, when Prince Hans-Adam II proposed to raise the regular retirement age from 64 to 70, and when the European Commission's Green Paper towards adequate, sustainable and safe European pension systems was presented.⁷⁷ In 2012, based on the officially published problems of the Liechtenstein pension system (*AHV*), the government stated that one of the necessary measures to tackle the basic financial problems of the *AHV* was to rise the pensionable age to 68. By the end of 2014 an insurance-specific/actuarial report was published and was the basis for preparing a consultation proposal for a long term financial security within the pension system. The proposal consultation process was launched in December 2014 and the consultation period ended on 31 March 2015. The main intended measures are:

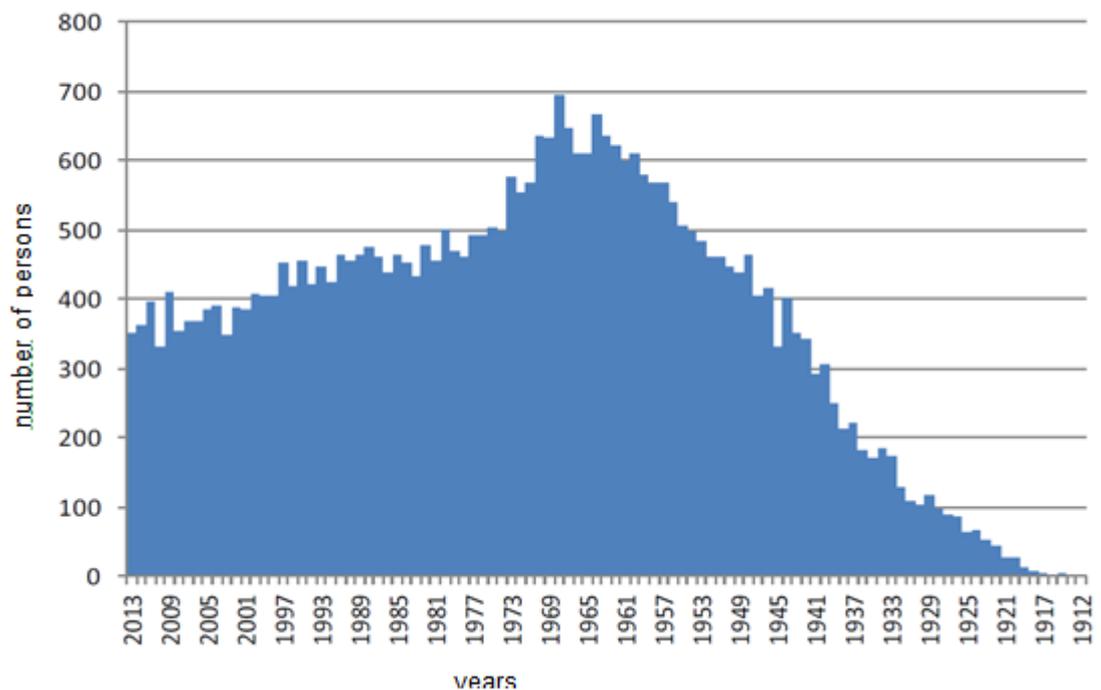
- o Determination of the state contribution to the pension fund of 20 million Swiss francs (approx. €19 Mio.) p. a., adjustment to the consumer price index
- o Increase the employers and employees contribution by a minimum of 0.15 points for each group to a total of 8.1%
- o Upward adjustment of the pensionable age to 65 years for persons born 1958 and younger.
- o Adopting a contribution system for income earned during pension age
- o Transfer the Christmas bonus, which is an extra monthly pension payment, to the regular pension payments and suspend the adjustment for inflation until the Christmas bonus is compensated.

The given requirements and rules for technical percentage reductions when applying early retirement are adjusted when raising the retirement age. These measures combined with an increase of the employees contribution to the *AHV* is expected to create early retirement as a less attractive option. It is worth mentioning that in 2013 out of all pensioners (17,939 pensioners) 8,096 persons received an early retirement pension, which equals 45% of all pensioners. While the overall number of pensioners increased by 15.75% compared to 2010, when the first discussion about the *AHV* started, the number of early pensioners increased by 25.23% in the same time period.

⁷⁷ Liechtensteiner Vaterland, Auszug aus Geburtstags-Interview mit Fürst Hans-Adam II von und zu Liechtenstein – "Wir sollten das Rentenalter schrittweise hinaufsetzen", 13 February 2010, Source: http://www.fuerstenhaus.li/de/presse/interviews/dok_archiv-2010/2010_02_13_Vaterland_Interview_SDF.pdf ; Liechtensteiner Volksblatt, Diskussion neu entfacht: EU hält Rente mit 70 für notwendig, 15 July 2010, Source: http://www.ahv.li/fileadmin/user_upload/Dokumente/Medien/Presse/2010/07/2010-07-15--Volksblatt--1.pdf .

In the light of the expected demographic development, the challenges won't let up after 2032. In particular, the challenge will arise from the fact that after 2045 until 2058, disproportionately many people will enter retirement age and that the given life expectancy for these people is approx. 85 years. This demographic development is shown by the following chart and reflects the high financial burden which is arising for Liechtenstein:

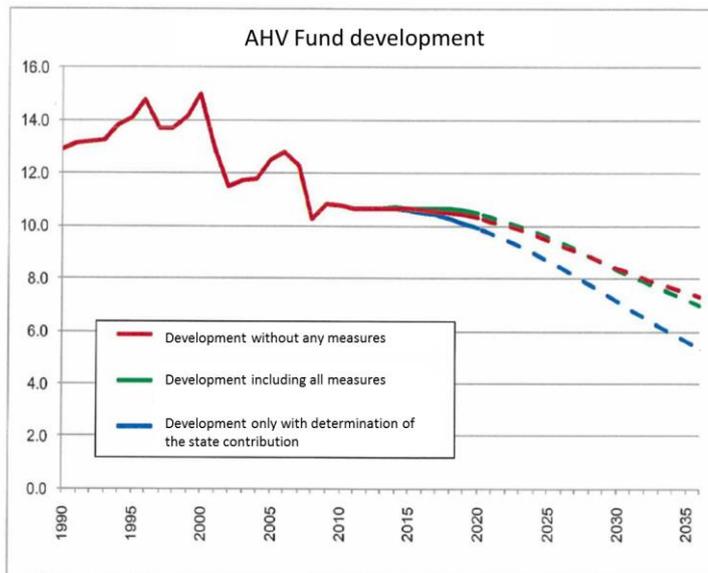
Figure 24: Demographic development in Liechtenstein from 1912 - 2013



Source: Demographic development in Liechtenstein from 1912 - 2013;
<http://www.llv.li/#/12588/bevolkerungsstatistik--dezember>

This estimated effect prompted the government to the above defined measures, as it is the declared main objective to preserve the financial reserves and a substantial part of the capital gains of the AHV to cope with the upcoming challenges. This can be seen in figure 25, combining the above defined measures of the government.

Figure 25: Development of the AHV financial resources from 1990 - 2013



Source: *Development of the AHV financial resources from 1990 – 2013*;
http://www.llv.li/files/srk/pdf-llv-rk_vernehmli._zukunft_ahv.pdf

If there arises additional need for further action, the government made clear that it is willing to take it.

- How do budget consolidation measures directly influence the pension system and the social situation of older people?

When the Liechtenstein parliament adopted an act to freeze State subsidies to Liechtenstein's first pillar pension scheme (*AHV*) to relieve the State budget, the *AHV*, which since 2003 pays out more than it collects from contributions of the insured, faced a significant loss of revenues. To compensate at least partly these losses of revenues, a compensation plan was adopted. The main measures are higher reduction rates for early retirement pensions, the adaptation of the indexation mechanism, and an increase of certain *AHV* contributions. However, a full compensation for the *AHV*'s loss of income is not expected by these measures. The higher reduction rates for early retirement pensions came into force in 2012 but the changed reduction rates are only applicable to insured people born in 1956 or later, they will only become effective as from 1 January 2016 on. This delayed coming into force was chosen on purpose in order to maintain the current situation for people being currently in the early retirement pension structure and to grant some kind of transitional period.

The *AHV* fund's savings due to higher reduction rates will depend on the early retirement behaviour of the insured. The government acknowledged that it is not possible to reliably predict to what extent these new early retirement rules may influence the retirement behaviour of the insured. If the early retirement behaviour of the insured does not change, the savings will be 0.24 million Swiss francs (approx. €0.2 million) in 2016. If the higher reduction rates prevent people from early retirement, the savings will obviously be higher. For instance, if there are 5% less early retirements, it is estimated that savings will amount to 1.34 million Swiss francs (approx. €1.3 Mio.) in 2016. The amendments, i.e. cutting state subsidies and introducing compensation measures, have triggered a fierce debate amongst the political parties. For the junior partner in government the reform does not go far enough. Instead of pure budget consolidation, the party wants to discuss reform measures in order to secure the *AHV*'s long-term financial

stability. The senior partner in the government acknowledges this, but sees no need to take immediate action.

2.2.6 Social impact of other policy areas (e.g. education, taxation, anti-discrimination or gender equality policies)

2.2.6.1 Taxation

On September 23, 2010 the Liechtenstein parliament approved a new Law on National and Municipal Taxes (Tax Act), which entered into force on 1 January 1 2011. For the taxation of natural persons, the new Tax Act continues to provide a combination of a wealth tax and personal income tax with a now wider approach to the taxation of wealth (e.g. dividends and other income on capital are not taxed separately). Companies based in Liechtenstein are subject to a flat income tax rate of 12.5 % which covers everything (e. g. there is no capital tax, no coupon tax, etc.). Under the new Tax Act, previous tax types, e. g. taxes on inheritance and gift taxes etc. have been abolished. Research and development activities are also financially supported using an IP Box, which means that 80 % of income through intellectual property rights is tax-free. A surcharge is levied as a municipal tax in addition to the national wealth tax and personal income tax. The rate of this surcharge is determined by the municipal council each year as a percentage of the national tax, but it may be neither lower than 150% nor higher than 250%. The surcharge is levied along with the national tax.⁷⁸

The goal of the country's modern new fiscal system was to reduce the burden for entrepreneurs and private individuals and to make the taxation process as simple as possible. Thus, positive effects on the labour market and the social situation for individuals were expected by the government. As a matter of fact, the national tax income for Liechtenstein shows a reduction of 26.5% in the fiscal year 2013 compared to the previous year. Main reasons are the new tax system and the effects of the economic crisis. Within the same time period the number of social assistance cases, compared to the previous year, increased by about 7.1% to 837 inhabitants in Liechtenstein. The total amount spent in 2013 for social assistance rose to 7.27 million Swiss francs (approx. €6.9 Mio.). These figures show that at the time when the new tax system was set up in Liechtenstein, the increasingly visible effects of the financial market crisis on the overall economy overlapped the planned positive effects of the new tax system and therefore did not lead to a reduction in the burden for private individuals at the short end.

In 2014 the Liechtenstein government declared a second tax amnesty programme, which was designed to allow taxpayers to come forward and pay their taxes with reduced penalties. The state's goal was to collect as much tax revenue as possible until the end of 2014, when the tax amnesty ended. The effect of the given tax amnesty programme was far beyond the expected tax revenue income and did not lead to the calculated additional tax income as predicted by the government.

2.2.6.2 Fundamental rights and anti-discrimination

The UN Convention on the Rights of Persons with Disabilities (UNCRPD) has not yet been signed and ratified by Liechtenstein. The government has appointed an inter-office working group to assess the need for preparation of its ratification. It has been assumed, that its ratification is highly connected to the issue of the administrative reform. The administrative reform was approved by the parliament in September 2012 and has been implemented step by step over the last couple of months in 2013. By now, the administrative reform has been completed, but there is no official statement known to

⁷⁸ Source:

<https://www.gesetze.li/Seite1.jsp?LGBL=2010340.xml&Searchstring=Steuergesetz&showLGBL=true>

the authors on how far the process of the ratification of the UN Convention on the Rights of Persons with disabilities has grown meanwhile. Nevertheless, the Liechtenstein government declared in 2013, that the recommendations made during its universal periodic review⁷⁹ on 30 January 2013 are welcome. After thorough consideration and consultations, Liechtenstein accepted the recommendation to ratify the Convention on the Rights of Persons with Disabilities until the next UPR review.⁸⁰

Based on the latest discrimination-statistic, Liechtenstein faces no real racial discrimination problem. Discrimination on other grounds (e. g. gender) is not reported. The official statistic is reflected in figure 26.

Figure 26: Development of officially known racial discrimination cases in Liechtenstein

	2007	2008	2009	2010	2011	2012	2013
racial discrimination and crimes perpetrated with racist or xenophobic	4	3	6	6	1	1	1
convictions	1	1	1	1	0	0	0

Source: Development of officially known racial discrimination cases in Liechtenstein; Source: Demographic development in Liechtenstein from 1912 – 2013; <http://www.llv.li/#/12588/bevolkerungsstatistik--dezember>

Nonetheless, Liechtenstein still needs further efforts to challenge discrimination. A comprehensive anti-discrimination act, covering all grounds of discrimination and including provisions regarding an independent ombudsman office would be welcome from the point of view of anti-discrimination. Although the European Convention on Human Rights (ECHR)⁸¹ and other international treaties are binding to the Liechtenstein jurisdiction, clear legal anti-discrimination provisions at the national level covering all grounds of discrimination are missing.

2.2.6.3 Gender equality policies

The Act on Equality between Women and Men (AEWM)⁸² postulates gender equality in the workplace as well as in relation to access to goods and services. Nevertheless, the AEWM (Art. 3 §4; Art. 4a §5) allows different treatment on the grounds of sex. This applies first to the calculation of contributions and benefits of the voluntary occupational pension which can differ between women and men if they take into account well-known statistical data, for instance life expectancy. Secondly, the AEWM allows the stipulation of different insurance premiums and benefits for women and men. As an EEA member, the Liechtenstein government does not feel bound by the respective case law of the European Court of Justice, in particular the judgment C-236/09, which declared that using gender as a factor in the assessment of insurance risks is discriminatory.

Art. 8b of the Common Civil Code (CCC)⁸³ states clearly that an employer may not discriminate against an employee for gender reasons, due to the AEWM.⁸⁴ Art. 27 of the

⁷⁹ Source: Recommendations out of the second cycle universal periodic review (UPR):

http://www.llv.li/el_llv_aaa_bericht_upr-arbeitsgruppe_2013.pdf

⁸⁰ Source: Statement of the Liechtenstein government regarding the second cycle universal periodic review (UPR): http://www.llv.li/pdf-llv-aaa-reaktion_auf_empfehlungen_en.pdf

⁸¹ Convention of 4. November 1950 on the Protection of Human Rights and Fundamental Freedoms, LGBl. 1982, no. 60/1.

⁸² Gesetz vom 10. März 1999 über die Gleichstellung von Frau und Mann; Gleichstellungsgesetz; LGBl. 1999, no. 96.

⁸³ Allgemeines bürgerliches Gesetzbuch (ABGB), publiziert im ASW, LGBl.1967, no. 34.

⁸⁴ Gesetz vom 10. März 1999 über die Gleichstellung von Frau und Mann; Gleichstellungsgesetz; LGBl. 1999, no. 96.

CCC also states, inter alia, that an employer has to ensure that both female and male employees are not sexually harassed. At the UN level, Liechtenstein witnessed the launch of the "he for she" campaign.

Based on Art. 19 of the AEW⁸⁵, the Office for Equal Opportunities was established to act as a Counselling Office for gender related issues. The tasks of this office are as follows: a) Advising the authorities and private individuals on how to pursue gender equality issues and support victims of discrimination; b) conducting public relations; c) carrying out investigations and recommending appropriate action to authorities and private individuals; d) being involved in drafting rules and regulations; e) working with others on the funding of programmes and projects and carrying out or participating in them; f) reviewing applications for funding assistance under articles 16 & 17, as well as monitoring the implementation of programmes; g) informing stakeholders about measures taken to achieve equality; h) and exchanging information with relevant European institutions. The Office for Equal Opportunities acts independently on its activities according to lit. a) to c).

Furthermore at the University of Liechtenstein, the Commission for Gender and Diversity represents women's concerns as well as the topic of diversity, and it issues opinions on gender equality questions. The Commission works toward achieving a balanced representation of women and men in the operations, teaching, and research of the University. Women can turn to the Counselling Office concerning problems relating to their studies, pregnancy, academic careers, scholarships, conflicts in the workplace, and sexual harassment. Persons feeling discriminated on the basis of gender may turn to the Counselling Office in its function as an Ombudsman office. In all cases, the Counselling Office aims to achieve a concrete solution.

In November 2014 Liechtenstein celebrated the 30th anniversary of the introduction of voting rights for women. On this occasion the Liechtenstein women's network presented seven different claims to the parliament to create a level playing field with equivalent conditions for women and men. The main claims were equal payment for men and women, an increase of the share of women in leading management positions within the public administration, expanding day-care for children in Liechtenstein, and an equal representation of women in politics and media reporting.

⁸⁵ Gesetz vom 10. März 1999 über die Gleichstellung von Frau und Mann; Gleichstellungsgesetz; LGBl. 1999, no. 96.

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Abbreviations

ACY	Act on Children and Youth
ADD	Office of Social Services
AEPD	Act on People with Disabilities
AEWM	Act on Equality between Women and Men
AEZ	Allowance for single parents
AHV	Old Age and Widow's/Widower's Pension
AHVG	Old Age and Widow's/Widower's Pension Act
AHVV	By-law on the Old Age and Widow's Pension Act
AIFMD	Alternative Investment Fund Manager Directive
AMS	Labour Market Service
ARAF	Act on Rent Allowance for Families
ASANP	Act on Supplementary Aid to the National Old Age and Widow's/Widower's Pension
ASANP	Supplementary Aid to the National Old Age and Widow's/Widower's Pension
ARAF	Act on Rent Allowance for Families
ASH	Act on Social Help
ASE	Act on School Education
BbH	Allowance for blind persons
BPV	Company old age pension
CCC	Common Civil Code
ECHR	European Convention on Human Rights
EEA	European Economic Area
EL	Supplementary social benefits
GDP	Gross domestic product
GNI	Gross National Income
HE	Helplessness allowance
IV	Invalidity insurance
KG	Child benefit
KV	Health insurance
LAK	Foundation for Old-age and Invalidation Assistance
MbH	Rent allowance
MZG	Maternity allowance
NOWP	National Old Age and Widow's/Widower's Pension
ODA	Official development assistance
PV	Health insurance premium deduction
PVS	Public pension fund for civil servants and for employees of several public institutions and enterprises

SIP	(European Commission's) Social Investment Package
SNB	Swiss National Bank
UNCRPD	UN Convention on the Rights of Persons with Disabilities
UV	Accident insurance
WSH	Social welfare benefit

