

EUROPEAN SEMESTER 2020

**ETUC REPORT ON NATIONAL  
TRADE UNIONS INPUTS FOR  
THE EARLY-STAGE CONSULTATION  
ON COUNTRY REPORTS 2020**



## FOREWORD

The adoption of SDG 2030, as a long-term economic policy strategy, especially the environmental dimension, aligns the European Semester more closely to the ETUC Proposals for Growth and Social Progress 2020. The European Commission calls on Member States to engage on very ambitious goals. They have to address, in the current institutional and economic situation, the following (unsolved) trilemma:

- Reorientation of the European growth model, specifically productive standards; regulation in the markets of goods, services and labour; and consumption patterns,
- Restrictive fiscal rules that constrain financial resources of Member States,
- Redistributive impact between social groups and regions.

Among the actions announced, those that are most likely to materialize are: the ones that are already underway or can be reclassified into the Green deal, those that have little budgetary impact in the Member States, and those that are not perceived with a high political cost by Governments.

Regarding the implementation of measures contained in the European Green Deal, it is essential that Trade Unions are involved at all levels and at the highest degree. The fair transition mechanism needs a strong social dialogue, both at European and national levels. It would be appropriate to explore the ways in which resources of the transition mechanism are increased; especially requalifying public expenditure, through a revisited calculation of investments in governments' budgets. In this regard, it could be appropriate to introduce measures that prevent "social washing", similar to the approach taken for "green washing"

A stronger approach would be needed, in relation to measures on digital platforms, one that allows examining differences in employment status by each business model, rather than through an inadequate global analytical approach. Thus making a better map of in the different technological intensity or contribution to productivity.

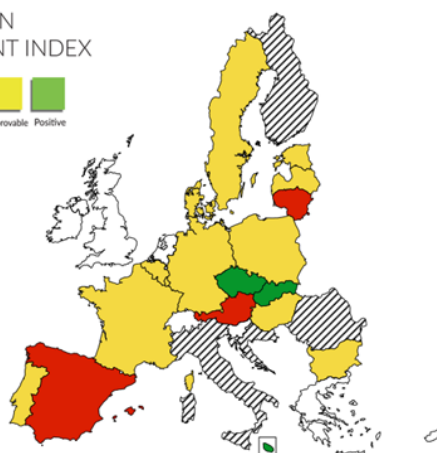
Regarding the mainstreaming of the European Pillar of Social Rights, the uncertain impact of some social policies have caused the downward performance of five indicators: premature abandonment of education or training, gender gap in employment, impact of social transfers in poverty reduction, income distribution ratio by quintiles and declared unmet medical care needs.

The Joint Employment Report depicts a rosy picture of the labour market. It indulges too much on quantitative aspects related to the amount of work (with the employment at record levels) overlooking quality of jobs. There is a positive shift of approach around the narrative on the skills shortages, in spite of the high unemployment rate. This is now fine-tuned when explaining that labour shortages occur in those countries with low unemployment rate (in contrast with the previous narrative of questioning the co-existence of unemployment and skills shortages). Another argument that is demystified is the one where a temporary employment is a steppingstone towards open-ended contracts: those countries with the highest temporary rates (like Spain or Portugal) have the lowest rates of transition from temporary to open-ended contracts. The report evidences that Europe is facing a problem of inequality: growing income inequality between the richest 20% households and the poorest 20%; gender inequality (in terms of employment rates and wages); rise of in-work poverty and overall wage growth (which is below the productivity rate in almost all countries of the EURO area). There is also a strong call for reinforcing social dialogue as a mechanism for strengthening the social market economy.

However, the approach taken towards digital labour platforms is very limited. Its impact and the precarious working conditions are downplayed by insisting that there is a very small percentage of workers who work through platforms in comparison to the overall workforce (1.4% of the working population and above 2% only in Spain and the Netherlands). Job quality through digital labour platforms is not tackled, and it is linked to employment relation and status (which is not quite our approach).

The ETUC monitors trade union involvement in the semester at national level. Today consultation of social partners at national level is becoming a recurrent practice, but quality of involvement is still too low. our first mission it to reinforce the involvement of social partners in the EU Semester. This is a requirement coming from the European Pillar of Social Rights, principle 8. It is crucial for achieving upward convergence of working and living conditions in Europe.

### TRADE UNION INVOLVEMENT INDEX



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# AUSTRIA

## ÖGB

### LABOUR MARKET AND EMPLOYMENT

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The problems (approx. 90,000 more people are unemployed than in 2008, low labour force participation of women (full-time), older workers, low-skilled and migrant workers in the labour market) could not be solved despite the good economic situation in recent years. Nevertheless, the funds for the Public Employment Service were reduced: in 2018 it was 1.406 billion (minus 139 million), in 2019 1.251 billion (minus 155 million).

#### **Youth**

Although the labour market policy targets still include training up to 18, the funds for the training guarantee up to 25 have already been cut in the 2019 budget.

#### **Migration**

There are also fewer funds available for people with migration background. The integration year has been cancelled and the necessary budget funds for language promotion are also lacking - even though language skills are a prerequisite for a good entry into the labour market.

#### **Older people**

The special programme Aktion 20.000, which enabled older people over 50 to work in non-profit areas, was suspended at the beginning of 2018. This age group in particular is threatened with unemployment for a particularly long time as soon as it falls out of the employment process.

#### **Red-White-Red Card**

At the same time also a reform of the red-white-red card was introduced. The key point was to "simplify" access for "other foreign key workers" by significantly lowering income thresholds. The Federal Government was therefore not looking for the best, but for the cheapest workers from third countries.

#### **No measures against systematic wage and social dumping**

While important measures to promote disadvantaged persons on the labour market are being scaled back despite continuing problems on the labour market, the Federal Government is preventing wage and social dumping from being effectively combated. This is despite the fact that Austria is the most affected country in Europe for secondments in connection with wage and social dumping. 60 percent of all secondments take place on construction sites. 50 percent of all posting companies on construction sites pay their workers too little. This is the result of the 2018 wage and social dumping report of Construction Workers' Annual Leave and Severance Pay Fund.

#### **From the point of view of the ÖGB is necessary:**

- **More funds for active labour market policy**
- **The security of the existence of the unemployed must be guaranteed and improved.**

**Combating long-term unemployment and not the long-term unemployed**

- Special programmes especially for the target group 50+ (e.g. “Aktion 20.000”); with 200 Mio € annually from unemployment insurance funds, the long-term unemployment of older people can be halved.
- 50 percent of funding must be reserved for women.

Better labour market opportunities for women through the expansion of childcare facilities and relief for families in the care of family members (e.g. through innovative models for the organisation of public care services).

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#### COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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**The economic forecasts published by WIFO and IHS (and also the forecast published by the European Commission) confirm that good wage settlements are essential to guarantee solid economic growth. The current economic downturn is mainly caused by problems of the German automotive industry, which have an impact on the Austrian supplier industry. However, strong private consumption is contributing to a moderate slowdown in growth in Austria. This is also a success for the trade unions, which have ensured a respectable plus on the wage slips in 2019. Minimum wage - determined by collective bargaining agreements in Austria - is 1.500 and in many sectors already 1.700 or even 2.000 in several sectors in metal industry. According to WIFO, two-thirds of women benefit from the increase in minimum wages. Also, the crediting of leave periods against advances which has been achieved in many collective agreements, has a positive effect on the income development of women with children.**

**However, the federal government's policy has been moving in a direction that contributes more to widening the income gap:**

Extension of working hours to a maximum of 12 hours per day/60 hours per week (the law was passed without social partners and without prior discussion). Longer working hours force couples to divide work more traditionally: men work more hours, women concentrate on childcare. A

recent FORBA study found that every additional hour of overtime worked by a man increases the potential for unequal distribution in the partnership by 13 percent.

**Investment in all-day schools slows down: 750 million was earmarked until 2025 and will now be extended until 2032 - de facto halving the figure. The lack of all-day schools is being tackled far too slowly - women with children continue to be forced into part-time work.**

**A lot of money for less effective family policy: Family Bonus Plus: The deduction of 1,500 per year until your 18<sup>th</sup> birthday costs at least 1.5 billion per year. However, 450,000 households with children do not or only partially receive the family bonus. 2/3 of the households are without children (singles, pensioners, etc.) From ÖGB's point of view good wage rounds and raising the minimum wages contribute more to reducing income shearing.**

At the same time funds in the same amount as those made available for the family bonus could have been used to solve all urgent childcare problems (number of places, opening hours, quality, etc.)

### **Priorities from ÖGB's point of view**

Extensive investment to finance child care is most urgent.

Need to involve fathers more strongly in family responsibilities.

Last reduction of weekly full-time standard working time by law was in 1975. A further reduction would help to bring more women into full-time work and involve men in care work.

Early intervention is necessary to include migrant women in the labour market because they are facing many disadvantages: besides child-care responsibilities and traditional gender roles, often a lack of education and training as well as stereotyping and discrimination has to be tackled.

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## EDUCATION AND SKILLS

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According to an analysis by the Austrian Institute for Economic Research (WIFO), the existing instruments for continuing vocational education and training (scholarships for skilled workers, educational leave, part-time work for education, student financing) no longer meet the current requirements of the labour market. A new instrument is therefore needed that is strategically oriented and provides further training in later phases of life.

The ÖGB therefore calls for the creation of a qualification allowance.

The qualification allowance should enable all persons over 25 who have a need for vocational reorientation or more fundamental continuing training to secure their future for this continuing



training. It is equipped with a legal entitlement.

Within a framework period of 15 years, a total of 36 months of initial and continuing vocational training can be completed if a total of at least five years of employment are available.

All training courses that lead to a publicly recognised qualification or represent modules for achieving such a qualification are accepted. Tertiary education is also eligible for support if it is a first degree course and no other support systems are in place. The amount should correspond to the fictitious unemployment benefit and a qualification supplement of 200.

### Further measures

Sufficient public funding of adult education must be ensured.

- Digital competences along the entire educational path
- Strengthening vocational training
- Qualitatively and quantitatively sufficient offers within the framework of "training to 18" and the "training guarantee to 25", which take the wishes of the young people into account and also financially secure them.
- Expansion of inter-company training facilities with the aim of ensuring a nationwide, high-quality offer.
- The public sector must set a positive example and create additional training places at federal, state and local level.
- Introduction of a training and further training fund.
- Qualitative improvement of in-company training through quality promotion and quality assurance measures, such as an Austria-wide quality seal for training companies.

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## PENSIONS, WELFARE STATE, POVERTY

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### Pensions

The EU Commission criticizes that public expenditure on **pensions** in Austria is above the EU average, but it does not mention that compared to other countries Austria's retirement provision guarantees adequate pensions and reduces the risk of poverty. According to the Commission the projected increase in the required percentage of GDP for statutory pensions in Austria in 2070 **would be** too high - **+ 0.5 percentage point of GDP in 2070** (around **+ 1 percentage point of GDP in 2040**) compared to today. Therefore, according to the Commission there is the need to take steps towards greater sustainability. **If the proportion of the population in the 65+ age group increases from current 18.5 % to 30.4 % in 2070 (Ageing Report) a higher percentage of GDP should be spent on pensions in the coming decades. In this context, facing an ageing population the expected average decline (0.2**

percentage point) of expenses in the EU should be seen with great concern! In order to secure the sustainable financing of the pension system, Austria has already taken measures to bring the effective retirement age into line with the statutory retirement age. We believe that this approach is the right one. The increase in the actual retirement age contributes significantly to stabilising the development of expenditure and thus to securing the long-term financial stability of the statutory pension system. A further increase in the statutory retirement age would be unbalanced and would have far-reaching negative consequences for future pensioners and is strictly rejected. With regard to raising the effective retirement age, it should be remembered that this has partly problematic effects on the labour market. As a result of the pension reforms carried out, many people with significant health disabilities are unemployed (**approximately 100,000 people became unemployed since 2010**) instead of receiving a disability pension. That is why, supporting measures (for rehabilitation and reintegration into the labour market) are urgent. Recommendations by the Commission to solve these problems would be very welcome.

#### **Health and Care**

In Austria, very few healthcare needs are unmet, and broad access to high-quality care is guaranteed. There is a need for improvement in multidisciplinary primary care and psychosocial care. It is particularly important to strengthen prevention at all levels (workplace measures, prevention of work-related illnesses, early identification and timely intervention in the event of initial health problems).

**The government's reform of the social security system changed the set-up of social insurance organisations. This has been leading to a weakening of workers' representatives in the respective decision-making bodies. It should be noted that in Austria social security is based on the principle of self-government. This means that certain administrative tasks are delegated to the interest groups of persons directly affected.**

The reform reduced the number of social security institutions from 21 to 5. However, there will still be differences in the benefits that the various insurers offer to employees, civil servants, farmers and to entrepreneurs. The reform will not reduce the costs of administering the social health insurance system, which are one of the lowest compared to other EU-countries (the ratio of administrative expenses is 2.7%). On the contrary, ÖGB fears that budgetary and legal changes in financing social security services result in huge cost for social security schemes (due to the reduction of the accident insurance contribution from 1.3% to 1,2%, exclusively in favour of employers and fusion costs) ÖGB is strictly against that reform and fears that the successful steps of the past to reform the health system will be undermined by the current reform. **The ÖGB therefore demands a new start from a new federal government. A three-class health system must be avoided at all costs. Privatisation in the health sector is also rejected. The so-called reform must not lead to a deterioration in services (e.g. longer waiting times) or to delays in the expansion of multidisciplinary primary care.**

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INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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**From a budgetary point of view, the government hardly set any activities in 2018 or 2019. The new measures primarily related to cuts in offensive measures by the previous government. A targeted package of investments is urgently needed to prevent the rise in**



unemployment and overcome the social challenges. Firstly, it should contain employment and qualification initiatives - especially for groups with a particularly high risk of unemployment. Second, employment-intensive municipal investments such as social housing or care should be preferred. In the future, the quantitative and qualitative development of the care system (and other social services) will be one of the most important projects. For this reason, a care package of around 1.5 billion euros per year is needed to be implemented immediately. This includes, among other things, more staff in nursing homes as well as a qualitative improvement and quantitative expansion of professional care and nursing at home. An inheritance and gift tax would be particularly suitable for financing the additional costs (revenue of at least EUR 500 million per year). In addition, 60 percent of the revenue from tobacco tax could be earmarked for nursing care.

The government still owes the answers to the energy and climate plan. If Austria fails to meet its climate targets in 2030, penalties amounting to billions will be imposed. It therefore makes sense to invest now in climate protection instead of risking fines.

From the point of view of the ÖGB, climate protection requires:

**Climate protection investment package with which the public sector will invest an additional 1 billion per year over the next ten years in a climate-relevant way.**

- => 40 million additional for investment subsidies for photovoltaics
- => 100 million additional for the thermal refurbishment of federal buildings
- => 200 million for the thermal refurbishment of buildings and the phasing out of fossil heating systems.
- => 50 million additionally for operational environmental promotion (improvement of energy efficiency in companies)
- => 40 million additional for investments in the expansion of cycling infrastructure
- => 550 million additional for public transport (faster infrastructure expansion, affordable tickets)
- => 20 million additional for innovation-oriented climate and energy research

**Strengthening public transport. There is a need for much more local rail transport.**

Strengthening and further development of Austria as an industrial location within the framework of decarbonisation through measures that effectively support energy-intensive companies and sectors particularly affected in the direction of conversion to new, climate-friendly production methods and products. Opportunities and alternatives for employees in the sense of a socially just structural change must be a central element in this process. This includes: **Future funds for employees.** Similar to the EU accession, this fund is intended to ensure the possibility of further qualification of the employees concerned.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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**The heavy burden on labour and comparatively low taxation of capital is the greatest challenge for the Austrian tax system. 80% of the tax revenue is provided by employees and consumers. While labour is still highly taxed, taxation on wealth is in comparison low in Austria. A shift to less growth-damaging wealth taxes is explicitly supported. However, the introduction of wealth taxes should not focus only on reforming the property tax and its tax base, as a substantial increase would potentially affect the broad population. Central to this are the reintroduction of inheritance and gift tax and the general wealth tax (with high deductibles).**

**Lowering the corporation tax is not advisable and objected by the ÖGB. Considering Austria's strong economy and high levels of investment, it cannot be assumed that reducing corporation tax will have any additional positive effect on growth. In our view is to be expected that the reduction in the corporation tax will result in additional profit distributions to shareholders. ÖGB is not fundamentally opposed to business promotion. In view of the high cost of a corporate income tax reduction of 1.5 to 2 billion euros, the economic slowdown and the environmental challenges associated with the climate crisis, investment incentives should be considered. Investment incentives are more efficient than general tax cuts. Instead of reducing corporation tax, it would be better to introduce the Common Consolidated Corporate Tax Base with a minimum rate at the EU level.**

**The much demanded CO2 tax is not a panacea:** it would only have the desired incentive effect if it were extremely high. This would have a massive negative impact on small and medium earners. According to a study by the Budget Service, about 1/3 of low and middle earners would be negatively affected despite the eco-bonus (see Budget Service 2019). **The priority must therefore be to create ecological alternatives ("green investments"). Without these alternatives, no steering effects are to be expected, even with the highest CO2 prices. From the point of view of the ÖGB, it would be necessary to strengthen ecological elements in the tax system and to reduce climate-damaging subsidies.**

- End of VAT exemption for intra-European air tickets and taxation of kerosene (at EU level).
- Electricity consumption by public transport exempted from energy tax.
- Comprehensive truck toll (more fair competition for the railways). A truck toll for the low-ranking road network based on the model of the truck toll for motorways would result in additional revenue of 650 million (less costs of 75 million for ongoing operations).
- Making commuter allowances more ecological and socially just: Conversion of commuter aid to a kilometre-dependent deduction. As an incentive to use public transport, the large commuter

tax deduction is to be granted if the public transport companies are predominantly used.

- In the medium term, the system of free allocation of certificates in the EU ETS should be replaced by a system of border equalization duties, as this is more accurate and sustainable.

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## SOCIAL DIALOGUE

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Austria has traditionally been characterized by a well-established system of strong social dialogue and the involvement of social partner organisations in several policy fields in relation to their expertise.

However, several developments have led to the conclusion that the last coalition government from December 2017 until June 2019 broke with the well-established system of social dialogue. Traditionally, the process of drafting legal changes in the fields of labour and social security law, amongst other fields, involved several meetings with the social partners and the government's engagement with the substantive expertise and positions of these organisations. However, since the change of government, the involvement of employees' representations has deteriorated as far as several reforms are concerned. The bill on increasing the maximum working time to 12 hours per day and 60 hours per week passed without involvement of employees' representations and any serious prior discussions. As it regards several issues of utmost importance for the employee side like the reform of the social security system or the family tax bonus workers' representations were not seriously consulted and only invited to submit written comments on draft laws.

The involvement of the social partners in the reform processes contributes to a balance of interests between employers and employees and attaining public policies with more practical relevance and higher quality. Also the European Commission calls on an improved coordination with social partners (CSR 2019).

Therefore, it is necessary that in the future, the government will again place emphasis on social partnership agreements and not primarily on business interests. The system of social dialogue and employer-employee relations is one of the success factors of Austria's unprecedented social and economic development in recent decades. It has also been shown that countries characterised by a strong social partnership have coped much better with the economic crisis than countries without a correspondingly organised reconciliation of interests.

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# BELGIUM

## ACV-CSC

### LABOUR MARKET AND EMPLOYMENT

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- mismatch on the labour market : relative high unemployment in some Belgian Regions (Brussels, Wallonia, big Flemish cities) and record amount of vacancies
- low level of training in enterprises, with very few chances for low skilled workers to receive training and raise their chances of re-employment in case of unemployment
- lack of basic digital skills for low skilled workers and unsufficient training in this field
- risk of 'promotion trap' as lowest paid workers receive many advantages ('job bonus') while these diminish rapidly in higher pay trenches, the risk being that a salary raise can be taxed at rates up to 80%

### COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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collective bargaining is widespread in Belgium, still there's a major problem in the field of wage negotiations. The 'Law on the promotion of employment and the safeguarding of competitiveness' puts wage negotiations in a very harsh juridic carcan with a very strict interprofessional wage norm as a result. In the last negotiation round, TU's had to organize a general strike in orde to raise the small norm of 0.8% (real) wage rise up to 1.1%. As this still is quite restrictive, allmost all sectors have concluded sectoral collective agreements with a real pay rise (on top of automatic indexation) of 1.1%. As a result, there's no differentiation between more and less productive sectors, and very profitable companies who wish to give their workers a higher pay rise (in order for instance to retain their best employees), are forbidden to do so. There's also a problem with the minimum wage, as this hasn't followed the evoluton of the median wage, the minimum wage actually being far below 60% of the median wage. TU's differ in strategy, the FGTB aiming directly at a considerable rise of at least 3.5% and the other unions wanting to work more gradually by cashing now an agreed rise of 1.1% while continuing the negotiations for a further rise.

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## EDUCATION AND SKILLS

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CF answers on Q1

- low level of training in enterprises, with very few chances for low skilled workers to receive training and raise their chances of re-employment in case of unemployment
- lack of basic digital skills for low skilled workers and insufficient training in this field

The problem with the low level of training is the non-sanctionable character of the actual law on 'Flexible work in acceptable conditions' ('Loi concernant le travail faisable et maniable'). The law pushes sectors to conclude collective agreements on training, more specifically on providing a trajectory towards an average of 5 days of training per worker. The problem is doublefold : no sanctions are provided if no agreement is concluded. And the objective is an average, giving companies the possibility to concentrate their training efforts with a specific group of workers (in most cases already high skilled) If no coll. agreement is concluded, every single worker has a right to 2 days of training.

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## PENSIONS, WELFARE STATE, POVERTY

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There's a general problem with the financing of the Social Security in Belgium. An equilibrium dotation to fill the gap between actual revenues and expenses is only provided up to 2020. Mid term projections foresee a gap of up to 5 billion euro by 2021 and 9.5 billion euro by 2024. This is partially due to the tax shift organised by the last government, with a reduction of the rate of 33% of employers contributions to 25% (partially financed by the abolition of existing smaller reductions) and partially due to the rising expenses for health care and pensions, due to ageing. The higher level of employment (with higher social security contributions as a result) doesn't suffice to fill the risen gap between revenue and expenses.

The underfinancement is

On pensions, the unfinished pension reform of the actual (current affairs) government remains very problematic. The government only raised the legal pension age (to 66y by 2025 and 67y by 2030) without providing tools for individual workers to manage their career in a way that working longer is feasible. One needs 42 years of FT work in order to be able to choose for pension at an earlier age than the legal one, excluding a large majority of women who worked part-time during many years combining this with child or family care. The debate on heavy professions is not concluded, compelling all workers now to prolong their careers, with no exceptions for e.g. nurses (kindergarten) teachers, construction workers and so on.

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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The level of overall investment is quite high in Belgium, but public investment is at a low level since the eighties. As a consequence the value of public assets as a percentage of GDP is declining since some decades.

Yet there are huge investment needs in Belgium, in the field of green energy transition, (public) transport, renovation of housing and other buildings to meet the CO2 reduction goals, ...

Policy in this fields is weak though. The EC largely criticised the Belgian National Energy and Climate Plan, as insufficient, not enough coordinated between regional and federal level and without detailed calculations on outcomes with respect to CO2 reductions and renewable energy percentages.

The federal government launched a National Investment Plan, which repackaged existing initiatives for a large part and didn't provided much details with respect to financement of new initiatives.

All regions provide budget deficits for 2020 and justify these referring to investment needs, putting aside in this way the very strict European fiscal rules. Social partners support to a large extent this policy choices.

#### STATE BUDGET AND FISCAL CONSOLIDATION

Cf previous answer for the regional fiscal policy

Due to the actually fastly rising costs of ageing ,filling the fiscal gap looks like a Sisyphus job for the federal government, which organised on top a tax cut without providing sufficient alternative funding. The EC projects a fiscal deficit of 2.6% by 2021. This is the darkest provision, other institutions like the 'Monitoring Committee' of the federal government only projecting such a deficit (2.5% structural deficit) by 2024 (but the EC forecast is the most recent one ..). With unchanged policy the debt would slightly rise up to 100% of GDP by 2021.

These bad figures constrain the room for additional public investment. The different Belgian governments hope for some flexibility for investment, but this is very uncertain, given the non-respect of the SGP-criteria. The European Commission already send a warning to Belgium in its latest CSR's, that Belgium is at risk of non-compliance. Being subject to the EDP-procedure is the very probable next step ..

#### SOCIAL DIALOGUE

Cf meagre result of social partner involvement in European Semester. No CSR's on social dialogue, as social dialogue with ups and downs (more downs than ups in recent periods) remains strongly intertwined in the Belgian institutional framework.



# BULGARIA

## CITUB

### LABOUR MARKET AND EMPLOYMENT

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The overall assessment of labour market improvement in Q3/2019 is dominated by the relative indicators - employment rate (20-64 years) 76.3%, unemployment rate 3.7%, long-term unemployment rate 2.3% and youth unemployment rate (15-24 years) 12.9%, along which we have achieved a more favorable position vis-à-vis national pre-crisis levels or against the average European values. At the same time, however, we need to highlight the deep quantitative and structural changes in the negative direction that have a lasting impact on the possibilities for a more rapid acceleration of the economic growth.

Absolute values show that the workforce has 200 000 people less than in 2008. We fully share the alarming findings in relation to aggravating demographic changes (a combination of low birth rates, high mortality rates and negative migration flows) that outline the very pessimistic forecast of an average annual rate of decline in working age population by 1.2% up to 2050.

The decline of the economically active population is accompanied by structural problems and the continuing difficult access to the labour market of disadvantaged groups, which leads to deepening disproportions between demand and supply of skills and qualifications. Labour shortage is snowballing over the period 2013-2019 (a total of about 4-5 times), ranging between 15% in services, up to 30% in construction and 35% in industry (percentages indicate the share of interviewed managers who indicated labour shortages as a factor limiting production).

Labour shortages for certain professions (welders, drivers, nurses, teachers) and also the labour market as a whole lead to its contraction but at the same time it is also one of the leading factors for increase of the cost of labour. Together with the successive growth of minimum wage (MW) and wage increases in the budget sector, the market pressure will continue to stimulate wage growth over labour productivity.

CITUB does not share the European Commission's concerns about reduction of the cost-competitiveness of the Bulgarian economy. The retrospective analysis demonstrates the lack of a strictly established link between increasing labour productivity and increase of wages, with varying trends in terms of years and periods. This is due to a number of factors - structural changes in employment, in the distribution of value added, the nature of investments, management and organization of labour, and last but not least, the lack of traditions, significant scope and clearly established cycles of collective bargaining.

CITUB has always argued that competitiveness based on low labour costs has no long-term prospect, and now it has also been recognized by the government. Incomes and investments should maintain a high level of domestic demand as the main driver of economic growth, and in a comparative international perspective, our country should seek and impose other advantages - natural resources, unique products, investment and business environment, price/quality ratio.

While economic activity increased, the two most at risk groups, "young people aged 15-24" and "older workers 55-64 years", still hold relatively low levels of activity, respectively 26.8% and 67.6% (Q3/2019). Discouraged persons continue to be a target group that is very difficult to activate, usually these people accumulate several risk characteristics and the effectiveness of the measures is still low. CITUB consistently criticizes the low share of national funding of active labour market measures, but this government policy continues, relying heavily on European funds and programs. There are positive changes in the work of the Employment Agency trying to integrate the Employment and Social Assistance Services. At the same time, the work of the employees in them remains underestimated. The increase of salaries in Agencies with field work has a positive trend over the past two years, but it is still insufficient to stimulate employees to the extent required, because their responsibilities are high and their work - hard and low paid.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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Collective bargaining: Today around 30% of Bulgarian workforce is covered by a collective agreement. It is very important to ensure access to

trade union representation and collective bargaining for non-standard and self-employed workers in terms of Industry 4.0 processes. The majority of collective agreements are in the public sector (87.2 %). Broken down by economic activities, the largest share of collective agreements is in education (828), healthcare and social work (288), and manufacturing (124);

Wages: Real wage growth was lower for the 2009-2018 than in the 2001-2008 in Bulgaria. In order to ensure decent living conditions for workers and for their families, to promote economic growth and price stability and to limit inequalities, it is necessary to ensure significant wage increases and to guarantee that statutory minimum wages ensure a living wage for workers and for their families in Bulgaria. The initiative has to be accompanied by a change in approach in the European economic governance to put upward social convergence, pay rise, investments for quality job creation, stronger internal demand and larger wage share at the center of a more sustainable economic model. The European Semester should be fully in line with this change of approach, by promoting wage increases and supporting sectoral collective bargaining. Need to be taken into account other indicators that lead to changes in wages (other than labour productivity). With technological advances, the relationship between wages and labor productivity is changing.

## EDUCATION AND SKILLS

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The biggest challenges in front of Bulgaria are the demographic problem and the depopulation. More villages have shortage of children to form a class according to the minimum national standard. Schools are closed and visiting school in a neighbor village is among the causes for early school dropout. Next challenge is the percentage of NEETs -

20.9% for 2018. These challenges require enhanced access to the forms of lifelong learning, covering the whole range of consultations, vocational guidance, literacy, vocational training, internships, apprenticeships, subsidized employment and promotion of territorial mobility. The percentage of adults' participation in formal, informal and non-

formal learning process is about 2.5%. Diversity of financial instruments like sector funds, individual learning accounts etc. seem appropriate solution.

For the purpose to overcome these challenges policies and programs for sustainable investment in the "knowledge triangle" (innovation, research and education) with higher targeted budget should be implemented. An approach of guaranteed access for every Bulgarian citizen to quality education, training and lifelong learning, career guidance, recognition of the knowledge acquired at work and informally, skills acquired during each life stage with a view to exercise the right of decent work and life would increase the adaptability and efficiency of the workforce and can contribute to achieve sustainable employment and to reduce youth and long-term unemployment. Precondition is mass digital skills development -

basic and specialized according the personal motivation and labour market needs. Social partners can undertake joint actions to prepare sets of curricula and pilot it in sectors with high potential.

This goal requires an informed and consciously increased investment in the elaboration of a combined set of skills and attitudes, allowing for a flexible and low-stress adaptation to technologically renovated jobs. The way is establishment of appropriate mechanisms for ensuring and improving the quality and effectiveness of training measures, the training of teachers, trainers and lecturers, facilitating the transition education - employment - training - better quality jobs in professions and specialties demanded by businesses and laid down in the priority "white" and "green" sectors, the ICT sector and others.

Taking into account the technological development and the European guarantee for skills updating of the state educational standards has been undertaken. The right to training for updating and upgrading of employees' competencies on a regular basis and extension of this right to all employees, including mobile, posted and cross-border workers should be exercised. This challenge could be met by strengthening of the relations and cooperation between educational institutions, business and workers' representative trade unions, to direct additional targeted financial and time resources for expanding the participation in lifelong learning, promoting skills and talents, reduction of early school dropouts, second chance for cognitive, portable socio-emotional and professional competences, especially among vulnerable groups in the labour market.

Higher involvement and responsibility of the business in the vocational education and training system is an option to qualify adequately the labour force. Systematic strategic measures should be undertaken to largely promote initiative, creativity, social entrepreneurship, interpersonal communication, development of emotional intelligence by "learning professionals". Encouragement of flexible pathways for entry into and exit from the educational system and upgrading of knowledge, skills and competences through remote forms, modular and internet based training, including evening, part-time and combined training and international mobility of both teachers / trainers and trainees can be problem solving tool. The process of introduction of credits in vocational education and training (VET) can contribute as well.

Serious contribution to meet this challenge can play the larger promotion and introduction of the dual system supported up to now by project based financial contribution from Austria, Germany and Switzerland. The efforts should become policy for advanced development of promising personal, professional and interdisciplinary skills and competences according the foreseen labour force profiles formulated by the employers. An active dialogue and sharing the responsibilities between businesses, vocational education and training system, including the tertiary VET, at national, regional and local level could be a key for successful innovation of the school / university - business interconnection according the dynamically changing needs of the labour market.

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## PENSIONS, WELFARE STATE, POVERTY

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CITUB shares the finding in the European Semester Recommendations that social transfers do not sufficiently influence the adequacy of social protection and the fight against poverty. In this context, in the annual debate about national budget, the Confederation has critical remarks and concrete proposals for planning more resources to target various social programs, especially those targeting the most vulnerable groups.

The Confederation believes that maintaining a percentage of GDP redistribution (expenditure - 38.2%) below the EU average, with a downward trend of up to 35% in 2022, and when planning a fully balanced budget will not allow them to cope inequalities and deep stratification among the population, as well as to improve the adequacy of payments from the social assistance and social security systems.

The main challenge facing the public social security system is its autonomy and long-term financial stability, with a view to its ability to fulfill its purpose by guaranteeing quality and adequate protection in the event of the relevant insurance risks. Although in recent years there has been a reduction in the overall system deficit to around 30 per cent of costs, this trend in practice has hindered the qualitative improvement of the adequacy of insurance benefits. The low wages, problems of collectability of social security contributions and the desire of governments not to increase financial support from the general budget to that of the public insurance system will continue to hinder the improvement of the quality of protection. Particularly worrying problem in Bulgaria is extremely low pensions (over one-third of pensioners receive the minimum pension for seniority and old age).

#### Unemployment benefits

For the Unemployment Fund, the biggest challenge is the contribution rate -

1%. This fact does not allow for an improvement in the scope of adequacy of the minimum guaranteed amount and the maximum (restrictive amount) of benefits. CITUB insists that they be determined on a general basis and correspond to 60% of the country's minimum wage and 60% of the maximum amount of insurance income, respectively;

The daily minimum unemployment benefit is far below 60% of the daily minimum wage, does not meet the requirements of ILO Convention 102 on Minimum Social Security Benefits. Hence the adequacy is very low and affects about 18% of the unemployed with the right to cash benefits. CITUB has been pushing for 6 years to increase the daily minimum unemployment benefit to 60% of the daily minimum wage;

Also, the period from which the unemployment benefit is calculated (24 months) is twice as long as the maximum period for which it is received, and this has a negative impact on the adequacy of the unemployment benefit;

There is limited protection (access to benefits) for seasonal workers who, in practice, find it difficult to meet the universal conditions required by law. The specificity of their employment is not taken into account in practice, and they are actually very difficult to acquire the right to compensation, and the amount of the benefit itself is limited;

At the same time, the rights of persons who fall into unemployment again within three years are limited -

they are entitled to a minimum amount of compensation, regardless of the amount of income on which they paid their insurance contributions and only within 4 months.

#### Pensions

The second pillar of the pension system (equity schemes) also faces a challenge, as the rules for the payout phase are currently being developed and it is clear that the role of this pillar is greatly overstated compared to people's expectations. The disappointment is also contributed by the fact that in 2021 the first pensioners will be entitled to a pension from the second pillar of the pension system, and the period during which they were insured in the second pillar is not equal to their entire working and social careers. This, of course, limits the amount of personal capital and hence the opportunities for better amounts of supplementary pensions. In addition, due to the fact that the contribution to the second pillar of the pension system is at the expense of a reduction of the contribution from the joint pillar, the rights granted to the joint pillar in the second pillar are lower.

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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Corruption: There is significant problem with corruption that put our country at least in this indicator in the EU28 (European Semester 2019 documents, 2018 also). Very big companies report that the corruption is a problem for them by about 10%. The trend is negative. This indicates that not take any measures or if doing such, they are certainly not lead to the desired results. The fight against corruption remains a significant challenge. In 2018, Bulgaria adopted a comprehensive reform of its anti-corruption legislation and established a new unified anticorruption agency, but results have yet to be seen.

Investment policies: Private investments fell significantly in recent years. The main obstacles to investments are: institutional weaknesses, skills and labour shortages and inefficient public administration. Investments - quality is increasing slowly but asymmetrically across types of infrastructure. Investments in road (EU Funds) increased, but rail and digital

infrastructure progressing slowly. Highly alarming is the low level of FDI: (27,9% of GDP in 2007 and 1,7% of GDP in the end of 2018). CITUB acknowledges as positive all the intentions of the Government of the Republic of Bulgaria to improve the investment environment (e.g., reduction of the administrative burden on business, development of the capital market). However we do not see clearly defined steps, tools and methods for the realization of these intentions, including the declared in the government governance program engagement to make use of the opportunities provided by the Investment Plan for Europe. We have repeatedly stated and proposed targeted measures for industry revival in Bulgaria through the use of various tools and sources of funding -

from stimulating domestic and foreign investments, through state funding and public-private partnerships. We believe that this is an important prerequisite for restructuring the economy towards new high-tech industries with high value added and for creating sustainable jobs. In general, the public investment costs are largely ineffective because there is often no prior impact assessment. It is necessary to take into account the effect of the accelerator when it comes to investment.

Digitalization: The number of digitalized enterprises in 2017 was among the lowest in the EU while the relative improvement of digital public services resulted in an increased number of e-government users. In addition to digital skills, cybersecurity is an issue. Investment needs have therefore been identified to sustain the relative progress and reap the benefits of digitalization for citizens, companies and governments. This is kind of social investment.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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Tax system: The issue of implementation of non-taxable minimum and partial introduction of progressive tax does not comment of the government again. It is a big problem, because the income inequalities are growing (for example: SILC/S80/S20, Gini coefficient). The share of VAT revenues from general tax revenues is worrying. In practice users are taxed twice, once directly and once indirectly with the high rate of 20%. Many countries have undertaken policy to reduce the VAT or its partial replacement by higher direct taxes, but so far in Bulgaria will not change.

Fiscal consolidation: It is projected to decrease by 2022 as follows: 0% in 2019 and 0% in 2020 and 2021. As traditionally budgets in Bulgaria underestimate revenues, it can be expected that by the end of 2020 and 2021, it is possible to achieve a surplus. We do not find such a financial discipline a healthy one, given the severe shortage of funding for important sectors. The multiplier effect of government spending thus would be much higher in the conditions of moderate economic growth. We insist to terminate the process of fiscal consolidation because it does not rest on clear and objective economic arguments. It is necessary to increase the redistributive role of the state as a share (%) of GDP. Currently, it is steadily declining every year.

We propose the following steps:

- Implementation of non-taxable minimum equal to the minimum wage in the country;
- Increasing of maximum insurable income;
- Introduction of family income tax elements;
- Implementation of progressive tax-scale;
- Healthy deficit levels according to Maastricht criteria for stimulating internal demand and economic growth;
- Increase the redistributive role of the state as a share (%) of GDP;
- Specific economic policies (through fiscal policy instruments) to reduce inequalities in the economy;
- Capital expenditure should be used for its intended purpose, and there should be equality between planned values and actual implementation;

- Taking into account the real contribution of the labor factor on macroeconomic level (in terms of measure GDP, Gross Added Value, Total factor productivity, etc.).

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## SOCIAL DIALOGUE

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Elaboration and adoption of a clear and transparent minimum wage setting mechanism (recital 12 in CSR 2018 and recital 19 in CSR 2019).

After the ratification of ILO-

Convention 131 in 2018, the talks on the establishment of the mechanism slowed down, but the social partners united around:

- The indicators to be used in determining the amount of the minimum working salary;
- The boundaries of the corridor - lower and upper, in which to negotiate the amount of the minimum wage.
- The agreement on the period of the start of the procedure should be received;

- Employers also insist the average weighted ratio between the minimum wage and the average wage in the EU to be used as an indicator / for countries where there is a monthly minimum wage/.

After consultation with Eurostat representatives, it is specified that this information is not monitored and in practice the requirement is unenforceable. The dialogue in this direction continues.

On the part of CITUB, a new proposal for a mechanism for determining the minimum wage was presented for discussion. The proposal places an emphasis on collective bargaining by economic activities and groups of professions. The representatives of BICA also support the establishment of a minimum wage setting mechanism by economic activity negotiated between employers and trade unions.

The remaining employers' organizations have not yet delivered an opinion on the proposals made. Once all stakeholders have expressed their views on the proposals made, discussions, discussions and consensus searches will be undertaken.

In the area of minimum wages, the Government's Program for the Management for the period 2017-2020 sets a minimum wage of BGN 650 (EUR 332) at the end of the mandate.

In pursuance of the government program and the Medium-Term Budget Forecast for 2020 /adopted by Council of Ministers Decision No 195 of 11 April 2019/, the minimum wage in 2020 have to reach 610 BGN (EUR 312).

A combination of effective and sustained outreach measures, active labour market policies and integrated employment and social services (recital 10 and Recommendation 3 in CSR 2018; recital 17 and Recommendation 4 in CSR 2019).

Social partners are involved in the implementation of active labour market policies, development and adoption of annual National Action Plans for Employment. Representatives of the employers' organizations and of trade unions participate in the tripartite body National Council for Promotion of Employment, which is developing and adopting the National Action Plans for Employment. In 2019 the implementation of the National framework agreement for the realization of the National plan for implementation of the European Youth Guarantee 2014-2020, signed by social partners in 2014, continues.

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# CZECH REPUBLIC

## CMKOS

### LABOUR MARKET AND EMPLOYMENT

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#### **Reducing unemployment of disadvantaged groups at the labour market - strengthening resources for active employment policy**

Despite the low overall unemployment rate, the unemployment of some disadvantaged groups is still high (e.g. disabled people, parents with children, young people). Unemployment rates also vary regionally. Higher unemployment rates being particularly evident in structurally affected regions (or regions near borders). There is also a high number of enforcement orders in these regions.

The government needs to increase the budget for an active employment policy. However, the proposal for next year obtains reduction of the budget for active employment policy.

At the end of October 2019, there were 196,518 unemployed persons registered at the Labour Office in the Czech Republic. Of which 32,464 were persons with disabilities (16.5% of the total number of registered unemployed persons), 30,056 persons under the age of 25 (15.1% of the total number of registered unemployed persons), 35,875 persons caring for a child under 15 (18.3% of the total number of registered unemployed persons). On average, the share of unemployed persons aged 15-64 in the Czech Republic was 2.6%. In some regions - structurally affected regions, however, the share of unemployment is significantly higher - eg Karviná 6.4%, Ostrava city 4.9%, Chomutov 4.8%.

#### **Restrict the activity of employment agencies**

Some employment agencies contribute to precarious form of labour, especially in the case of third-country persons (outside of EU). Foreigners are often forced to accept lower wages, lower working hours (inadequate to the scope of work). There are cases where these persons have to pay exorbitant amounts for different "services".

We believe that the recruitment of third-country persons by employment agencies should be restricted.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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### **Wage growth, including the minimum wage**

Despite of a strong growth in both nominal and real wages in recent years, the wage level in the Czech Republic is significantly lower than in Germany or Austria (or the EU average, which is pushed down by some countries, with lower wage levels). A wage convergence needs to be accelerated. The minimum wage and its share of the average wage / median is very low. The low wage level is explained by some economists by a low value added. However, it is precisely because there is a lower wage level in the Czech Republic and also because the prices at which Czech companies can sell their production are very often determined by foreign owners.

The wage level, including the minimum wage, must be further increased.

The minimum wage is only 519 euros (6th lowest in the EU) in the second half of 2019 and 735 PPS (4th lowest in the EU). The share of the minimum wage in the average wage was 38.3% in the Czech Republic in 2018.

Although there has been an increase in the share of employees' compensation in gross value added in recent years (as shown in the Wage and Collective Bargaining Scoreboard), it is still low. The share of employees' compensation in gross value added was 47,8% in the Czech Republic in 2018, but 58.8% in Germany or 53,7 % in Austria.

### **Gender-pay gap**

Women earn significantly less than men in the Czech Republic. One of the reasons is that women usually stay with children on parental leave. Parents, who return after the parental leave back into job, have usually the same wage as they had when they left job for the parental leave.

It is necessary to eliminate this wage discrimination. One possibility is that, when the parent is on parental leave, the wages of these persons should be also increased. If there is no collective bargaining at companies, an automatic wage increase for people on parental leave (in line with inflation) should be applicated. In companies in which collective bargaining takes place, the wages of persons on parental leave should be increased by the same amount as is negotiated for other employees under collective agreements. At the same time, the parent should have a guarantee of a specific job position even after the parental leave (not only after the end of the maternity leave).

According to the Eurostat, the average gender pay gap in the EU was 16.0 % in 2017, while in the Czech Republic was 21.1%.

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## EDUCATION AND SKILLS

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### **A strengthening of dual education**

There is still insufficient use of the dual education system in the Czech Republic. The principle of dual learning has been proved successfully in some countries (e.g. in Germany). Students of secondary schools should be more involved into practice in the specific companies.

There are pilot projects of dual education in the Czech Republic (for example, a memorandum of the Ministry of Labour and Social Affairs with representatives of companies and the Moravian-Silesian Region). However, it is necessary to further extend this possibility of dual education to other regions of the Czech Republic. We believe that trade unions should be involved in this process, because they can contribute to its further expansion and successful implementation, too.

### **A strengthening preparation for limiting the negative impact of the digitization process on jobs**

The Czech economy has a significant share of industry. Obviously, the digitization process is threatening a high number of jobs.

The digital skills of students and employees need to be greatly enhanced. It is necessary to adapt the education system, including **lifelong learning process**. Lifelong learning in the Czech Republic is essentially absent. It is desirable that both social partners will be involved in this process.

Lifelong learning is a critical need for dealing with the digitization process. According to some estimates, up to 50% of jobs are at risk because of the digitization and robots in the Czech Republic.

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### **PENSIONS, WELFARE STATE, POVERTY**

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### **A strengthening of the sustainability of the pension system and a higher level of pensions**

The level of pensions is relatively low compared to other EU countries in the Czech Republic. It is necessary to rely on a pay as go pension system managed by the state. At the same time, the resources of the pension system should be strengthened, namely by employers' contributions (in the Czech Republic through the so-called third pillar).

Companies employing workers in risky professions, where early retirement age can be expected (e.g. in heavy industry, persons working in a carcinogenic environment or in persons with

occupational diseases), should make mandatory contributions to supplementary pension insurance. Early retirement of such persons should not have an impact on their pension level.

According to the calculations of the Ministry of Labour and Social Affairs, approximately 650,000 people worked in risky professions in the Czech Republic in 2016.

### **An increase of the living minimum and a coverage all people by social system**

Living minimum is a socially recognized minimum level of income to ensure sustenance and other basic personal needs. The living minimum has risen for the last time in 2012. It is clear, that its current level can no longer fulfil its function. In addition, some social benefits are linked to the living minimum level - e.g. child allowances or childbirth allowances. In the past, the living minimum has not increased in the Czech Republic because of the pressure on unemployed persons to accept jobs.

It is necessary to increase the living minimum. It should play its role again. It is advisable to consider its automatic valorisation for the coming years as well. The government should also include more all the needed persons, such as the homeless, in the social system.

The current living level is 3,410 CZK and was increased in 2012.

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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### **Strengthening green and social investment**

Green investments should be directed among others to the supply of heat to the population, to continuation of home insulation, into technologies that reduce energy consumption. Better use of gray water should be encouraged. It is necessary to finance investments struggling with drought. However, we also consider investments in the restoration of forests, which were affected by bark beetle, to be important.

With regard to the next EU budget, we consider it is essential to maintain the volume and support of the ESF.

### **Accelerating public investment**

In the Czech Republic, public investment is lower, and the process of investment is slower due to several legislative and non-legislative reasons. There is a need to remove the series of barriers to accelerate public investment - especially in construction. A lot of amendments to Building Act have been made in the past, but the speed of construction is still slow.

A new Building Act must be adopted to accelerate construction. An Act on liner constructions, which are crucial for the future of the Czech economy, must be negotiated.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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### **Removal of injustices in the tax system**

Some groups of taxpayers pay significantly lower taxes and insurance (health and social) in the Czech Republic.

The government is preparing a lump-sum tax for entrepreneurs up to CZK 1 million of revenue, which would include income tax, health and social insurance. This tax may lead to a threat to the tax revenue of the state with an impact on public services. Its assumed low level is entirely discriminatory and may lead to the boom of the bogus selfemployment.

It is necessary to compare the taxation of employees and entrepreneurs. Workers' disadvantages must also be eliminated in the case of health and social insurance.

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## SOCIAL DIALOGUE

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### **Strengthening trade unions rights**

The level of social dialogue is relatively high in the Czech Republic, yet, there are areas where union rights should be to strengthen.

We would like to have a union co-decision system for companies on key employment and production issues, as in Germany.

In the Supervisory Boards, it is desirable to strengthen employee participation.

### **Strengthening higher-level collective agreements**

At the level of some sectors, the trade unions do not have partners from business side to conclude higher collective agreements. However, in some cases, the absence of employers' partners may be speculative. Especially in the cases where these employers' representatives are involved in employers' groups at EU level.

A pressure must be put on employers' representatives to create employers' associations to negotiate higher-level collective agreements.





# ESTONIA

## EAKL

### LABOUR MARKET AND EMPLOYMENT

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Estonia would need European Union support (investments) for a fair transition. The transition cannot be limited to retraining workers. The area also needs new, rewarding jobs. Therefore, investments are needed to actually develop existing unsuitable jobs. In a situation where funding for the old structure is being lost, new ways must be found to ensure that the consequences of change are not borne by the workers. Especially when structural changes are the result of EU policies, support should come from the European Union.

### COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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#### The CB scoreboard priorities:

Year	"Golden rule"	Minimum wage	Average wage
2018	6,3%	6,4%	7,3%
2019	6,5%	8,0%	ca 8%

Although wage growth is fast on average, it is relatively uneven. These include state-funded areas - such as rescuers, some jobs in government agencies, where it has not always been possible to keep up. Often, the wages of higher wages go up.

Salary expense amounted to 48.5% in 2018; 2019 ca 50% of GDP.

1. The willingness of employers to bargain collectively has not improved, and new contracts are particularly difficult to obtain. There is also a continued lack of willingness to conclude agreements at sector level. According to official statistics, the coverage of collective agreements by number of enterprises in 2015 was 6.2%. In Estonia, 94% of all companies are companies with fewer than 10 employees. 52% of companies have more than 50 employees. 9.2% of Estonian employees are covered by collective agreements of EAKL member organizations.

In order to ensure greater coverage of collective agreements, it is necessary to strengthen the motivation of employers' organizations at sector level to behave as employers in the sector and to increase their interest in concluding sectoral agreements. Among other things, it is necessary to increase the room for negotiation rather than regulate everything by law.

2. Average wage growth is relatively fast, but in order to catch up with Western Europe, wage growth must continue in the future.

3. Wage poverty continues to require attention. Minimum wage growth corresponds to the number of the "golden wage rule", but faster growth would be needed to reach the 50-60% average wage level. We are currently catching 40%. Today's minimum wage of 540 euros a month is about 39% of the average wage, but the median income has reached 1100 euros, of which the minimum wage is already 49%.

4. In terms of income, the risk group is older workers, not native speakers, and women, who have lower incomes than others. According to Estonian statistics, the Gender pay gap in 2018 was 18.7%. We continue to pursue a systematic approach to these issues, including the disclosure of payroll numbers. Regardless of employers' opposition.

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## EDUCATION AND SKILLS

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**The range of study opportunities has expanded considerably. The problem for the workers is getting paid time off and the lack of motivation of workers with lower levels of education to take part in these opportunities.**

**Participation in lifelong learning has reached the target of 20%, but it does not indicate the number of workers who are excluded. More attention should be given to those who do not learn and to create more opportunities for them.**

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## PENSIONS, WELFARE STATE, POVERTY

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**1. Unemployment benefits - Coverage and replacement rate are modest. The reform is planned by the government and may be hampered in meeting the requirements of the state budget. The trade unions support both the increase in the replacement rate (currently 40 and 50 % of wages) and the relaxation of the terms of payment of insurance benefits.**

**2. Long queues of treatment continue to be a problem.**

**3. Generally good system, increasing fathers' participation is needed; attention also needs to be paid to increasing the flexibility of the childcare service.**

**5. The replacement rate remains low (about 40%), resulting in a high number of pensioners in relative poverty. There is also great inequality among pensioners. We have suggested that the government should look into ways to increase the replacement rate to 55%. The government's planned second pillar reform seems to be moving in the opposite direction and reducing future pensions.**

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## SOCIAL DIALOGUE

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**With regard to the involvement of the social partners, we want the government and its agencies to make better difference between social and civil partnerships. As the trade union initiative, the situation at the highest level has slightly improved when the understanding of partner involvement is generally problematic and the role of the social partners is not understood.**

**However, tripartite meetings (three times a year) at government level between employers, trade**

unions and the Prime Minister started in 2018 on topics raised by all three parties have continued.

# FINLAND

## STTK SAK, ANNI MARTTINEN

### LABOUR MARKET AND EMPLOYMENT

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Finland should invest more of its GDP to active labour market policy. When thinking employment services in the perspective of the just transition, investing especially to the transition assistance (unemployment) is essential. Also industry-specific roadmaps should be developed to facilitate smooth transition and to provide concrete steps for industries and employees.

### COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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Finland's history in collective bargaining has been beneficial in terms of public finances and employment welfare. As the current government is planning to increase employment and trying to find solutions for structural unemployment, it is crucial that employee welfare is maintained at the current level. It is unacceptable to cut wages or social benefits from lowpay jobs especially pink-collar healthcare and teaching sector.

In the new wage-setting model, pay rises in the non-tradable sector are linked to the increases first agreed in the exporting sectors. However, no formal agreement on this model has been reached. Wage increases are expected to be kept in check, but upwards pressure on wages is likely as the labour market gradually tightens. Labour shortages are growing in certain sectors as a result of skills shortages and population ageing, while a lack of affordable housing in growth centres may limit possibilities to move to find jobs. A fully modernised legislative framework on zoning and planning is considered.



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## EDUCATION AND SKILLS

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Lifelong Learning (continuous learning) policy is one of our governments main priorities.

For trade unions perspective the main issue is question of accessibility to lifelong learning. In Finland education is strongly accumulated. Those with high education background are more active to participate to education than those with low education and who would benefit most of reskilling and upskilling in the labour market, where new skills demands highlight more complex skills. This considers formal education, free liberal education and employer payed staff training alike.

Besides accessibility the questions of income and motivation are important to keep in discussion.

Importance and impact of education shows clearly in employment rate but also in length of career.

For example year 2017 the level of employment with those who have only basic level education was app. 40%, with upper secondary decree app. 70% and with higher education over 80%. Simultaneously length of career is almost doubled with education level.

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## PENSIONS, WELFARE STATE, POVERTY

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Basic benefits are increased by 20 e per month as promised in the new government programme. Also regressive taxes on alcohol, tobacco and fuels are increased, but they are compensated for low-income households with tax reductions. Inequality should be slightly reduced by the new government.

Falling fertility rate has sparked discussion about the future of the pension system. At the moment, the pension system seems sustainable, but there is pressures to increase payments in the 2050s should population projection be accurate. It is likely that next year there will be a commission assessing the needs to reform the pension system, but large reforms are unlikely to occur.

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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The current government has increased expenditure to promote future growth, employment and well-being. Additional expmenditure include future oriented investment programme. This consists of education, infrastructure and research and development investment. This will increase Finland's expenditure in 2020-2022, but asset selling secure that debt will not rise. Increased tax base will eventually neutralize the budget balance by 2023. Finnish investment on equipment, physical and intangible assets remain low.

Focusing investments on human capital, on research and innovation, and on energy and transport infrastructure would strengthen Finland's long-term growth potential. There is potential for further increasing cooperation between academia and businesses as an incentive to investment in research and development. Also, long processing times for permits slow down firms' investment progress.

Recent policy initiatives are expected to address some of Finland's weaker elements in the European Innovation Scoreboard. In its National

reform programme of spring 2018, the government highlights cooperation between higher education institutions and business as one of the key bottlenecks to be addressed in order to stimulate innovations and placing them on the market. The policy focus, as reflected in the reform programme, has shifted towards the creation of internationally competitive centres of expertise as well as to the support of research infrastructures and the development of favourable business environments in technology-intensive sectors with the potential for upscaling, such as clean-tech, the bio-economy, information and communications technology and health.

Finland promotes research and development projects in areas relevant for the National energy and climate plan. Finland shows strong leadership in clean energy innovation and private research and development spending.

Digital public services for businesses remain limited and significant differences persist among businesses in integration of digital technology. Finnish small and medium-sized enterprises are also reluctant to use the untapped potential of online trade within and beyond the EU.

## STATE BUDGET AND FISCAL CONSOLIDATION

Finland is using its fiscal space to promote investment and growth. Even though Finland is growing at around 1 % pace for the next years, there is not much need for expansionary fiscal policy. However, employment level remains low and there is a need to tackle the issue. Budget will continue to be in deficit until 2022 and rebalance due to indirect taxbase increases. There is a call to restructure Finland's tax

base - to cut **subsidies to businesses** that are unbeneficial in terms of growth and climate. It's crucial that Finland redirects taxes to sustainably unbeneficial targets and ensures wellbeing in lower income groups.

Unjustified lower tax rates for unlisted companies will not be touched. It is unlikely that there would be any shift in taxation from employment towards capital.

## SOCIAL DIALOGUE

It is crucial that social partners are included in the CSR process due to partners profound connection to labour markets and employment. It is needed to add social partners in the process to ensure labour wellbeing, wage and gender equality. European semester needs to increasingly tackle climate change and shift focus to energy and climate planning in addition to welfare economy.

Finland's CSRs and our comments to them are:

1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.9% in 2020, corresponding to an annual structural adjustment of 0.5% of GDP. Improve the cost-effectiveness of and equal access to social and healthcare services.
  - Social and health care reform that would largely privatise the sector failed due to constitutional limitations. Now, the new government will prepare a new reform without such privatisation measures. Social partners are likely to be heard in the process.
2. Improve incentives to accept work and enhance skills and active inclusion, notably through well-integrated services for the unemployed and the inactive.
  - The new government has taken up municipality experiments that aim to integrate employment

services with education, social and health care services. Social partners are involved in the preparation process through working groups.

3. Focus investment-related economic policy on research and innovation, low carbon and energy transition and sustainable transport, taking into account regional disparities.

- Industry-specific roadmaps should involve social partners.

# FRANCE

## CFDT

### LABOUR MARKET AND EMPLOYMENT

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Pour la CFDT la situation du marché du travail en France se caractérise par une grande fragmentation entre emploi stable d'une part et le développement massif d'emplois de plus en plus précaires d'autre part. Le contrat indéterminé reste encore la norme dominante des contrats de travail, mais l'accès à un emploi stable se fait de plus en plus par le passage de périodes de plus en plus longues de contrats précaires. Certains secteurs professionnels - dans le tertiaire et les activités de services notamment - s'organisent par une succession de périodes de CDD de plus en plus courts où les salariés subissent leurs conditions d'emploi et la durée de leur contrat de travail. L'absence de dispositions contraignantes visant à limiter le recours aux contrats courts a pour conséquence aujourd'hui l'exposition de ces formes d'emploi précaires c'est en partie sur cette question de l'absence de taxation du recours abusif au contrat court que la négociation sociale a échoué. Pour la CFDT les difficultés de recrutement où d'adéquation entre offre et demande sont d'abord une question de responsabilité partagée entre partenaires sociaux et de la puissance publique en charge de la régulation du marché du travail : la co-construction de normes sociales applicables en matière de contrat de travail d'une part, et d'allocation de moyens publics et privés d'autre part, pour construire les réponses aux mutations du travail et technologiques. Pour la CFDT, le développement de la formation professionnelle et de la montée en compétence des qualifications des salariés sont une des réponses qu'elle souhaite apporter à la question des difficultés de recrutement des entreprises. Le second levier étant d'agir sur les conditions d'attractivité des emplois. Il y a des difficultés de recrutement pour certains secteurs d'activité, pas pour d'autres. Et ils sont bien connus : ce sont des secteurs peu attractifs car les conditions de salaires, conditions de travail, organisation de travail ne sont pas satisfaisantes. Tant que ces employeurs n'amélioreront pas ça il y aura des problèmes de recrutement.

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## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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La réforme du code du travail en 2017 a donné la priorité à l'accord d'entreprise sur l'accord de branche. A l'exception d'un bloc de 13 thèmes dont les classifications professionnelles et les salaires minima hiérarchiques (SMH). Cette notion de SMH est nouvelle et cantonne le rôle de la branche à la fixation d'un salaire minimum mensuel, excluant tout autre élément de rémunération, désormais laissée à l'appréciation, au mieux par la négociation, de l'entreprise (13ème mois, ancienneté, garantie minimale annuelle...). Dans certaines branches (la métallurgie, les transports, certaines branches du commerce), des pratiques bien ancrées permettaient aux partenaires sociaux de garantir que la concurrence ne s'exerçait pas au détriment de la rémunération des salariés d'un même secteur. La négociation des minimas est le coeur de la négociation de branche. La CFDT et l'ensemble des organisations syndicales, mais aussi les organisations patronales, demandant que les branches professionnelles aient la possibilité de définir par accord les éléments constitutifs du SMH.

C'est tout le poids du dialogue social de branche que le Gouvernement a voulu remettre en cause. Lors des concertations préalables à la réforme, la CFDT a réussi à convaincre le ministère du Travail de préserver un rôle régulateur à la négociation de branche, notamment sur la qualité des emplois (encadrement des contrats courts, recours à certains types de contrats précaires).

La CFDT, dans le cadre de la loi "pour la liberté de choisir son avenir professionnel", qui a été promulguée en août 2018 souligne qu'il y a une avancée suite à la mise en place d'une disposition qui prévoit, pour les entreprises de plus de 50 salariés, l'obligation de publier un Index relatif aux écarts de rémunération entre les hommes et les femmes. Cette obligation qui relève de la logique du "name and shame" suscite un vif intérêt des entreprises soucieuses de leur image. L'Index égalité salariale femmes-hommes est un outil supplémentaire pour les discussions dans l'entreprise entre direction et représentants du personnel. Dès lors que l'Index n'atteint pas un certain seuil, ils doivent engager des actions pour supprimer les écarts injustifiés. Les entreprises ont 3 ans pour se mettre en conformité sous peine de recevoir des pénalités financières. La mesure est entrée en vigueur le 1er janvier 2019 pour les entreprises de plus de 250 salariés et s'appliquera au 1er janvier 2020 aux entreprises de plus de 50 salariés.

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## EDUCATION AND SKILLS

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La loi du 5 septembre 2018 étant applicable seulement depuis le 1er janvier 2019, avec une série de mesures qui s'appliquent progressivement, nous n'avons pas à ce jour un recul de 12 mois sur sa mise en oeuvre. A ce stade, nous observons plutôt une attitude attendiste des entreprises, dont l'appropriation de la réforme reste un enjeu, notamment en termes de dialogue social. L'effet observable est plutôt autour d'un développement quantitatif de l'apprentissage et d'initiatives autour des CFA d'entreprise (dont l'ampleur

reste mesurée).

Sagissant de la formation des salariés, certaines entreprises prennent malheureusement le problème à l'envers. Au lieu de s'interroger sur l'alignement entre leur stratégie économique et l'investissement dans les compétences (partie intégrante de l'investissement productif), certaines directions des ressources humaines se demandent comment elles peuvent trouver des ressources pour financer leur effort de formation à travers les nouveaux dispositifs : ProA, CPF et/ou formation hors temps de travail. Ce n'est pas la nouvelle version du CPF qui peut l'empêcher, d'autant que l'application permettant l'abondement des employeurs ne sera disponible qu'au printemps 2020.

Une nouvelle étape a été lancée le 21 novembre avec une nouvelle application numérique du CPF. Pour la CFDT, cette application est un outil qui doit faciliter le rapport des travailleurs à la formation professionnelle. Mais cet outil n'est pas magique : nous devons continuer à lutter sans relâche contre les inégalités d'accès à la formation, dont les causes sont multiples. Pour en faire un véritable levier au service de tous, trois enjeux sont essentiels :

- Réussir son articulation avec le nouveau service de Conseil en évolution professionnelle (CEP) qui sera mis en place à partir du 1er janvier 2020.
- Réduire la fracture numérique.

Les partenaires sociaux ont créé le certificat CléA numérique, socle des usages fondamentaux du numérique en environnement professionnel. - Négocier les abondements nécessaires à la constitution de véritables parcours de qualification professionnelle.

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PENSIONS, WELFARE STATE, POVERTY

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Assurance chômage :

- Pour la CFDT cette réforme de l'assurance chômage dont les contours ont été unilatéralement décidés par le gouvernement, constitue un recul sans précédent de notre modèle de protection pour tous les demandeurs d'emploi ; mais ce sont les plus précaires et les jeunes qui seront les plus touchés.
  - Un durcissement des règles d'accès à l'allocation chômage pour être indemnisé il faudra avoir travaillé au moins 6 mois au cours des 24 derniers mois, contre 4 mois sur 28 auparavant.
  - La modification de règles de calcul de l'allocation : elle sera dorénavant fonction du revenu mensuel moyen et non plus basé en référence à un salaire journalier de référence
- la fin du principe d'un jour cotisé pour un jour indemnisé
- La fin des droits rechargeables : une personne arrivant en fin de droit indemnisés pouvait rouvrir des droits dès un mois de travail il lui faudra aujourd'hui retravailler au moins six mois pour être de nouveau indemnisé.
  - Enfin les cadres sont particulièrement ciblés par la dégressivité des allocations.

- Cette réforme va toucher tous les demandeurs d'emploi, et va toucher plus durement ceux qui cumulent un « petit » emploi et une allocation chômage, va toucher les jeunes et les cadres qui ont du mal à retrouver un travail.

Cette réforme est injuste, uniquement pour faire des économies budgétaires sur le seul dos des demandeurs d'emploi, qui subissent les contrats courts.

#### Retraites :

Pour la CFDT, le rapport Delevoye de juillet 2019 est une bonne base de discussion pour la phase 2 de la concertation entre le HCR et les partenaires sociaux, concertation qui s'est ouverte depuis septembre dernier et qui devrait se terminer en décembre 2019. La CFDT demande depuis de nombreuses années une réforme systémique des retraites, pour asseoir notre système sur des bases universelles et communes : renforcement du principe de répartition, affirmation de mécanismes contributifs, mais aussi solidaires, référence à une seule unité de valeur (le point). L'objectif est de rendre notre système plus lisible, plus juste en réduisant les inégalités, par une plus grande redistributivité du système, notamment entre les femmes et les hommes. Le système, tel qu'il est proposé selon le rapport, maintient le dispositif des carrières longues, qui permet un départ anticipé pour celles et ceux qui ont commencé à travailler jeunes, mesure de justice sociale obtenue grâce à la CFDT. Mais il ne reconnaît pas véritablement la pénibilité de certaines situations professionnelles, à ce stade de la discussion. En effet, le rapport Delevoye propose que le C2P (compte personnel de prévention) soit étendu, tel qu'il existe aujourd'hui dans le secteur privé, aux fonctions publiques et aux régimes spéciaux. Or, le C2P ne prend pas en compte 4 critères majeurs de pénibilité (qui étaient dans le C3P) : manutention manuelle des charges, postures pénibles, vibrations mécaniques et exposition aux risques chimiques. La CFDT demande donc la réintroduction de ces 4 critères, pour que les salariés des secteurs de l'industrie, du BTP, des soins hospitaliers et à domicile notamment bénéficient aussi de mesures de prévention et de réparation de la pénibilité de leur travail, au nom de la justice sociale et de l'équité sociale entre les carrières.

Sur la soutenabilité financière de la réforme : c'est justement parce que nos dépenses de retraites sont maîtrisées, suite aux nombreuses réformes paramétriques que notre système actuel a connues, qu'une réforme structurelle, sans mesure d'économies, peut être proposée. C'est d'ailleurs l'une des lignes rouges pour la CFDT dans cette réforme : pas de mesures d'économie sur les dépenses de retraite, ni avant, ni en même temps que la réforme. Dans le même ordre d'idées, la CFDT est opposée à toute instauration « d'âge d'équilibre », « d'âge collectif du taux plein » ou « d'âge pivot » : toutes ces appellations reflètent une volonté de décaler l'âge de la retraite à 64 ans, de manière uniforme et injuste, sans tenir compte de la diversité des carrières et des conditions de travail. La CFDT demande au contraire que la retraite soit une retraite choisie, sur la date, mais aussi sur les modalités de départ, avec un droit à l'aménagement des fins de carrières, à travers notamment un dispositif à développer, la retraite progressive

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INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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Constat 1 : un déficit d'investissement public et privé au service des transitions afin de construire un modèle économique durable.



Constat 2 : C'est moins le niveau de la dette publique qu'il faut analyser que son articulation à une stratégie de développement durable au long court. L'accroissement de la dette peut être nécessaire dans un contexte précis et momentanément.

Il s'agit d'assumer l'idée que les pouvoirs publics peuvent investir efficacement et que le secteur privé ne peut se suffire à lui-même pour répondre aux enjeux du moment. La soutenabilité de la dette publique sera assurée seulement si les pouvoirs publics réalisent des investissements qui permettent d'accroître le potentiel de croissance, susceptibles de transformer la nature des gains de productivité vers davantage de sobriété et de qualité. Le Pacte productif annoncé par le gouvernement doit répondre à ces enjeux. Ce dernier doit se traduire par une loi Pacte 2 et au sein du Budget 2021.

A cet égard, les priorités de la CFDT porteront sur :

- Développer l'éco-compétitivité de la France - Investir dans la recherche en priorisant les grands défis sociétaux (environnement, santé, mobilité, énergie) ;
- Investir dans les compétences et leurs anticipations (GPEC), notamment pour réussir la digitalisation de l'économie et la transition écologique. La question des salaires doit être articulée à ces deux transitions. Développer les CV de sites.
- Articuler la transition numérique et écologique. L'une et l'autre doivent entrer en synergie. - Evaluation systématique des mesures et dispositifs publics au regard des engagements sociaux et environnementaux, nationaux et internationaux, de la France.
- Conditionnalité des aides publiques à l'accompagnement des transitions; à cela s'ajoute l'arrêt progressif et programmé avec des objectifs précis du soutien public (exonération, allègements fiscaux, subvention, etc.) aux activités et projets émetteurs de CO2 avec la construction d'un accompagnement adapté pour les emplois concernés.
- Une gouvernance partagée entre Etats, collectivités locales, organisation syndicales et entreprises

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#### STATE BUDGET AND FISCAL CONSOLIDATION

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Le projet de loi de finances (PLF) 2020 présente à la fois une réduction et une réorientation des dépenses, ainsi qu'une contraction des recettes fiscales. Dans ce contexte, la dette publique devrait commencer à diminuer à partir de 2020 (sans toutefois respecter le cadre des règles budgétaires européennes) : 98,9 % du PIB en 2019 et 2020 (après 98,4 % en 2018) et 98,5 % du PIB en 2021, selon l'OFCE. Le déficit structurel se stabiliserait à - 2,2 % du PIB en 2020. Particularité française dans le paysage de la zone euro, les investissements bruts publics ont résisté.

Toutefois, les investissements publics demeurent insuffisants, en particulier au regard des enjeux environnementaux. Aussi, si l'on compare ce à quoi le budget français 2020 nous engage et dans quelle mesure il permet de réduire notre empreinte carbone, force est de constater que nous cumulons surtout de

la dette publique climatique. Le calcul de la dette publique au sens de Maastricht n'intègre pas ce à quoi elle nous engage dans l'avenir.

Le think tank I4CE estime les dépenses publiques en faveur de la transition bas carbone à 17 milliards, auxquels s'ajoutent 3 milliards sous forme de niches fiscales. Cet argent permet de financer principalement la rénovation énergétique des bâtiments, le développement des énergies renouvelables, la mobilité durable ou encore la recherche sur la lutte contre le réchauffement climatique. Selon I4CE, les pouvoirs publics devraient mobiliser annuellement 7 à 9 milliards deuros d'investissement supplémentaires. A cela s'ajoute la nécessité de réorienter progressivement le budget. Près de 17 milliards de mesures (dépenses, niches fiscales, impôts) seraient nuisibles au climat dans ce PLF 2020. En conséquence, les plans d'investissement initié par le gouvernement (Grand plan d'investissement, investissements d'avenir, etc.) demeurent largement insuffisants. La CFDT considère à cet égard que le Pacte productif doit donner toute leur place aux transitions écologique, énergétique et numérique et à l'emploi de qualité. Par-delà l'investissement public, il s'agit de mieux réguler les aides publiques, améliorer les réglementations, dévaluer systématiquement les impacts socio-économiques et environnementaux des investissements, etc. Ce sont les conditions pour modifier profondément la rentabilité des investissements et susciter l'intérêt des investisseurs privés de long terme.

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## SOCIAL DIALOGUE

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Le dialogue social pâtit clairement des mesures prises par les Ordonnances et notamment de la mise en place des comités sociaux et économiques (CSE). Neuf fois sur dix, le passage au CSE se fait sans accord, les textes négociés étant le plus souvent à minima. En effet, le nouveau cadre légal issu des Ordonnances laisse la part belle aux employeurs : en misant sur le supplétif, ceux-ci peuvent se passer de négociation pour mettre en place la nouvelle instance avec des moyens réduits. La faute aussi à la façon dont les entreprises se sont focalisées sur les économies de court terme à réaliser et ce, au détriment d'un dialogue économique et social à long terme. Cet état de fait engendre des constats désastreux pour la qualité du dialogue économique et social à court, moyen et long termes. Toutes nos remontées de terrain soulignent une centralisation du dialogue social, une perte de sens au mandat de la part des suppléants qui ne peuvent plus participer aux réunions du CSE, ni même aux préparatoires et donc monter en compétences, un recours à l'expertise fortement impacté, pas d'agendas sociaux cohérents susceptibles d'articuler les informations - consultations et les négociations, une moindre proximité des représentants du personnel avec les salariés (avec une baisse de 30 à 40 % du nombre délégués), une moindre importance accordée aux questions de sécurité et de conditions de travail, une augmentation de la charge des élus, sans pour autant que soit envisagée la valorisation du parcours des représentants du personnel.

Pourtant, ce ne sont pas les propositions CFDT qui manquent pour changer cette lourde tendance actuelle (réalisation systématique d'un état des lieux du fonctionnement du dialogue social dans l'entreprise par le biais, par exemple d'une formation commune ;

intégration d'un préambule innovant qui engage les directions d'entreprise en se donnant des objectifs avec une commission de suivi, des indicateurs ; l'intégration systématique d'une clause de revoyure ;  
desserrer l'étreinte des délais préfix pour laisser aux équipes CFDT le temps de donner leur avis ;  
mettre en place des commissions du CSE innovantes - environnement, proximité, inter-filiales, transformation

digitale- et mieux articulées avec les représentants de proximité au sein du CSE) mais force est de constater que très peu d'accords mettent en place à leur actuelle ce cadre favorable à un dialogue économique et social au niveau de l'entreprise sur le long terme.

Rappelons par ailleurs que les ordonnances favorisent les décisions unilatérales de l'employeur dans les entreprises de moins de 20 salariés, au lieu d'encourager un véritable dialogue avec des représentants mandatés.

# GERMANY

## DGB

### LABOUR MARKET AND EMPLOYMENT

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Germany is currently experiencing a split economic development between a weakening industry dependent on the export sector and a still robust domestic economy in an uncertain international environment. This is slowly making itself felt on the labor market as well. In contrast to previous periods, there is still a strong demand for labour in other areas, in some cases even a shortage of skilled workers. The main sectors affected are healthcare, education and training, certain service occupations, but also crafts and the construction industry.

We are currently experiencing a mixture of economic and structural problems in key sectors of the German economy. On the one hand, global demand for capital goods, but also foreign demand for cars, is already weak and will remain weak in the foreseeable future in view of global uncertainties. On the other hand, German industry is facing massive adjustment processes due to climate policy, digitization and other drivers of structural change.

In order to meet these challenges, labour market policy instruments such as the **short-time working allowance** should be **tailored more closely to the transformation processes** in the economy (Transformationskurzarbeitergeld). It creates the possibility of **linking short-time work and qualification** while maintaining the employment relationship and the chance of continued employment after the restructuring.

The goal must therefore be to train the skilled workers in the companies or, if a change of company is unavoidable, to retain them as skilled workers on the market. Unemployment must not lead to inferior employment. All restrictions on participation in further training in a transfer measure must be removed.

The DGB demands a changed philosophy of job placement. It does not depend on a fast occupation of the places, but the goal must be a qualitatively high-quality, fitting occupation. If the qualification is no longer sufficient or outdated, time must be given for the further training or retraining.

We therefore call for better education and support services to qualify employees and the unemployed, who must keep pace with new or changing competence requirements.

The shifts between the sectors also require preventive approaches to avoid unemployment beyond the workplace. To this end, labour market policy must be strengthened, as must better safeguarding individual vocational training opportunities and wishes, and social security if unemployment is to be averted. The transfer, placement and qualification of employees must be secured by collective agreements.

In this context, the DGB also calls for **public investment** and an **industrial policy** that is committed to

the climate targets that have been set and to **socio-ecological change** that combines the safeguarding of industry with **sustainable jobs**, the strengthening of **good work** and the ecological restructuring of the economy.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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### Collective Bargaining

Collective bargaining in Germany has fallen significantly to 55 percent (West: 57 percent, East: 44 percent). In the last 10 years alone, the companies' collective bargaining obligations have fallen by 30 percent to 27 percent.

There are many reasons for this. However, the main reasons are the lack of association membership in employers' associations, the flight from collective bargaining in order to achieve cost advantages as well as restructuring as a means of escape from collective bargaining or to make it more difficult for trade unions to organise through ever smaller company units. Against this background, we urgently need to strengthen collective bargaining. The DGB therefore demands among others the following measures:

The DGB therefore demands among others the following measures:

- the state should award contracts only to companies bound by collective agreements
- in the area of business development and EU structural and investment funds, grants should only be made to companies that apply collective agreements
- collective bargaining should be promoted by a further reform of the declaration of general applicability of the collective bargaining agreement (Allgemeinverbindlichkeitserklärung) and measures that make it more difficult to escape from collective bargaining agreements

Strengthening collective agreements in eastern Germany is particularly important. In 2018, the average wage level of East German employees was 97.6% of the West German level. Larger deviations within Germany, however, can be seen in effective wages. On average, an employee in the eastern part of the country earns around 83% of West Germany's wage level. Almost 30 years after reunification, employees in eastern Germany still earn significantly less than employees in the old federal states.

However, strengthening collective bargaining would stabilise wage developments, which is still necessary. In 2018, compensation of employees accounted for 70.8% of national income. In the current year 2019, the wage ratio is 71.4 %. This means that the wage ratio has been rising slightly for several years, but is still below the level at the turn of the millennium. We therefore welcome the EU-Commissions recommendation to **support higher wage growth** in Germany and to strengthen the conditions for this of which collective bargaining is an essential element.

## Minimum wage

The minimum wage must be **further developed**. It has been shown that the minimum wage has no negative effects, but is effective as a lower limit. Four million employees have benefited from the introduction of the minimum wage which is currently 9.19 Euro and will rise to 9.35 euros from 2020. Since its introduction in 2015, the statutory minimum wage for employees in the lowest income decile has led to an increase in real wages every year. However, 2.3 million employees are still cheated of their minimum wage.

Moreover, according to the 60 percent of the median income guideline, in Germany this would require 12 euros by next year following recent estimates.

DGB- demands to the minimum wage:

As the largest client, the **state has an exemplary function**. It must ensure that **award regulations** apply at **state, federal and municipal level** that include **good standards for employees**. In addition to minimum wages, this includes, above all, regulations on adherence to **collective bargaining agreements**.

- **Reversing the burden of proof** in the case of minimum wage claims: the employer, not the employee, should in future have to prove how long an employee has actually worked
- introduce the **association's right of action**
- Focus on establishing **public prosecutor's offices** to assist customs
- Increase the **pension insurance verification service**
- Increase in the number of staff at the **Financial Control Schwarzarbeit (undeclared work)**
- Introduction of a daily updated recording of the working time and storage of documents at the place of work

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## EDUCATION AND SKILLS

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Educational reports show progress in educational policy in Germany. The number of nursery places has risen, more people are starting to study and continue to educate themselves. The trend towards higher educational attainment continues. However, recent results of the PISA study (PISA 2018 published in December 2019) show that even almost two decades after the first study Germany's school system is still mediocre and unfair: the social imbalance remains the problem of our education system. Therefore the DGB demands a National Education Council and a joint education strategy of the federal government, the Länder, local authorities and social partners.

Overall, the analysis from the Country Report 2019 can or must also be used for this year regarding: lack in VET, social split, regional disparities, strict separation of vocational and academic education, immigrant education.

Moreover, there is a **huge demand for public investment** of about 12 billion per year for the next ten years in the educational infrastructure, such as buildings and investment in digitization and the development of modern technical infrastructures. In addition, there is an enormous need for teachers and educators.

### **Qualification Opportunities Act (Qualifizierungschancengesetz):**

The Qualification Opportunities Act (QCG) has been in force since the beginning of the year. The central element is the promotion of further training for employees irrespective of training, age and company size as well as the strengthening of further training counselling for employees and qualification counselling for employers by the employment agency (Bundesagentur für Arbeit) (right to counselling). The law can also be used to support extension qualifications for the unemployed. On the one hand, there are staggered subsidies for continuing training costs (up to 100 per cent for the low-skilled, employed less than 10 people in micro-enterprises and for older employees and severely disabled people; the subsidies for large enterprises with more than 2,500 employees are 15 per cent and 20 per cent respectively for collective wage agreements or company agreements with training elements). On the other hand, wage subsidies are added during continuing training for lost working hours (from 100 per cent for low-skilled workers to 25 per cent for larger and larger companies). The measures must comprise at least 160 hours and the vocational qualification must be at least 4 years old. Further criteria according to § 82 SGB III must be taken into account).

The DGB has welcomed the comprehensive introduction of further training counselling for all unemployed persons and all employees as an obligatory task of the employment agencies. Further training consultation is an important condition and the basis for a stabilization of the vocational further training. What matters now is the concrete design of the counselling services on offer and the swift availability of sufficient counsellors. The DGB is committed to this within the framework of self-administration.

The DGB would have welcomed it if the right to advice on continuing training had also been linked to a right to support for continuing training. Although the QCG goes in the right direction, it does not adequately meet the challenges on the labour market. On the one hand, employees can only be

supported if the employer agrees. On the other hand, support is linked to the individual case, which makes it more difficult for entire workforces to qualify for structural change. Nor does the QCG provide an answer to the fact that there will be shifts between sectors in the coming years. Here the contradiction between § 81 and 82 of SGB III leaves too much room for discretion, which in practice does not provide sufficient support. Another problem is that the law is still too little known

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## PENSIONS, WELFARE STATE, POVERTY

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### **Unemployment benefits:**

Access: Not everyone has access. Because of low wages 18-20% of unemployed directly end up in Hartz IV.

Adequacy: Amount is acceptable, but DGB demands an increase during trainings. A benefit claimant receives during a retraining for two years a rate at the height of the unemployment benefit which is insufficient. We therefore call for benefits to be increased by 15 percentage points from the current 60 & 67% to 75 & 82% respectively during retrainings. In case of low unemployment & Hartz IV benefits, a minimum amount of 200 euros p. month will apply.

### **Health care:**

Access: Duality of two competing health care systems (public & private)

Taking part in the public health scheme is mandatory for persons w/ an income <54.450 p.a. (covers 88% of citizens) For unemployed unemployment services cover contributions for governmental health scheme membership.

It is possible to opt out of the state insurance plan & take a private health insurance cover (*PKV*): for employees w/ income above the threshold, for self-employed or civil servants.

Transferability: GKV also covers full health care for a person's family w/o additional costs p.c. Private health care schemes don't offer this.

Adequacy: Overall primary medical care (PC) is average & meets the needs of most citizens, however, the following issues among others affect negatively its provision:

1. Doctors & general practitioners (GPs) tend to prefer patients w/ private insurance in urban/sub-urban areas & high average income p.c. This leads to an imbalance in the provision of PC between wealthier & poorer, mostly rural regions & socioeconomic groups of people.
2. PC physicians traditionally don't have a gatekeeper function due to the highly fragmented, pillar-based structure of the social security system. PC, hospital care, rehabilitation etc. are poorly synchronized often leaving to patients to organize follow-up treatments with specialists.
3. The number of private practitioner is declining, leading to shut-down of small village-/town-based PC



structures, esp. in sparsely-populated & poor rural areas. Given an ageing population, this directly affects important forms of PC for elders. Availability of in-time primary medical treatment in demographically affected areas becomes strugglesome.

4. Institutions & branches of PC e.g. dental care or medical provision centers (MVZ) become investment targets of buyers aiming at high returns on capital-quotas seriously threatening the principle of offering universal medical care for each citizen.

### Reform proposals

End duality of health care system by merging both into a mandatory citizens insurance to reduce incentives to prefer certain groups of patients & foster the overall economic basis of health care system

Establish network of MVZ run by non-profit based, public health insurances, ensuring comprehensive availability of PC while offering jobs for doctors & practitioners who don't wish to work as self-employed.

Promote cross-sector medical care reforms, linking PC stronger w/ other branches

Prohibit profit-interested investments of private or institutionalized branches

### Pensions:

Access: Coverage is patchy & depends on employment status & other issues. The **DGB wants to provide long-term coverage for all (dependent & self-employed) & include them in the statutory pension scheme (SPS):** Most dependent employees are covered by SP insurance. Persons in marginal employment are not fully insured. Civil servants & some dependent employees in liberal professions are covered by their own systems. Company pensions are reserved for dependent employees - civil servants don't have independent company pension, this is part of their "first pillar".

Adequacy: SPS has been considerably shortened & compensation is not systematic. For the DGB adequacy is no longer guaranteed. This applies in general. Since also elements were shortened which provided compensation in the event of unemployment, trainings or low wages, the adequacy of the pension has fallen even more markedly, esp. for affected. The 2nd & 3rd pillars are voluntary & don't aim to fill the gaps. Private insurance is inefficient & very expensive. Particularly, the risk of reduced earning capacity is hardly additionally covered. Despite some improvements in the legal system in recent years, structurally considerable deficits remain.

Transparency: The system is not very transparent. Many self-employed don't know if a&nd when they are subject to pension insurance. Private insurance is highly intransparent in its design, from cost to investment & benefit calculation.

### Reform proposals:

Beyond measures of the 2018 pension package, DGB demands to stabilise the pension level of at least 48% beyond 2025 and then raised to ab. 50%.

Abolition of deductions for reduced earning capacity pensions and the transfer of the improvements

made to the pension stock.

A bureaucracy-poor and cost-efficient handling of planned income assessment for basic pension.

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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Overall, the private sector and the state have neglected the expansion and modernization of facilities and infrastructure in Germany. In recent years, public investment has often even fallen below the level of depreciation. The "net investments" were negative: net government investment has been almost consistently negative since and has only started to pick up gradually since 2016 but was still less than 0.5 % of GDP in 2018. However, real public capital intensity per employed person has been declining since 1995 on an already low level as compared to the euro-area-average (12 countries). Also real private capital intensity per employed has been stagnating since the turn of the millennium.

In order to cope with the forthcoming social and ecological restructuring/transformation - due to digitization and globalization processes, the energy revolution given the goal of climate neutrality by 2050, significantly higher public and private investments are required in Germany. The DGB here considers a special role for **public investments in Germany and Europe**, which are intended to ensure a socially just and ecological transformation - so that value-added and good jobs also remain in here. Against this background we welcome the EU-Commission's demand for investment in a green transition of the German economy particularly in the face of the phasing-out of coal by 2038. It is also correct to demand to promote the transition to a circular economy, **energy efficiency** in buildings, or **sustainable energy systems** and **energy storage** which is needed for the transition to electro mobility. However, the DGB calls not only for electro car mobility but also for a massive expansion of the **railway infrastructure** (local and long-distance passenger transport, freight transport), the electrification of locomotives as well as the nationwide expansion of **broadband**.

At the same time, there is an enormous investment backlog in Germany in those areas which we consider to be **public services** of general interest and which are of central importance for social cohesion in Germany. The commission here refers to access to **social** housing which the DGB highly welcomes but in addition calls for investments in **affordable housing** (concrete figures see CP 2019). Moreover, we identify investment needs in **education** (also integral part of a just ecological and digital transition) as well as in **healthcare** infrastructure.

The DGB advocates a long-term public investment program of a mid-double-digit billion euro amount per year for at least the next ten years. This would support the domestic growth path of recent years and thus also contribute to a more sustainable development in the euro-area. For the DGB it is therefore essential to use all flexibilities (limited given the procyclicality) and in particular exemptions possible within the German and European fiscal rules.

Finally, public investment must not be at the expense of other expenditure. Investments in infrastructure, buildings and facilities can only work with more, well-paid public staff. Among others, more teachers and educators, more police officers, transport workers, well-equipped authorities and overall a significant increase in personnel are needed.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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In 2019, Germany remains below the 60% debt ratio threshold (2018: 57.3% of GDP Federal Ministry of Finance, 2019: 59.2%, Ameco estimates). The consolidation success in the recent period after 2010 was mainly driven by nominal economic growth, thus high tax revenues and low interests rather than the implementation of the German debt break in 2009 (Rietzler 2018).

The German government sector as a whole has shown a budget surplus for five consecutive years (2019: surplus of 1.2 % of GDP, Ameco, estimates, 2018 ) which is rooted in the political dogma of the so called black zero (Schwarze Null, balanced government budget). The DGB strongly criticizes this development particularly against the background of urgent and necessary investment needs (box 5) on the one hand and in light of the weakening economic situation on the other hand, but also given the low inflation rates in Germany (1.4%) and the Euro area. As explained in box 5 what is crucial in our view is thus a huge **partially debt-, partially tax-financed investment offensive** (stepwise implementation) for economic stability and sustainable prosperity.

However, even though the government sector as a whole is running a surplus and has fiscal capacities, there are huge imbalances at the Länder and municipal level. In particular at municipal level many of the above-mentioned investments must be made. The federal government must therefore support them in meeting their investment needs and strengthen their capacity to act. According to the KfW Municipal Panel 2019, 21 % of all cities and municipalities were unable to balance their budgets last year, including many large cities. Many municipalities have to bridge financial bottlenecks with cash loans - especially West German Flächenländer such as North Rhine-Westphalia, Rhineland-Palatinate and Saarland, but also municipalities in Mecklenburg-Western Pomerania and Saxony-Anhalt are strongly affected. The DGB therefore sees a need to set up a **nationwide old debt repayment fund** (Altschuldentilgungsfonds) and to **strengthen the revenue base of municipalities**.

### Taxation:

The current German tax system cements **social inequalities**. In particular, the low inheritance and gift tax rates mean that social inequality is inherited and thus consolidated over generations. Stronger taxation of high and highest inheritances and gifts, with generous allowances at the same time, is necessary to break this mechanism.

With the reorganization of the federal-state financial relations, it was only conditionally possible to ensure the capacity of the federal levels to act and thus the framework conditions for sustainable investments. Example: If one compares the years 2020 and 2019, the additional income of ab. 270 Euro per capita for the federal state Bavaria is about twice as high as for the federal state Brandenburg.

According to the DGB, the **financial strength of the municipalities** must be fully taken into account when determining the **need for compensation** and the **original tax decomposition** (before the individual stages of revenue redistribution) must be geared more closely to the **economic strength** actually available.

In our view, another measure to improve the budgetary situation and the capacity of the Länder is to be

taken from the **taxation of inheritances, gifts and donations** to reform or reintroduce taxes directly due to large assets according to the distribution principle. When a **wealth tax** is levied again, net assets of < one million euros should be taxed at a marginal tax rate of 1 %, from EUR 20 million with 1.5 %, from EUR 100 million with 1.75 % and above EUR 1 billion with 2.0 %. The tax privileges granted to company assets under inheritance and gift tax must be terminated.

The DGB has developed an **income tax concept relieving 90% taxpayers**, especially middle-income earners and which includes the following proposals: Increase of the basic allowance to 12,000 euros at a tax rate of 22 %, which rises to the top tax rate of 49% up to a taxable income of 74,500 euros. The tax rate for the rich should be 52 % for a taxable income of 125,000 euros (for singles).

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## SOCIAL DIALOGUE

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CSR 2019 for Germany:

While respecting the medium-term budgetary objective, use fiscal and structural policies to achieve a sustained upward trend in private and public investment, notably at regional and municipal level. Focus investment-related economic policy on education; research and innovation; digitalisation and very-high capacity broadband; sustainable transport as well as energy networks and affordable housing, taking into account regional disparities. Shift taxes away from labour to sources more supportive for inclusive and sustainable growth. Strengthen competition in business services and regulated professions.

Reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners. Take measures to safeguard the long-term sustainability of the pension system, while preserving adequacy. Strengthen the conditions that support higher wage growth, while respecting the role of the social partners. Improve educational outcomes and skills levels of disadvantaged groups.

Involvement:

Germany is characteristic for low social partner involvement in the semester process which is confirmed by the case study on this issue conducted by the the Institute of Economic and Social Research (WSI).

By now, there was no involvement in the Stability Program at all and little involvement in the National Reform Program via written comments on the draft of the program. There has been little improvement regarding the next NRP in 2020 through an ex-ante multi-stakeholder

consultation. The outcome of this consultation and further involvement remains to be seen.

From the DGB's point of view, social partners must be included in this process on an early and long-term basis: be it with regard to necessary investment needs - especially in the areas represented by our member unions; be it our proposals to strengthen collective bargaining and thus better wage development (CSR), taxation (including social security contributions) or requirements for education and training for different groups of people - youth; migrants; people affected by structural changes etc.

# GREECE

## GSEE

### LABOUR MARKET AND EMPLOYMENT

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**Increasing employment by reshaping labour market institutions:** Despite the constant decline since 2014, unemployment in the second quarter of 2019 was still at the unacceptably high rate of 16.9%, the highest in the EU. Moreover, employment, despite in a rise, is still subdued and varies considerably among different population groups. In Greece the possibility for an unemployed to find a job is almost 3 times less relative to other peripheral economies, with women, young people and long-run unemployed least likely to enter the labour market. Furthermore, despite the gradual increase in compensation of employees, the gender pay gap remains widened, with men earning 15% more than women, mostly due to the high concentration of female employment in low pay sectors. Significant wage differentials are also present among firms, with those employing more than 10 persons paying 54% more than smaller ones. Lackluster employment performance coupled with persistent unemployment and pay gaps lay, *inter alia*, behind Greece's poor social and living conditions, with episodes of poverty, material deprivation and income inequality remaining pronounced.

To reverse this trend requires a comprehensive reform of labour market institutions geared towards increasing employees' income, shaping better and more safe working conditions, while ensuring free and stronger collective bargaining. Increasing collective bargaining coverage, rising statutory minimum wage, investing in lifelong training and skills upgrading, safeguarding workers' pension rights and access to welfare state institutions and combating undeclared work are some key measures that could reduce income inequality, in-work poverty, while improving living conditions, thereby creating conditions for more investment, balanced and inclusive growth with a high level of financial stability.

## References:

INE GSEE (2019). *The Greek economy and employment*, Interim Report 2019, INE GSEE, Athens (in Greek).

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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**Narrowing the investment gap:** One of the main pillars of Greece's adjustment programmes has been the transition of its economy to an investment- and export-led growth path. Despite the wide range of measures taken for this purpose, predominately focused on labour market deregulation and wage compression, Greece's investment performance has been disappointing. Gross fixed capital formation today stands at only 10.8% of GDP (compared to 20.7% of GDP in the second quarter of 2009), having plunged by 28.9 billion euros over the last ten years. Looking at the composition of investment, evidence is even more upsetting, with non-financial corporations' (NFCs) and households' investment spending in 2018 down by 32.8% and 73.3%, respectively, relative to 2009. At the same time, public investment has borne much of the brunt of the austerity-led fiscal consolidation. Compared to 2009, general government spending on

**fixed capital formation in 2018 has declined by 59%.**

European Commission in fact indicates that the investment gap of the Greek economy is one of the largest across the EU, amounting on average to 15 billion euros annually. Given Greece's poor economic and social performance and long-standing productive deficiencies, there is no doubt that reviving real investment represents a highly relevant and urgent policy priority.

Immediate interventions in four policy areas are crucially needed: first, increasing wages and households' disposable income and improving employment conditions with a view to boosting both consumption and investment demand and thus GDP growth. Second, resolving the problem of non-performing loans (NPLs) that currently stand at 43.6% of total loans and restoring financial stability. In this regard, policies that increase households' disposable income and thereby NFCs' liquidity and income flows could arguably make a positive contribution to that end. Third, setting up and credibly implementing a coherent development strategy that creates incentives for green investment in a broad range of activities, especially in high productivity sectors that exhibit dynamic increasing returns to scale. Fourth, reviving public investment in green and sustainable infrastructure, environment and social protection, given its immediate positive effect on employment, private investment, productivity and potential output.

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#### STATE BUDGET AND FISCAL CONSOLIDATION

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**Reducing households' tax burden:** Greece's exit from the economic stabilisation programmes has not relaxed its fiscal constraints, given the country's commitment to achieve a primary surplus of 3.5% of GDP until 2022. Despite the restrictive fiscal targets, the Greek economy has shown over the last years a considerable fiscal over-performance, triggered by excessive taxation, spending cutbacks and the mild recovery of GDP. The flip side of this track-record has, however, been grave, especially for households. Specifically, despite the 10.9% rise of minimum wage in February 2019, households' disposable income remains depressed, 27.1% down compared to its pre-crisis level, *inter alia* due to households' heavy tax burden. In fact, recent estimates show that the implicit tax rate on consumption has increased from 14.7% in 2009 to 19.7% in 2018. In the same period, the implicit tax rate on employed labour has risen by 9.3 percentage points, with the burden on employed labour increasing from 62.5% in 2009 to



**68.4% in 2016, before slightly decreasing to 64.8% in 2018.**

In this context, the tax relief planned in Greece's 2020 state budget is certainly a welcome development. Nevertheless, in our view its growth impact would have been far greater if such measures have aimed at increasing households' rather than firms' disposable income, given households' higher propensity to spend. Furthermore recent data show that firms' net position, i.e. savings minus investment, has remained positive since the start of the crisis as result of their reluctance to invest in an environment of deficient demand. We believe that increasing households' disposable income through tax cuts would not only stimulate private consumption but also firms' investment spending, thereby further increasing internal demand and employment opportunities. In view of that, it would also make a positive contribution to government revenues as well as to financial stability. It would finally combat episodes of poverty and material deprivation, which, despite alleviated, are still pronounced.

1. Empirical evidence presented in this report mostly draws on INE GSEE (2019).

# HUNGARY

## MOSZ

### LABOUR MARKET AND EMPLOYMENT

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Several favourable developments have been observed in the domestic labour market in recent years, but there are also additional reserves and opportunities for improvement in a number of areas. Since 2010, as a result of economic policy measures to stimulate higher employment and growth, Hungary has seen a substantial increase in employment, which rose at the highest rate in the EU, accompanied by a historically low rate of unemployment (3.4 per cent).

The primary instrument in driving employment was the reduction of taxes on labour, accompanied by a range of government measures, such as the introduction of the Job Protection Action Plan, the extension of public employment, and the rationalisation of welfare transfers, to support the recovery of the labour market from the crisis. While the measures contributed to the convergence of Hungary's quantitative labour market indicators to the regional and EU averages in many respects, the Hungarian activity rate still falls short of the EU average. In recent years, the Hungarian labour market has become very tight, with a number of regions and industries facing constraints from labour shortages. Since the turnaround in growth, Hungary has also seen strong growth in average wages, which in addition to underlying wage developments has also been driven by significant increases in the minimum wage and the guaranteed wage minimum between 2010 and 2019 (by 103 per cent and 108 per cent, respectively). However, despite the significant wage growth, the average level of Hungarian wages remains considerably lower than in the EU, and over the longer term that gap may be reduced through continued wage convergence accompanied by improvements in productivity.

Hungarian nationals living abroad provide the domestic economy with significant labour reserves. Overall, due to their age distribution, and higher levels of educational attainment and willingness to work, Hungarians living abroad represent substantial growth potential for the Hungarian economy. Incentives for Hungarians living abroad to return home can be provided through wage increases in high-demand professions and foreign recruitment.

As regards the Hungarian labour market, it is particularly important that reserves be mobilised and exploited more efficiently, that wages be increased sustainably, accompanied by personal income tax cuts, and that the system of adult education and further training be reinforced.

#### Main proposals for the amendment of labour-market situation:

- proceeding the decrease of work-related taxes, one-digit personal tax
- continuing wage increase parallel to the increase of productivity
- re-thinking of the so called 'cafeteria' system (fringe benefits)
- attracting citizens home living abroad

- supporting the re-building of labour concerned by the decrease of central administrative staff
- a general amelioration of work conditions, defining and revising minimum levels.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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### Collective bargaining:

The number of member organisations, the volume of organisation is constantly decreasing. The organised workers' circle barely reaches 10%. In Hungary, 80% of the employment is at SME-s. In Hungary, there are no sectoral collective agreements. If there were collective agreements in the sector grouping together SME-s, it would significantly improve the trade union coverage. There are no sectoral employee structures so there is no pressure on the employee side. The Hungarian labour law regulation gives a free hand to the employee in many questions. Because of this, collective negotiations with the workers are not in the employees' interest. This area is not working effectively, the structure is immature.

### Wages:

In line with the dynamic expansion in employment seen in earlier years, **potential labour reserves have fallen to a historic low**. However, companies' efforts to increase headcounts are rendered extremely difficult by the scarcity of labour

reserves, the inadequate skills of the labour force and the lack of job mobility. Looking ahead, **whole-economy and**

**private sector employment growth will gradually slow down in the forecast period. According to the Budget Act, employment in the government sector will not change significantly in the years to come.**

This year, **the unemployment rate drops to a historic low** (3.3 percent), in parallel with a rise in the number of

employed. In the tight labour market environment, there is strong competition between companies to retain labour and fill vacancies, and therefore significant wage growth will continue to occur in the private sector.

**Similar to last year, the private sector is expected to see wage growth of around 11 percent in 2019. However, in line with the slowdown in economic growth, wage dynamics will gradually diminish in the coming years, moving into single digits.**

The inflationary effect from the cost side will be moderated by the contribution reductions set forth in the wage agreement. The social contribution tax rate was cut by 2 percentage points on 1 July 2019, and depending on the development of real wages, the consecutive contribution reductions are expected to be implemented in 2020. Despite the cuts to contributions, the rise in labour costs slightly exceeds productivity growth over the entire forecast horizon, but the difference will gradually decline in the years ahead.

In terms of growth in average gross real wages between 2015 and 2017, Hungary is ranked in the top three in the European Union. To a substantial degree, in a tight labour market environment the growth in average wages over the past period has been driven by powerful underlying wage developments, and by significant increases in the minimum wage and the guaranteed wage minimum in 2017 and 2018. Additionally, overall wage growth has also been supported by the implementation of career path models and other sector-specific wage increases such as those in education, healthcare and law enforcement. Via an increase in households' disposable incomes, wage growth has also been a driver of aggregate demand. However, even despite the major wage growth seen in recent years, average wages in Hungary are still significantly short of the EU average. Compared to Hungary, the average gross wage is more than twice as high in the EU, and more than three times as high in Austria.

The current levels of tightness and mobility in the labour market, wage growth is of particular relevance to the retention and attraction of labour. Since 2010, dynamic wage growth has been accompanied by a significant decrease in the taxes on labour. In an EU comparison, the average tax wedge nevertheless remains high, and a reduction of this could provide further incentives for employment and drive economic growth. This could be supported by the possibility for the social contribution tax to drop further to 11.5 per cent in successive 2-percentage point steps from 2019 onwards in accordance with the 2016 wage agreement; however, given the current situation on the labour market, more benefits could be derived from a cut in the personal income tax rate.

Gender-Pay Gap:

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## EDUCATION AND SKILLS

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As regards the Hungarian labour market, it is particularly important that reserves be mobilised and exploited more efficiently, that wages be increased sustainably, accompanied by personal income tax cuts, and that the system of adult education and further training be reinforced.

In terms of further training, the situation of Hungarian employees corresponds to the regional average, but falls short of the levels seen in Western European countries, and particularly in Scandinavia. Participation in lifelong learning contributes to higher labour productivity, while also enabling companies to innovate and export. In order to ensure the continual development of labour, efforts should be made to improve the institutions of adult education and training. Additionally, tax

benefits, grant programmes and regulatory instruments should also be used to strengthen the system of professional further training and to provide incentives for companies to invest the greatest possible amount of resources in the continual improvement of their employees.

Participation in lifelong learning is not a characteristic of the Hungarian population. Continual training is becoming increasingly important in order to keep up with development. It would be advisable to use a variety of channels to encourage employers to make efforts to support employee training.

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PENSIONS, WELFARE STATE, POVERTY

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## Pensions

In Hungary the number of citizens benefitting from pension coverage was 2 596 people, from which benefitted for retirement pension were around 80%. This makes 22% of the population. In Hungary the average monthly rate of retirement pensions was 135 000 HUF (400 EUR) in 2019.Q2 The increase of pension rates changes every year by the inflation.

Average net wages are rising much faster than pensions (pension increases are exclusively inflation-linked and in no way reflect the rise in national average wages).

Modifications in the 2019 budget were primarily affecting the conditions for pension regulation and the possibilities for jobs besides pension.

The demographic trends can be characterised by two main megatrends: while willingness to have children decreases, life expectancy increases (ageing society). Consequently, a shrinking active population has to provide for an expanding inactive, pensioner population. As a result of these two opposite trends the old-age dependency ratio (showing the proportion of the number of people over 65 to the number of the working age (15-64) population), may double by 2060 compared to today's level of around 30 per cent. Developed countries are characterised by significant pension supplement savings. The developed European and Asian countries usually have pension supplementary reserves exceeding 20 per cent of GDP, and thus it is also important for Hungary to increase these reserves. 86 per cent of the income of the present Hungarian pensioners comes from the public pension system (earned income accounts for further 12 per cent), while the ratio of income from own savings is merely 2 per cent.

Experience shows that the younger generation tends to plan in advance to a lesser degree than the previous generations, and thus within the voluntary pension scheme the ratio of those below the age of 35 decreased substantially in the past 15 years. Successful convergence is generally conditional on a high rate and proper structure of capital accumulation.

The Hungarian state provided a tax refund before as well, but it is necessary to improve the efficiency of the scheme, and strive to reach a wider range of people with a rational strategy. 20 per cent of the annual individual payments to the voluntary pension fund, pension insurance and retirement savings account, subject to various limits, are credited to the individual account. For example, in the case of pension funds, a maximum of HUF 150,000 may be reclaimed annually,

which may be reached by an annual saving of HUF 750,000. The target group of the aforementioned product is different, but these schemes reached, even jointly, only about 1-1.5 million people, which represents 20-30 per cent of the active population of 4.5 million persons. A large number of these are inactive or do not benefit from tax allowance. In order for the scheme to become an efficient supplement to the public scheme and to provide a real solution for the future problems of the pension scheme, a coverage of 70-80 per cent would be necessary. This requires a well-considered government strategy and then the main elements of the scheme must be maintained in the long run in a predictable way.

Unfortunately, I couldn't find more recent data on poverty and living standards than last year's report.

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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In the 2nd quarter of 2019 the dynamic expansion characterizing the whole previous year continued, the volume of investments in the current quarter exceeded the high base of the same period of 2018 by 19%. The role of developments financed from EU sources realised mostly by government institutions further diminished, at the same time the investments of enterprises primarily those in manufacturing dynamically expanded.

### Renewable energy

The EU aims to raise the share of renewables to 20 percent by 2020, Hungary has a target of 14.65 percent, and the target of 20 percent by 2030 - the EU would increase the share of renewables to 32 percent over the same period. The EU commitment to reduce greenhouse gas emissions is 20 percent compared to the 1990 base, and by 2030 both the Hungarian and EU targets. In terms of energy efficiency, the EU has a 20% target for 2020, Hungary has set a target of 1009 PJ; By 2030, the target is 32.5 percent and 8-10 percent, respectively.

The Hungarian energy mix still has a significant share of fossil fuels, of which about 50-60 per cent is permanently imported. Currently, the share of renewable energy use in the energy mix in Hungary is around 12 percent, which is mainly generated by biomass. The gross domestic electricity consumption target for renewables was 3.6 per cent by 2010, and this was achieved, mainly by burning wood. By 2030, the commitment is 12.8 percent. However, the 2030 renewable electricity target is expected to be powered by solar energy.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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On the basis of current processes, the planned general government deficit target of 2% this year will be achieved.

Reducing the extent of tax evasion has been supported by several economic policy measures in Hungary since 2010, with the underlying objective of improving the fairness of the tax system as well. The online connection of cash registers to the tax authority (OPG) and the introduction of the Electronic

Trade and Transport Control System (EKÁÉR) supported the efficiency of tax collection, contributed to reducing the shadow economy and decreased the estimated ratio of uncollected VAT revenues.

According to Eurostat, the tax burden on GDP in Hungary dropped from 37.4 percent in 2017 to 37.6 percent last year. The government's tax policy is focused on tax cuts and simplifications, and these processes will continue in 2020.

## MTO

The European Commission continues its significant deviation procedures against Hungary, as the Hungarian government has failed to correct the deviation from the medium-term objective (MTO) at the required pace this year. If everything goes as the cabinet plans in 2020, however, the country's budgetary position in relation to the MTO will be acceptable even for Brussels.

The Council on 20 November 2019 concluded that Hungary has not taken effective action in response to the Council Recommendation of 14 June 2019.

On 14 June 2019, the Council recommended Hungary to take the necessary measures to ensure that the nominal growth rate of net primary government expenditure does not exceed 3.3% in 2019 and 4.7% in 2020, corresponding to an annual structural adjustment of 1% of GDP in 2019 and 0.75% of GDP in 2020.

The Commission's detailed working paper also shows that in 2020 there is no problem with the extent to which the structural deficit is improving. In fact, the Commission expects a 1.2 percentage point improvement in the observed balance next year, which is 0.4 percentage point better than expected. As a result, no further action is needed next year. If the government plans to achieve the 2020 budget (deficit target of 1% of GDP), then the government will meet Brussels' expectations.

However, the Commission also mentions that the structural deficit may still be 2.1% in 2020, which is still far from the medium-term objective (1% of GDP next year).

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## SOCIAL DIALOGUE

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The consultations have the fundamental conditions and forums. One of these is about the long-term living wage, minimum wage and taxation costs reduction agreement. They are based on a tripartite agreement from 2016.

In case of the regulation of the labour law (which is in the interest of the economy), more precisely in the topic of overtime and rest period, the government rather takes into account the economic operators' interests. The new regulation from 2019 caused a great controversy in Hungary and remained within regulatory framework even after it was investigated by EU.

It is a typical objection or problem that trade unions are not provided materials in time and they should express their opinions in a short time. It makes the real professional work impossible.

For a long time, there are also bilateral negotiations between macro level social partners. Now, the initiative of the National Confederation of Workers' Councils (workers' side) and of the Confederation of Hungarian Employers and Industrialists is trying to deal with the question of lack of workforce. These federations are trying to make offers and suggestions for the government.

Nowadays the social partners are not so active. Their knowledge bases and research bases are not well structured and they lack skilled sector employees. Because of these problems, joining in the professional trainings is not really effective. They have the sufficient financial support from the state but the social partners do not use it effectively. In this case, building the professional background would be a must. Fundamentally, the government supports the cooperation and its conditions.

PCFPSG carries out a monitoring activity. In every six months, all the parties evaluate together the changes regarding the living wage, the minimum wage and wage offers. Other forums do not do this monitoring activity, but upon request of the parties, it can be carried out. The congregation of the forum can be initiated at any time, by any partner. In case of other forums, monitoring the processes would be extremely useful.



# IRELAND

## ICTU

### LABOUR MARKET AND EMPLOYMENT

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Given the very positive and welcome decrease in Ireland's unemployment rate from over 16% in early 2012 to just under 5% by late 2019, the Government is increasingly talking of Ireland 'approaching full employment'.

Ireland however remains very much an average performer when it comes to employment by European standards. Our

employment rate of 69.1% in 2018 was just marginally above the EU-28 average and well below the rates of the best

performing member states such as the Netherlands, Denmark and Sweden. The main challenges relating to employment relate to female employment, the employment of low-skilled workers, and the employment of workers with disabilities.

Furthermore, underemployment and the quality of employment remain serious issues, as are acknowledged in the Country Report Ireland 2019 9 (p.34) but issues that are still largely ignored by Government. While the rate of involuntary part-time employment has declined from a peak of 42% in 2013 to just under 18% in 2018, 11 member states had lower rates in 2018, and the most recent data from Ireland's Central Statistics Office (CSO) indicates an increase in involuntary part-time employment over the past two years.

With regard to a just transition, two commercial publicly-owned energy enterprises have accelerated the process of closing carbon-intensive energy production facilities that are located in the midlands of Ireland, a relatively disadvantaged part of the country and an area that is most at risk from Brexit. ICTU sees the response to these developments as an opportunity to develop a clear, coherent, just transition template that ensures a Just Transition in line with ILO guidelines. So far, the two companies have yet to take up this opportunity.

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## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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Ireland's current statutory wage-setting mechanisms have been undermined by an effective veto exercised by employers

who refuse to take part.

ICTU has accordingly been calling for legislative reform to this system, to remove the employers veto, as recently proposed in parliament to ensure that the system of JLCs can function effectively as intended.

Regarding wages, as the Commission points out in its Labour Market and Wage Developments in Europe annual review

2019, while growth in nominal compensation per employee appears to have gain pace in the first half of 2019 compared

to 2018 (p.33), real wage growth has remained below productivity growth by at least 1 percentage point per year in Ireland over 2016-2018 (p.34).

ICTU is now recommending that private sector unions seek a baseline pay increase of between 3.5% and 4.5% in 2020.

It should also be pointed out that, allegedly in response to the risk of a no-deal Brexit, the Government in October declined to implement the recommendation of the Low Pay Commission, in which ICTU participates, to raise the statutory minimum wage by 3.1% in 2020. This decision was strongly condemned by ICTU and civil society organisations.

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## EDUCATION AND SKILLS

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The Country Report Ireland 2019 notes that Ireland saw a rise in skill mismatches in recent years following considerable

job destruction affecting primarily low-skilled workers in the construction sector. The 2019 Social Scoreboard also identified individuals' digital skills as an issue for Ireland 'to watch'.

Ireland received a CSR in 2019 to 'Provide personalised active integration support and facilitate upskilling, in particular for vulnerable groups and people living in households with low work intensity.

The Labour Market and Wage Developments in Europe annual review 2019 points out that Ireland has the fourth highest

over-qualification rate (vertical skills mismatches) and that Ireland experienced one of the largest increases in horizontal

skills mismatches in the EU between 2014-2018, and had the seventh highest level of horizontal skills mismatches in 2018.

Eurostat data indicates that 12.5% of adults (25-64 year olds) participated in education and training in the previous weeks in 2018. While this is marginally above the EU average, it was well below the levels recorded in member states such as Finland, Sweden and Denmark.

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## PENSIONS, WELFARE STATE, POVERTY

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The 2019 Social Scoreboard identified Ireland's income quintile ratio (S80/S20) as an issue 'to watch'. The Country Report

Ireland 2019 pointed out that market income inequality in Ireland is the highest in the EU but that the tax/benefit

system

brings final income inequality below the EU average.

The most recent CSO data now indicates a slight decrease in Ireland income quintile ratio in 2018.

The Country Report Ireland 2019 pointed out that child poverty remains a concern with one in every ten children living in persistent poverty. The most recent CSO data indicates that the proportion of children living in consistent poverty has

fallen from 8.8% in 2017 to 7.7% in 2018, a level which is still above pre-crisis levels. This data also indicates a slight

increase in the proportion of households made up of 2 adults and up to 3 children that are at risk of poverty - from 9.4%

in 2017 to 9.9% in 2018.

With regard to the Recommendation on Access to Social Protection, the Government has over recent years extended social protection benefits to the self-employed. It has not however at the same time taken steps to correspondingly increase social contributions from the self-employed, who currently pay approximately one-quarter the level of contributions that are paid by and for employees. This undermines the financial sustainability of Ireland's social insurance system, as pointed out by reports commissioned by the Government on social insurance. ICTU is also concerned that the failure to raise social contribution rates for the self-employed will further encourage bogus self-employment, which Ireland's Comptroller and Auditor General already estimates costs the state 60m a year from the construction sector alone (and which Connect trade union estimates at 300m a year.).

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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Annex D in the Country Report Ireland 2019 stated that 'Severe social housing shortages remain and homelessness is

rising' and identified the need in particular to 'prevent and reduce homelessness and housing exclusion, including through the provision of social housing'.

ICTU acknowledged and welcomed that fact that the Commission's draft Council Recommendation to Ireland of June 2019 stated 'While demand for social housing is estimated at about 72 000 units, just 10 000 are planned for delivery in 2019.

17 000 households are to be assisted through Ireland's Housing Assistance Payment or Rental Accommodation Scheme,

but this risks exacerbating rent increases in the private rental market where supply is already constrained. A large number of social homes are under-occupied, notably in the Dublin area, in part due to outdated succession practices. The inadequate mix in the types of social houses provided together with the very limited amount of affordable and cost-rental accommodation are factors further aggravating the situation. This is a major reason for a steady rise in the

number of people and families living in emergency accommodation...'

Ireland accordingly received a CSR in 2019 to 'Focus investment-related economic policy on low carbon and energy

transition, the reduction of greenhouse gas emissions, sustainable transport, water, digital infrastructure and affordable

and social housing.

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STATE BUDGET AND FISCAL CONSOLIDATION

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The most recent Quarterly Economic Commentary from the Nevin Economic Research Institute, which is funded by but

independent of the Irish trade union movement states:

'The Department of Finance estimate a modest structural deficit of 0.4 per cent of potential output. An important caveat

relates to the significant uncertainty about the sustainability of the level of corporation tax receipts. The Department estimates a headline general government surplus of 0.2 per cent of GDP in 2019 along with a year-end net debt position

of 51.5 per cent of GDP. This fiscal position appears sustainable in the context of a non-overheating economy.'

(p.6)

It also states that 'public spending can expand in line with the potential growth rate of the economy without engendering sustainability concerns. Broadening the tax base would provide additional scope to address existing deficits in spending.'

ICTU's pre-budget submission for Budget 2020 had set out a number of proposals to broaden Ireland's tax base, including by introducing a net wealth tax, reforming capital acquisitions taxation and the system of tax expenditures etc.

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## SOCIAL DIALOGUE

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The Country Report Ireland 2019 stated that 'Social dialogue is characterised by its mostly consultative nature. In 2015 the government created a structured forum for national economic dialogue where social partners have the opportunity to raise concerns and share views ahead of the annual budget on key policy issues. However, they are rarely involved and

consulted in relation to the European Semester process by the government.'

Despite this conclusion, the Commission's draft CSR report to Ireland, of June 2019, did not follow-up this point nor make

any reference to the weak state of social dialogue. We pointed out this was in contrast to the Commission's recommendations in relation to other member states, such as Spain and Austria.

At the joint request of ICTU and the Employers' representative body IBEC, the Government has now agreed to conduct a

review of the Labour Employer Economic Forum (LEEF), a tripartite consultative forum established in July 2016 to discuss

labour market issues mainly. ICTU recently presented its proposals to reform LEEF.

With regard to CSRs that require the involvement of social partners, Ireland received a CSR in 2019 to 'Provide personalised active integration support and facilitate upskilling, in particular for vulnerable groups and people living in households with low work intensity. Increase access to affordable and quality childcare.' Our submission on LEEF pointed out that the LEEF early years subgroup was one of the better LEEF sub-groups (the others being on housing, pensions, and employment) but that trade unions were still excluded from other consultative fora established by the relevant Government department to discuss early years issues.

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# ITALY

## CGIL CISL, UIL

### LABOUR MARKET AND EMPLOYMENT

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The Italian labour market has some problematic aspects that have become structural over time and on which we need to intervene with policies focused on the long term and not only on emergency measures.

Our production system has not yet completely come out of the crisis and is undergoing a phase of adaptation to a new globalized and highly-digitalized market. It is also looking for a development model oriented to the green economy. This prompts the need to keep on supporting workers' incomes, with passive policies capable of safeguarding both the production system and employment.

The main problematic aspects are still the following: women's and young people's difficult inclusion into the labour market; the persisting wide employment gap between the North and the South of Italy, in which the latter still witnesses a very high unemployment rate; the excessive use of flexible forms of work; the increase in various forms of short-term and poor quality work, as well as the endemic scourge of undeclared work, which should be tackled with more effective countermeasures starting with inspection activities.

The gender employment gap is among the highest ones in Europe. Compared to a 67.7% male employment rate, which is already structurally low, the female employment rate is equal to 49.5%. Moreover, there is a high rate of employed women who leave their jobs after the birth of their first child. The other problems that affect women are strong occupational segregation; scarce presence in medium-high positions; lower performance bonuses and much involuntary part-time work. All these problems have an impact also on the gender pay gap. In this regard we need more and better policies to promote work/life balance, which must include both bargaining incentives for a work organisation taking people's needs into account and a strengthening of public care services for families, children and elderly people.

With specific reference to young people, although some progress has been made, the number of NEETs and of young unemployed is unfortunately still very high. To this end, we believe that we must keep on investing in the Youth Guarantee Programme, which is providing good results in terms of youth employment, but also in strengthening the educational offer of the whole Higher Technical Education sector and in improving school and university orientation and guidance measures.

This employment target is also the one most affected by a high rate of flexibility / job insecurity that was only partially mitigated by the introduction of the so-called Dignity Decree (Law No. 96/2018). In this regard, we deem it necessary to reaffirm the need for collective bargaining to intervene on this issue as a tool for regulating the reasons for fixed-term contracts. Moreover, in recent years, the labour market has been affected by a technological evolution that is also changing the organization of work. The Gig Economy, with the proliferation of an increasing number of digital platforms, has now become a reality involving a large number of workers without the necessary protections and rights due to the extensive use of fake self-employment. It is a growing phenomenon, but still not regulated, and so far only riders have obtained a protection floor through sectoral collective bargaining.

In general terms, with a view to combating the abuse of some institutions and types of contracts and increasing the number of employees, we need to stably reduce the cost of permanent employment by taking action on the tax and social contributions wedge.

Another phenomenon to be countered with effective active policies and, more generally, with growth policies, is unemployment, especially long-term unemployment, which affects the South of Italy to a greater extent. The three-

year plan put in place this year by the government to strengthen employment centres must be seen in this framework. It envisages to hire a total of 11,600 operators designed to bridge the gap - which has always been denounced by trade unions - between Italy's employment services and those of our European partners. With a view to fighting against unemployment and encouraging the matching of labour supply and demand, the benefit basic services (LEP) must be ensured, by providing old and new operators with adequate and up-to-date training, also considering the new working methods and professional skills that are developing in our labour market.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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### Main challenges

- Extend the coverage of the collective bargaining, based on 2 contractual levels;
- Counter the proliferation of collective agreements and the dumping related to this also by passing legislation that implements the rules included in the Interconfederal agreements on the certification of trade union representativity; employers' representativity should be measured and certified, too;
- extend the degree of diffusion and coverage of decentralized bargaining (company level or territorial);
- increase real wages beyond the inflation level;
- give legal value to the salary thresholds defined by national sectoral collective agreements as an alternative to the introduction of a statutory minimum hourly wage;
- support the income of low-wage earners or low contractual working hours (involuntary part-time) with tax reliefs;
- regulate the contractual conditions of workers in the gig economy, recognizing their minimum wages and regulatory protections collective bargaining.

### Strategies to be implemented

- a development strategy should be launched by the government in coherence with the current transformations and based on public and pri

vate investments in education, training and innovation to ensure a sustainable and inclusive growth; in 2018 CGIL CISL UIL completed the renewal of confederal agreements with the main employers' associations with the objective of re-launching the role of collective bargaining, regulating the representativeness of the social partners and pushing for an increase of wages;

- real wages increase should be achieved by a fast renewal of collective agreements: this would impact about 9 million workers in the private sector and 3.5 in the public;

- collective agreements will contribute to create the conditions for an increase of the real value of wages, improve the protection of workers and at the same time enhance the increase of added value and business performance; workers should participate in the organization of work and in the definition of strategic choices of the companies;

- national collective agreements should aim at increasing the quantity and quality of second level bargaining, especially in SMEs;

- as for the measurement of representativity, CGIL CISL UIL signed an implementing agreement with INPS and INL of the interconfederal agreements concluded with Confindustria and Confapi; the objective is to conclude similar agreements with all employers' organizations;

- In response to the introduction of a minimum hourly wage, the Italian trade union, in agreement with employers' organizations, propose to give legal value to hourly wages defined by collective bargaining. This is in order to avoid that a statutory minimum wage could weaken collective bargaining, which does not only set salaries but also provides a regulatory framework;

- In the recent agreement with Confindustria, Italian unions propose to extend erga omnes the minimum salary thresholds and all economic provisions as set in national collective agreements. They have to be guaranteed by all workers in all sectors;

- The provisions on platform workers (including riders) included in law 128/2019 are of some interest, but are insufficient to provide them with adequate protection. We demand that a framework of rules to protect these workers should be agreed in collective bargaining, following what already concluded in the Logistics national collective agreement;

- It is very important to address the gender pay gap and to overcome the insufficient female participation in employment, an emergency hindering the social and economic development of the country. Women are more likely to be employed in less skilled jobs, work less hours, in in voluntary part-time and fixed term contracts. These factors determine the wage gap. Measures are needed to remove obstacles that force women out of work: more public services, such as nurseries and kindergartens, support for parenting, increase child/elderly/family/disability care leaves also via collective agreements, work-life balance, promote agreements against harassment at work and the reintegration of abused women in the labour market;

Specific agreements will be concluded by the national social partners in increasingly important domains for the industrial relation system: training and skills; health and safety; labour market, workers' participation and welfare. While public welfare should be strengthened, CGIL CISL UIL will promote supplementary welfare measures enhancing the experience of bilateral bodies (administered by committees consisting of representatives of both employers and trade unions) by providing notably third pillar pension schemes and complimentary health insurance.

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## EDUCATION AND SKILLS

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With specific reference to the European Council's Recommendations for 2019-

2020, Italy is suffering from delays in the implementation of reform policies, partly due to the succession of two governments with different majorities and the period of crisis between the end of the first government and the establishment of the second. The Finance Bill for 2020 and for the three-year period 2020-

2022 (the adoption process is underway in Parliament), does not envisage any additional funding for the school, university and research sector, as requested by the Education Minister for relaunching the whole education system.

Despite what highlighted by the European Council on the problematic issues still present in Italy, the measures announced in the Update to the Economic and Financial Document (the so-called NadeF) have not been reflected in the Finance Bill except for a limited number of measures (research Agency, right to study, development and enhancement of school principals) which, however, will not be able to have an impact on the above mentioned problematic issue



es.

This unfortunately means that Italy is still funding the status quo and hence that the priorities we indicated for the European Semester 2019 remain unfortunately unchanged, i.e.:

- raising education levels: improving the effectiveness and orientation of education curricula to reduce early school leaving and educational poverty; increasing the supply and quality of the integrated 0/6 education system; strengthening the functioning and attractiveness of the vocational education and training system; enhancing tertiary education;
- work-related training and young apprentice programmes: allocating stable and adequate resources to develop the quality of curricula, by supporting training institutions and strengthening the training capacity of the host structures and of enterprises, in particular;
- apprenticeship: promoting and enhancing the use of the so-called training apprenticeships, which are still largely not implemented;
- Higher Technical Institutes: strengthening these pathways with specific reference to innovation and digitalization;
- Universities: creating synergies to develop research and technology transfer;
- continuous training: adapting the skills of workers involved in the processes of work transformation and digitization through a major training plan supported by tax incentives and also involving the Interprofessional Funds;
- lifelong learning: building an integrated system of lifelong learning to ensure the right to learn throughout the course of people's life, as already provided for by the regulations in force, which have largely remained unimplemented;
- certification of skills and competences: strengthening the tools for the recognition of skills and competences acquired in formal, non-formal and informal learning environments; strengthening the national coordination of regional systems; enhancing the relationship with the experiences promoted by the social partners in some sectors.

It is also deemed appropriate to add urgent measures for NEETs; orientation and guidance actions for involving the segments of adult population more "reluctant" to update their skills; enhancement of the supply of education and training and its quality, by also taking the green economy into account; the training of educators and trainers on the new teaching methodologies.

With a view to implementing these guidelines, a consistent and continuous commitment is necessary by the Government which should also set up stable fora for dialogue with the social partners. Some backward steps have been made, including: the changes introduced to the work-related training (now defined "pathways for cross-cutting skills, guidance and orientation"), which Cgil, Cisl and Uil have widely criticized, since the minimum number of hours for these pathways and the resources allocated have been reduced; the significant delays in the implementation of the Integrated 0/6 Education system. In the current Finance Bill, there is no increase in the National Fund necessary to ensure that at least 33% of the educational offer for children aged 0/3 years is funded. It should be noted that there is still an underestimation of the problem regarding the severe lack of skills by young people and adults, both employed and not. A positive aspect is the reactivation of the Technical Body for Apprenticeship (referred to in Legislative Decree of June 15, 2015) at the Ministry for Labour and Social Policies, with the involvement of the social partners.

In the thematic groups on the Partnership Agreement for the 2021-2027 programming and in the Monitoring Committee of the National Operational Program for Education, the economic and social partnership has reaffirmed the importance of implementing effective policies to combat educational poverty, early school leaving and territorial gaps in learning levels.

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## PENSIONS, WELFARE STATE, POVERTY

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### Priority areas of intervention

The economic, labour, social, demographic and epidemiological transformations expose more and more people to the risks of exclusion, prec

anxiety, unease and illness; the demand for social protection is growing.

#### Proposed policies

Rights have to be considered as a priority investment for economic development and employment.

#### Maternity and Paternity

In order to strengthen the measures for life/work/care balance, Cgil, Cisl, Uil urged the government and parliament to:

- implement the European Directive 2019/1158 by increasing paternity leave to 10 days, extending and increasing the pay coverage of parental leave and supporting collective bargaining
- ensure greater quality, affordability, timetable flexibility to support families relating to educational and training courses and the social services for children (0/6 year olds).
- reorganise economic transfers for children on the basis of the proposal for a new universal family allowance, bringing together the current household allowance and family allowance in a single institution.

Finally, several associations and Cgil, Cisl, Uil made up "the Alliance for Childhood".

#### Pensions

CGIL, CISL, UIL are fighting for a socially and financially sustainable social security system. Experimental measures such as Quota 100, which should not be modified until the deadline set, are not a complete answer to the needs of workers. Too high contribution requirements have precluded access for many workers, particularly women, and have shown that a far-sighted reform is needed.

The Government's commitment to open a discussion with the social partners is positive. CGIL CISL UIL are calling for a structural and long-lasting social security reform. There is a need for: more equity; retirement flexibility based on different life expectancy and types of work; measures to adjust future pensions (young people and workers with discontinuous careers); full revaluation of pensions and support for cheaper allowances; enhancement of care work and women for social security purposes; institutional promotion of voluntary and negotiated (with T.U) supplementary pension schemes and separate pensions' expenditure from welfare ones.

#### Social policies and non-self-sufficiency

To invest in social policies, overcoming fragmentation and territorial disparities, we need:

- to approve a legal framework on non-self-sufficiency, on the basis of the proposals of the pensioners' union, with adequate interventions and social-health services financed by general taxation and active support, going beyond the current compensatory approach.
- increase and coordinate funding, with the particular aim of ensuring an integrated system of social and social-health services and interventions, through national planning and monitoring and partnership participation;
- define the essential levels of social benefits;
- support processes of integration between social and health care, and between education/training/work and housing;

#### Poverty

In 2019, Citizenship Income replaced Inclusion Income. The huge allocation of resources must be fully maintained to support the population in economic hardship, but it must also be accompanied by necessary corrective measures and supplemented by interventions to promote soc

ial inclusion, as well as work. It is necessary to intervene on the law establishing the Citizenship Income for:

- eliminate discriminatory rules that exclude and limit access to the benefit for non-EU citizens, in violating EU legislation;
- modify the current scale of equivalence, which penalises large families, those with minors and/or disabled, while favouring single and two-component families;
- change the way in which beneficiaries are taken care of, reintroducing the preliminary analysis of the social service of the municipalities, necessary to ensure a multidimensional assessment of the needs of beneficiaries, in particular children, disabled and vulnerable families.

Poverty is a complex phenomenon that requires multidisciplinary interventions which has to be pursued by strengthening the territorial infrastructure of public services for inclusion and their integration, and increasing spending on social services, starting with the Poverty Fund.

- The health system needs adequate financial resources and reorganisation to overcome the inequalities in the country.

#### Health and Healthcare

- Cgil, Cisl and Uil have set up a platform to re-qualify and relaunch the National Health Service, with priority given to integrated social and health care assistance (primary care, health homes).

Public expenditure in Healthcare, in Italy, is still below the European average: it is necessary to fill this gap by increasing the financing of the National Health Service to ensure the uniform implementation of the new Essential Levels of Care across the country, for an extraordinary plan of recruitment of doctors and nurses and resources for renewals of collective agreements.

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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1) Italy continues to face difficulties due to a lack of adequate public investments to face the many open challenges. Starting from the significant territorial gap between the North and the South.

We note a lack of strategic industrial policy vision due to an absence of planning, coordinated and integrated legislative initiatives to support manufacturing activities.

CGIL CISL UIL think it is necessary to plan a gradual increase in public investments up to 6% of GDP and open a serious discussion in Europe for the deduction of public investment from the deficit, starting with not considering the national co-financing of European structural funds and investments deficit.

The tangible and intangible infrastructures, as indicated in Annex D of the Country report, must be the priority of public investments, especially in the South.

Southern Italy suffers a deep social crisis that requires investments in social infrastructure, health, social services and education. Furthermore, a plan for energy and digital infrastructure must be provided.

The expenditure of European Structural and Investment Funds is essential to foster investments by mobilising important resources to promote growth, development and employment, especially in the South. It is therefore necessary to concentrate resources on a few and selective interventions, coordinated with ordinary policies. Furthermore, it is necessary to set a plan to strengthen the programming and administrative capacity, especially of local authorities, and a plan to strengthen the digital skills of public administrations.

The theme of sustainable development must have an overall perspective that includes environmental, employment, social and economic impact.

acts. Our country, despite having good experiences and great technological skills, has failed to give the right systematic and concrete to the complexity of these issues. The just transition is the way that allows us to combine environmental and health protection with social justice and full and good employment. Sectors such as industry, agriculture, manufacturing and services are called upon to manage the transition, minimising the social impact on employment and communities. Challenges that require political action, adequate public and private investment and democratic participation.

2) In a socio-demographic, economic and productive context of great change, the commitment of CGIL CISL UIL must be addressed mainly to the decarbonisation of the economy and to the just transition, to a sustainable use of resources and to the circular economy; to the basic knowledge and skills of citizens and workers, strengthening the education system and continuous training, to update skills and competences, and to strengthen social protection systems.

Investments in the production system are needed for ecological industrial conversion plans, the promotion of sustainable mobility with new railway and intermodal infrastructures, while at the same time strengthening and renewing the means of transport for local public transport.

Furthermore, there is a need to develop sustainable and local agriculture, to more effectively regulate the fishing and protection of the marine and coastal ecosystem, together with a gradual elimination of environmentally harmful subsidies to achieve the objectives of the circular economy and the decarbonisation of the economy.

3) Public investments in Italy collapsed: from 2013 to 2018, public investment decreased from 41.1 to 34.2 billion euros.

The opening speech of the new President of the E.C., Ursula Von Der Leyen, with the announced "Green Deal", the legal constraint of the objectives to 2050 and the related investment plan suggests a turning point towards a more sustainable Europe.

The new EIB policy has taken on a climate priority. CGIL CISL UIL agree with this new course and consider it a priority to align Italian industrial policy and energy transition with the EIB's priority objectives: energy efficiency, decarbonisation, renewable energy storage, and strengthening cross-

border electricity interconnections. CGIL CISL UIL support the agreement between the Council and the European Parliament, which has decided to allocate 20% of the European budget for 2020 to environmental and climate protection.

The Italian Government, too, declares its intention to make Agenda 2030 and the green deal its strong point by directing all public investment plans to them, to which should be added the resources of the new 2021-

27 programming. In this regard, we have asked for a control room to manage the transition, with the active participation of the social partners, and the opening of specific discussion forums.

Italy has one of the highest rates of population ageing in the world, absolute poverty has doubled with the eruption of the crisis and inequality has widened. The essential levels of social benefits must be defined and health care levels must be fully implemented and investments must be directed towards them.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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With specific reference to the 2019 European Council's Recommendations, Italy is experiencing political and financial weakness that hasn't allowed to implement organically and completely the reforms that would be necessary. Macroeconomic imbalances, high public debt, low productivity, a taxation system that weighs heavily on workers and pensioners, tax evasion (and in particular VAT evasion) among the highest in Europe, are by now structural component of our economic system that it is necessary to deal with appropriate policies.

The Finance Bill for 2020 makes a first step on decreasing the taxation on workers, allocating modest resources to reduce the tax wedge, which is insufficient to achieve a significant change. We believe that the intervention on the wedge should be the anticipation of a broader reform of the Irpef (individual income tax) that, acting on deductions, rates and scales, is able to reduce taxation, particularly on employees and pensioners, maintaining progressiveness but at the same time simplifying and making our tax system fairer. Furthermore, action on the tax wedge should also be accompanied by a measure to reduce tax on contractual increases and performance-based bonuses.

The public budget - tightened among safeguard clauses, near-zero growth and high debt - leaves no economic margins for expansionary policies, nor for investments (in infrastructure, knowledge and research, land conservation, energy conversion) that could reverse the negative trend of growth in our country.

In particular, as far as the "safeguard clauses" are concerned, they account for 76% of the 30 billion euro of the overall budget. We cannot ignore the fact that the real risk is that in a short time the entire budget will be allocated to the sterilization of VAT increases and that therefore it is an issue that deserves to be investigated immediately and not just in case of emergency. The increase in VAT, in fact, would have brought the ordinary rate to exceptionally high levels in Europe, with a recessive effect on consumption and equity. In an economic situation characterised by a shortage of resources necessary to promote growth and to sterilise safeguard clauses, the issue of selective remodelling of VAT while safeguarding primary consumer products can be explored in greater depth.

The scarcity of resources brings the issue of fighting tax evasion both for the additional resources that can be obtained from it and for restoring an equity situation and proceeding towards a reduction of taxation in a structural way.

The fight against tax evasion is a priority for us and the Recommendations identify it as a key issue. Electronic invoicing, cash limitation, risk analysis and pseudonymisation are interventions contained in the Finance Bill that we believe are necessary, but they should be further strengthened with the introduction of the conflict of interests, the traceability of all payments, incentivize payment through electronic payment means; to fight international evasion and the tax gap, it is necessary to combat tax havens, especially those within the Union, by proceeding with measures as the unification within Europe of the tax bases, the introduction of a webtax that puts an end to elusive practices, the full application of TTF (the tax on very high frequency financial transactions) and an European carbon tax.

Finally, the Recommendations underline the number of tax reductions (tax expenditures), recommending their reduction. The Finance Bill has intervened partially on it and not in an organic way, providing for a reduction in the benefit in proportion to the income in case it is over 120,000 €.

It would be appropriate to make a further in depth analysis and to assess whether selectivity is a principle to be generalized or to be limited to certain charges, preceding therefore to assess the current effectiveness of the benefits. In fact, it seems to be a first linear cut of some tax expenditures that should be agreed with the social partners, as they have an impact on employees who, although with high income, are always subjects who pay their taxes in full. The risk, therefore, is to carry out an intervention that has its own logic of contributory justice but not equity. Because most likely the tax evaders will continue to benefit fully from the deductions and pay more than in full will always be honest contributors.

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## SOCIAL DIALOGUE

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The election held in March 2018 led, after a few months of negotiations, to the creation of the so called yellow-green government (5 Stars Movement and League) which, in line with previous governments did not promote a sufficient level of social dialogue.

No timely, planned and consistent involvement by the government during the various phases of the European Semester was secured. The yellow-green government did not create a structured dialogue and consultation along the cycle of the European semester.

On the other hand, the relationship between trade unions and employers' organizations led to the conclusion of important inter-confederal agreements on the new industrial relations system and the collective bargaining model.

In November and December 2018 Cgil, Cisl, Uil organized workplace assemblies to inform and mobilize workers and shop-stewards about the dissatisfaction with the measures included in the 2019 Budget Law. Workers were also informed about the trade union's proposal to improve it. At the same time, the General secretaries met with the President of the council of Ministers Mr Conte to present our priorities included in the joint platform: policies aimed at a job rich growth, increase public and private investments (notably infrastructure), a fairer taxation system, increase of pensions' value and increase the value of nation assets like welfare, healthcare, education and P

A - including the renewal of national collective agreements and territorial cohesion policies .

As a first result of the mobilisation, CGIL CISL UIL were invited by the Welfare and labour undersecretaries to discuss about pensions and the so called "Citizenship income" (basic income).

In August 2019 the League party opened a Government crisis. A new majority has been put together to support the so called yellow-red government led by the re-confirmed President Giuseppe Conte. The new majority seems to have a more pro-European approach, has declared to be more open towards a dialogue with social partners and a renewed approach on priority areas like migration and economic issues has been announced.

The President of the Council of Ministers met with the Italian trade union organizations on 18 September to consult trade unions in view of the 2019 budget law. President Conte announced the intention to reduce the tax burden on labour, pass a new law to address the gender pay gap, more attention to health and safety and casualties at work, to step up the efforts against tax evasion, to launch a "green new deal" and to prioritize the growth of the south of the country.

On September 20th, a protocol has been signed by the INPS (National Institute of Social Security), INL (National Labour Inspectorate Institute), Confindustria, CGIL CISL UIL to implement the agreement on representativity signed in 2014.

Prime Minister Conte together with the Ministers of Economy and Labour also met with the General secretaries of CGIL CISL UIL on October 7th to discuss about the 2019 budget law, pensions and the representativity of trade unions and employers' organisations. 4 negotiation tables have been identified and agreed: public workers; taxation, pensions and self-sufficiency; investments, industrial policies, development of the South. Such consultations are still ongoing.

On the consultation with the European semester a specific meeting between the trade unions and the Ministry for European Policies has taken place 21 October 2019. At that occasion it was agreed that a proper consultation mechanism should be set up on the European semester. Such consultation should take place in the framework of the Technical Evaluation Committee, an institutional body coordinated by the Ministry for European Policies in charge of setting the position of Italy on European matters and preparing the meetings of the Inter-ministerial Committee for European Affairs.

# LATVIA

## LBAS

### LABOUR MARKET AND EMPLOYMENT

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#### **Barriers to productivity growth, innovation and digitalisation, and providing just transition.**

One of the main barriers to productivity growth, innovation and digitalisation is lack of investment. Productivity growth in Latvia has been among the fastest in EU, however it still is among the lowest in EU, measured at 69% of EU average. Lack of investment (FDI and reinvested income) results in lack of innovation, technological advancement and most importantly in skills and talent development. Subsequently, this results in low competitiveness and inability to expand to external markets. Most exports (84%) are limited to EU-28 and CIS countries, leaving other global markets rather untapped.

Latvia has a relatively low added value for the goods and services produced. In order to improve productivity, Latvian production has to be restructured and improve positions in the global value chains. Currently the economic structure and consecutively labour market and wage structures are underdeveloped and internationally uncompetitive limiting productivity growth potential.

Another obstacle is rapidly shrinking labour force, decreasing the pool of talent, as well as limiting growth possibilities for local business. Meanwhile ageing society poses high risks for poverty. According to *Eurostat* one of three people in Latvia is under risk of poverty. Pensions are already low at average EUR 333.17 in Q2 2019, which is only 30.7% of the average wage in Latvia.

Stagnation of labour regulation, mainly labour taxation and minimum wage threshold setting, should not be encouraged, as above-mentioned regulations can have a strong impact on international competition. Especially in current labour market conditions, with labour deficit, it is imperative to maintain competitive wages and employment conditions. An example of this situation is rapidly growing divide between minimum wages in Baltic States as net minimum wage in Latvia in 2019 was 352.16 EUR while in Lithuania it was 395.77 EUR and 516.45 EUR in Estonia. Purchasing power adjusted minimum wages are 446.70 EUR and 481.40 EUR in Lithuania and Estonia respectively compared to 375.77 EUR in Latvia.

Restrictive access to finance prohibits growth and limits competitiveness. Additionally, many SMEs resort to maintaining their competitiveness through tax evasion, undeclared wages and employment.

Micro-tax regime is also a tool, which helps uncompetitive companies, to keep operating, under conditions of unfair competition, at the same time reducing social contributions, resulting in increasing risk of employee social exclusion.

As digital capacity and requirements are very dependent on the type of economic activity, focus has to be put on investment in building specialist competences and financially accessible software

development.

In order to stimulate investment in growth, R&D, skills development, sectoral collective bargaining can be used to establish mechanisms for investment facilitation. Sectoral skills funds, R&D co-financing and crowd financing incubators should be explored. Argumentation for collective bargaining and tax reliefs' proposals on personal income tax for transportation, education expenses can be made to further facilitate sectoral collective bargaining and investment in worker education.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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The sectoral collective bargaining is currently the priority of social dialogue development for the national social partners. With the implementation of the ESF project on collective bargaining, the social partners intend to establish the system and practice of sectoral collective bargaining. The progress to reach this objective is very challenging.

Wages and main labour standards in Latvia are set by law. Some existing collective agreements have indications and guidance on how to set wages and organize wage system. However, statutory minimum wage rates are set by the Regulations of the Cabinet of Ministers.

Bipartite social dialogue at sector and company level is highly fragmented, and the number and coverage of collective agreements differs dramatically across sectors. In addition, there is a big difference in regulation of bonuses that these collective agreements provide.

In public sector collective bargaining on wage rates is limited by Law on Remuneration of Officials and Employees of State and Wages of Local Government Authorities. Sectoral collective agreement in welfare sector (social care centres), setting minimum rates of pay was renewed in April 2019 and was signed between Nursing and Health Care Personnel Trade Union, Trade Union of Employees of State Institutions, Self-governments and Finance Sector, Health and Social Care Workers Trade Union and the Ministry of Welfare of Latvia. The agreement applies to all institutions subordinated to the Ministry of



Welfare that have trade unions of the mentioned sectoral organizations.

The legislative acts provide for opportunities to conclude collective agreements at all levels and extend the effects of collective agreements *erga omnes*. However, due to the fact, that Latvian social partners have a long-established tradition to regulate labour relations by detailed provisions of the legislative acts (through the tripartite cooperation council), there is not much room for content of collective agreements and therefore autonomy for bipartite social dialogue is rather limited.

To improve sectoral collective bargaining in 2017 with the support of the government the social partners started implementation of the ESF pilot project aiming to promote collective bargaining on sectoral level. The objective of the project is to sign five sectoral collective agreements, that set minimum wage. This pilot project is the main platform to develop sectoral collective bargaining in Latvia.

The social partners in the construction sector have signed sectoral collective agreement providing for the minimum wage in the sector of 780 EUR and supplementary payment of 5% for the obtained professional qualification. The agreement also reduces the supplementary payment for overtime work from 100% to 50% based on the new provision of article 68 of the Labour Law that was adopted in 2019. The agreement entered in force on 3d November 2019 and it is universally binding for the construction sector.

At the same time collective bargaining negotiations continue in hospitality and catering sector, forest management (public sector), post (public sector), glass fibre and transport sectors. However, negotiations in transport sector show a bad case practice. The transport sector as such is characterized by low remuneration of bus drivers (hourly rate), non-motivating pay systems in companies, poor transparency of wage calculations, disproportionately high standby working time, which is not calculated as working hours. The sector has poor social dialogue, which worsens when in companies trade unions initiate collective bargaining propose collective agreement, in particular on wage, regulation of working time and rest periods. Disregarding the fact that the sector is based on the subsidies provided by the state, transport companies have different pay systems with low transparency.

The sectoral employers' organization Latvian Association of Passenger Carriers (LPPA) refuses to conclude collective agreement augmenting that the state does not provide sufficient financing for raising wages and concluding collective agreement on wages

Meanwhile, minimum wage in transport sector specified in the tender for the provision of public transport services in the regional bus network between 2021 and 2030 (public procurement period 2021-2030) is foreseen very low:

from 2021	from 2024	from 2027
5.00 - EUR/h	5.50 - EUR /h	6.05 - EUR/h

Such low and unjustified planned annual subsidy base prevents employers from increasing and aligning the salaries of transport workers, especially bus drivers and raising competitiveness in the sector.

At the same time the transport sector faces lack of bus drivers with more than 2/3 of bus drivers over the age of 55 years, long overtime work. Young people are not choosing transport drivers profession because the profession is low income, involves responsibility for people or goods and is dangerous.

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## EDUCATION AND SKILLS

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Regarding the vocational education and learning a lot of investments have been made in development of the content of VET - new modular vocational education programmes and vocational exams are developed however the implementation could be improved. Although there are high number of received license on modular vocational education programs, number of students who study in these programs are relatively low. Besides newly developed exams within the ESF support are not mandatory for all VET schools, consequently the requirements and evaluation could be different.

Trade unions participate in development of VET curricula and quality. Further support would be required to avoid skills mismatch and provide better link between workplace requirements and VET curricula. Regarding the adult learning, participation of low-skilled workers is still low. Within the ESF financial support for adult learning only 21% of all participants are low skilled (basic education or secondary general education). Trade unions - LBAS participates in the ESF project Improvement of Sector Qualification System for the Development of Vocational Education and Ensuring of Quality as a partner. The beneficiary of funding is the National Centre for Education. Within this project trade unions have possibility to improve the curricula of VET, however VET schools are not directly involved and/or consulted. Apart from the project there are 12 sectoral experts' councils which consists of employers, trade unions (rather weak participation) and representatives of public institutions, VET schools.

Within the previous Structural Funds period sectoral experts' councils were supported by the ESF, now the Employers' Confederation of Latvia receives support from the state for coordination of these councils but there is no stable financing mechanism. Regarding the skills forecasting - LBAS participated in the Monitoring Committee for the establishment of the Labour market forecasting, providing comments and recommendations on the evaluation and harmonization of the ESF project Development of the Labour Market Forecasting System deliverables (short-term labour market forecasting methodology, research implementation). The Monitoring Committee is set up within the framework of the previously mentioned ESF project. The project carried out a study on skills in the labour market and resulted in the creation of a skill pool. Unfortunately, it is more a compilation than a classifier and does not give a clear indication to a potential user (in future skills choices) of the skills and future forecasts already in place.

The State Employment Agency prepares short-term forecasts, while the Ministry of Economics prepares long-term forecasts and they not considered together. Although it has a rational explanation, the question remains open to how useful it is and how often unemployed must acquire skills that will not be required in the future. The Report on Latvia indicates that Latvia invests little in research and development, and that a gradual increase of teachers' salary has to be ensured.

The Latvian Trade Union of Education and Science Employees (LIZDA), LBAS affiliate, has continuously requested the government that increased public financial input in education and science has to be ensured. The public investment into education and science sectors isn't sufficient in the current state budget 2020.

In June 2019 LBAS has sent the Ministry of Economics the following comments and proposal for the SCR 2019. Paragraph 16 of the Preamble to the Recommendations stated: "*Latvia invests little in*

*research and development and its investment gap in innovation is important. In 2017, Latvia's share of expenditure on research and development was among the lowest in the European Union and has been rather stable over the past decade."* Country report of Latvia by the European Commission in Paragraphs 3.3.4. refers to the gradual increase of teachers' salaries, as it is required to promote the prestige of the profession and ensure attraction of new talent to the profession, as well as regarding consolidation of the school network. Increasing teachers' remuneration requires an increase in public funding for the education sector. Without an increase in public funding, a high-quality implementation of education reform is not possible.

Taking these arguments into consideration, LBAS asked the second sentence of paragraph 2 of CSR for Latvia to be supplemented with additional public investment for education sector as follows: *Increase public spending on research and development and remuneration of teachers. Increase the quality and efficiency of education and training in particular of low-skilled workers and job-seekers, including by strengthening the participation in vocational education and training and adult learning.*

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## PENSIONS, WELFARE STATE, POVERTY

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### Social inclusion

LBAS does not see a legal basis and does not support proposal by the Government to reduce the amount of unemployment benefit starting with 2020. Given that the amount of social security contributions to unemployment insurance does not change, LBAS does not support reducing the amount of unemployment benefit, but the issue of the duration of the benefit could be debatable. Besides the amendments require a transitional period and must not enter into force on 1 January 2020.

The average duration of unemployment benefit at the end of June 2019 was 173 days but in case of people with disabilities it was twice higher - 310 days or slightly above 10 months. The main profession of unemployed at the end of June 2019 was auxiliary worker (5% from all unemployed), sales clerk (3%), cleaning person (3%). It means they are people with income (prior to unemployment) below average work salary at the national level. If the amendments are approved, the auxiliary worker becoming unemployed would be at risk of poverty already in the third month of unemployment period. Even more - the highest unemployment risk is at age group 55 - 59 years (16.3% of all unemployed) and risk of poverty at this age group is one of the highest.

### Poverty

Latvia remains a subject of high poverty rates. As shown by latest data (published in 2019) the amount of population living under the threshold of poverty is measured at 23.3% or 446 thousand people in 2017, which is 1.2 percent points more than in 2016. Increased wage growth has shown the effect of leaving more people behind, due to increased income at some social levels, the poverty threshold has grown to 367 euro per month, meanwhile low wage earners and pensioners have not seen the same growth in income. Seniors aged above 65 that live alone are the most vulnerable - 74% live under the poverty threshold, single parents are measured at - 32.6% and single adults - 31%. Unemployed people and

pensioners are increasingly under the poverty threshold with 59.5% and 48.9% respectively.

These indicators reveal a clear lack of investment in social security, directly linked to high levels of undeclared work and wages.

High risk of poverty, government efforts to reduce social benefits, lack of consultations with the social partners highlights the necessity to support social partners' capacity to protect workers interests in policy and law making within the tripartite cooperation mechanism.

## Healthcare

EC CSR 2016 provided: Latvia supported the increase in public financing for health care up to 4% of GDP by y 2020 relative to 3% of GDP in y 2015, with aim to improve the accessibility, quality and cost-effectiveness of the health care system. The report on Latvia 2018 indicated that according to SP, public spending for healthcare is planned to be only 3.5% in 2022.

According to the Budgetary Draft 2020, there will be a violation of Law on Health Care Financing and the CSR for health care, namely, public spending for healthcare will be decreased from 3.9% of GDP in 2019 down to 3.7% of GDP in 2020; there will be no 20% increase in average remuneration of doctors and nurses.

According to Medium-term Budgetary Draft 2020 - 2022, public spending for healthcare will be steadily decreased down to 3.3% of GDP in 2020.

In June 2019 LBAS has sent the Ministry of Economics the following comments and proposal for the SCR 2019.

EC Country report Latvia 2019 has accurately indicated that 1) low investment in healthcare is the main reason for low healthcare indicators in Latvia, as well as for the high level of direct payments by patients, 2) additional financing of healthcare in 2017 and 2018 has given positive results, 3) despite the additional financing from state budget, it still is among the lowest in the EU. This has been stated in the CSR proposal paragraph 15, concluding that state investment is required to prevent deficiencies in healthcare system: *Matching investments in healthcare, including infrastructure, are needed to increase the accessibility, affordability and quality of healthcare in order to improve the population's health status*. This also is in alignment with recently published OECD recommendations to increase public spending on healthcare (*OECD Economic Survey of Latvia 2019. Executive Summary*).

Unfortunately, according to the Stability program of Latvia 2019 -2022, page 81, table 3, public investment in healthcare in 2022 is planned at 3,5% from GDP - same level as in 2017.

In LBAS views, CSR regarding public investment in healthcare have to be clear, coherent and unambiguous. Therefore, LBAS proposed to formulate the last sentence of second paragraph of recommendations as follows:

*(..) Keep increasing public spending on healthcare to increase the accessibility, affordability and quality of healthcare in order to improve the population's health status.*

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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The Annex D plays a key investment role for Social partners' capacity building. The Annex D has not been discussed with the state authorities in detail. LBAS and LDDK have submitted the National Social Partners Investment Priorities to the Ministry of Finance.

Since LBAS was informed that the main instrument for putting annex D in practice is the National Development Plan (NDP), LBAS participated in the working groups of the NDP and submitted its comments. Not all of the comments were taken into account and LBAS submitted them repeatedly. To draw attention to the involvement of social partners LBAS and LDDK prepared and submitted a joint letter to the PKC. However, their implementation into the NDP priorities and activities is not clear yet.

LBAS represents approximately 9% of labour force. Considering that, unlike many other EU countries, Latvian national social partners are not financially supported by the government and provide their core business solely from membership fees, the ESF is an extremely important additional financial instrument to strengthen the capacity of national social partners at expert level, both in terms of employee representation (increase in membership) and social dialogue. It should be acknowledged that the ESF projects currently implemented by the social partners, due to their thematic / expected results nature, only partially cover the real capacity needs of the social partners on an institutional and long-term basis. The government's position in terms of capacity building of the social partners is not supportive in the long term, meaning that the ESF investments and operations supported in previous Structural Fund programming periods were discontinued by the end of the programming period and due to limited financial resources of organizations.

In addition, LBAS draws attention to lack of information on capacity building opportunities and the fact that the social partners are not always involved in discussions and consultations. However, LBAS admits that more proactive efforts can be made from trade union side.

It is essential for trade unions to deal with decreasing membership levels through actively engaging in organizing in workplaces. Increased capacity is needed for increased expertise and coverage of regulatory, social and economic issues and ensure proactive trade union participation on local, regional, national and international levels.

Additionally, overall awareness rising of trade unions and trade union role in labour relation monitoring, social dialogue and regulation, as well as worker participation is essential for trade union and social dialogue development. Increased trade union capacity is key for balanced labour market change and to ensure that employees are provided a just transition through digitalization.

LBAS has formulated the following capacity building needs in the following trade union policy areas:

a) Continuation of labour rights and Health and Safety at work project activities, consultation to workers on labour rights and health and safety issues:

expert on labour rights and expert on health and safety; continuation of the labour rights education al activities for potential workers PROF.

b) LBAS capacity to participate in the EU Semester cycle, preparation and implementation of reforms,

national legislative and policy setting process:

TUSLO, economy expert, social protection expert, employment expert; informative materials on EU Semester processes.

c) Workforce organising, capacity building for trade unions through membership expansion:

research, learning best practice (study visits); development of strategy, methodology, tools and implementation; LBAS national level organizing coordinator and regional organisers; technical support (equipment, maintenance etc.); hot line and info point development in LBAS premises.

d) Mirror project with LDDK on developing a framework for sectoral social partners' skills funds:

research on existing skills funds in the EU Member States and recommendations for legislative action; preparation of sectorial collective agreements on establishment and management of skill funds to forecast and assess skills and provide training and requalification; staff (education experts), training needs, information-related support on best practice, support to public relations activities.

e) Involvement of sectors in teacher training (training of trainers), provision of career guidance, updating of the content of vocational education

f) Raising visibility and quality of VET:

support to functioning Sectoral Skills Councils; participation in development of VET curricula; paid work units: education coordinator and 5 education coordinators at sectoral level' e-environment development.

g) Further development of a legal framework to promote sectoral social dialogue to deal with employment related matters to reduce inequality, provide tools for active aging, support young workers and and adjust digital skills to business needs.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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Economic growth in Latvia has been slowing down in first six months of 2019. The growth of GDP was 2.4%, the cool-down of economic growth is also reflected in employment as employment has decreased by 0.4% or approximately 4 thousand workers. Regardless of this employment rate has increased and to 64.7% or increase 0.3 percentage points higher than in previous year.

Unemployment rate has fallen to 6.4% which is the lowest since 2007. Job seekers have decreased by almost 14 thousand, compared to last year. This however can largely be attributed to the decrease in working age and economically active population measured at decrease of 12.4 thousand and 18 thousand people respectively. Structural disparities in the labour market are also indicated by the fact that the unemployment rate in Latvia is still noticeably higher than in the neighbouring countries - in Estonia the unemployment rate in the second quarter was 5.1%, while in Lithuania - 6.2%.

It should be taken into account that in Latvia still 40% (24.3 thousand) of all job-seekers are unemployed for longer than a year. Many of them have lost their job skills and their skills are no longer in demand in the labour market. Regional labour market is also a significant component of structural unemployment in Latvia mismatches - differences in unemployment rates between Riga and Latgale regions are still



almost ten percentage points. These figures show a clear necessity for investment in skills development and mobility.

Stagnation of minimum wage has also contributed to increasing poverty rates. In Latvia minimum wage has been frozen at 430 euro gross per month, and it will stay the same for 2020, an increase in non-taxable minimum to 300 euro and mitigates the situation slightly, however is insufficient to tackle the poverty and competitiveness issues Latvian is facing. As minimum wages in other Baltic states are rapidly growing - net minimum wage in Latvia in 2019 was 352.16 EUR while in Lithuania it was 395.77 EUR and 516.45 EUR in Estonia, Latvia is increasingly lagging behind and low-income households are increasingly subjected to higher risks of poverty. Unfortunately, this trend will continue as Lithuania has approved an increase in minimum wage for 2020, growing net minimum wage to 447.24 euro and Estonia - 550.38 euro, meanwhile based on non-taxable minimum increase the minimum wage in Latvia will grow to only 366.16 euro.

General government debt at the end of 2010, was 8.5 billion the euro or 47.3% of GDP. Since the end of 2011, general government debt has had a trend to decrease, in 2018, it was 10.6 billion euro or 36.4% of GDP. However, it has to be noted that the general government debt has increased in total numbers. The Saeima adopted the state budget for 2019 with a deficit of 0.5% of GDP. The fiscal collateral reserve of 0.1% of GDP was also foreseen. The general government budget deficit for 2020 is projected at 0.3% of GDP. Meanwhile, fiscal consolidation has come at a cost. As mentioned above, according to the Budgetary Draft 2020, there will be a violation of Law on Health Care Financing and the CSR for health care, namely, public spending for healthcare will be decreased from 3.9% of GDP in 2019 down to 3.7% of GDP in 2020; there will be no promised and enshrined in law 20% increase in average remuneration of doctors and nurses.

In connection to the information included in **box 3 Education and skills**

The issue of increased public financing in order to ensure implementation of the Education Law, the Higher Education Law and the Law on Scientific Activities has been raised by LIZDA during various meetings with public officials, including , the President of the Republic of Latvia, the Prime Minister, the Cabinet of Ministers, Deputies of the Saeima Education, Culture and Science Committee, the Chairman of the Saeima and during the meetings of the National Tripartite Cooperation Council (NTSP). LIZDA addressed official letters to the Saeima, the EC and members of the European Parliament. LIZDA requested the government:

- 1) to increase the state funding by EUR 9.2 million for the minimum wage of teachers in accordance with the Teachers' Salary Growth Schedule (approved by the Cabinet of Ministers on 15.01.2018);
- 2) by law, increase public funding for higher education at an annual rate of 0.25% of GDP;
- 3) by law, increase public funding for science annually by 0.15% of GDP.

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## SOCIAL DIALOGUE

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In February 2019 the Ministry of Economics organized a special meeting to inform the social partners on

the forthcoming process of elaborating the NRP and also warned the social partners that the time period to provide comments will be short. The Ministry of Economics also started to be involved more actively in all the stages of the Semester, which made it easier to communicate on the NRP. Therefore, LBAS considers this as a slight improvement on the process setting. However, time period provided to the social partners to send comments to the draft NRP was significantly shorter this year, in comparison to the last year.

The development of social dialogue is on the agenda at national level, there is political support to promotion of social dialogue. The National Tripartite Cooperation Council of Latvia (NTCC) and its sub-councils provide a good platform for social partners to be consulted and involved on policy and law-making practically in all areas of the economy. At the same time some issues depend on the awareness of social dialogue of the particular ministry and the topic.

Lack of constructive social dialogue in health care sector results in already two public protest demonstrations and official submission to start collection of signatures for initiating referendum to dissolve the Saeima due to violation of provisions of law. Lack of social dialogue in education sector results in public demonstrations (protests, industrial action) threats.

Bipartite social dialogue is evolving. The sectoral collective bargaining is currently the priority of social dialogue development for the national social partners. With the implementation of the ESF project on collective bargaining, the social partners intend to establish the system and practice of sectoral collective bargaining. The progress to reach this objective is very challenging.

Collective bargaining coverage according to the information provided by LBAS and its affiliates in 2018 was 15.3%. In November of 2019, it increased by 5.5 percentage points or up to 20.8% under the influence of the General Collective Agreement in Construction Sector that came into force on 3d November 2019.

If the general collective agreement in the hospitality sector (currently in negotiation process) is concluded, the coverage could potentially rise by another 2-3 percentage points.



# LITHUANIA

## LPSK

### LABOUR MARKET AND EMPLOYMENT

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According to the Lithuanian Department of Statistics, in the 3rd quarter unemployment in Lithuania was 6,1 % (men 6,9 %, women 5,2 %). LPSK sees these main challenges:

1. Work-related migration from the third countries. Two main aspects:

a) a significant part of employers abuse this system: by hiring foreigners from a lower income level countries (mostly, Ukraine and Belarus) they diminish level of wages, increase a social/economic dumping. In some sectors we see that local workers, who demand better condition s, are pushed out. Lithuania has a problem with diminishing and aging population, so these practices deepens the problem.

b) often fundamental work-related rights of foreign labourers are ignored, not all requirements satisfied (for example, health and safety), too often these people balance between legal and illegal economy. It is a challenge to trade unions to reach them because often these workers work in the country for a limited period of time.

2. Precarious work. Despite complains, that there is a lack of labour force and unemployment is low, an increasing part of employees face instability and precariousness. We see increase of non-typical contracts, freelancers and self-employed people, e.platform workers are more vulnerable, often it is a bogus self-employment when employers try to evade proper taxes, social contributions. The most challenging sectors are construction and transport.

3. Great lack of investment to a high added-value products and services development instead exploiting cheaper labour force in the region. LPSK sees here two main problems: local employees are deprived of their fair share of created value; this economic growth model is not sustainable and dangerous. Due to a long-lasting low level of investment to research, innovation, up-skilling and re-qualification of employees etc., Lithuania will find itself in an unenviable position competing in international market. In LPSK evaluation, in the future a demand of high skilled employees due to digitalisation, automatisisation etc. is going to increase. Unfortunately, there is no strategic attitude and it is little done trying to adapt for waiting massive shifts in the economic structure and future labour market demands.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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Wages. Combating in-work poverty and risk of in-work poverty remain crucial. Strengthening collective bargaining is important instrument for that thus Lithuanian trade unions find that their priority. We see an increase of the agreed minimum monthly wage and statistically Lithuania looks better among the EU states regarding wages. However, LPSK emphasizes that statistics looks better not because of a significant increase in wages but due to a part of taxes moved from an employer's responsibility to employees to pay. I. e. even wages statistically look higher at the end employees do not see big changes in their income.

Gender Pay-gap. According to the State Social Insurance Fund Board (SODRA), gender work income gap is 16,6 % (2019 August), what indicates slight improvement but that remains a challenge. Especially, in some sectors, where difference between wages reach even 1,5 time (for example, IT, medics, production engineers etc). Especially challenging is motherhood and care of relatives in need. The biggest difference in wages is seen among 30-39 years old men and women.

Collective bargaining is on the rise due to the Labour Code which came into power in 2017 but it does not reach its potential in Lithuania and there are some new flaws. Employers became more aggressive against trade unions and abuse the double representation system of workers. Hollow work councils often are used to push out trade unions. A part of them are avoiding collective bargaining altogether, trying to use work councils (which often represent an employer not employees) and include everything to internal rules (which can be changed easily). There is a lack of transparency and clarity, trade unions get a very limited amount of information. LPSK has many problems with pay systems and evaluation of workers (when they wages may be increased), especially. There is a challenge of confidentiality requirement when trade unionists cannot make public important information about negotiation or other issues. A part of multinational corporations got more problematic. Some years ago they held themselves in higher standards in comparison with many local companies but now situation got worse. When trade unions pressure them that they are not complying with national regulation, some of them refer to global internal rules of companies, which on many cases, are not shared/cannot be found.

Despite an increase of signed collective agreements at the branch level, workers' coverage of sectoral collective agreements is still too low. Often real impact of signed agreements (especially, at a company level) is also questionable. One of the best recent examples is the branch collective agreement in education sector. In the agreement one amount of funds was agreed but at the end just a half of it was planned for the next year. Educators announced about their plans to strike, if the rest of funds will not be designated.

Situation in the budgetary sector is still advanced in comparison with private sector, that stays very problematic. A significant part of employers do not want to sign quality collective agreements (intentional obstruction, delays, leaving negotiation, withholding important information from TUs etc.). and to take clear financial commitments. LPSK sees it as one of reasons hindering rise of salaries in Lithuania.

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## EDUCATION AND SKILLS

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Education sector is especially problematic. Demographic situation of Lithuania increases tensions and creates risks for sustaining education infrastructure in the country. Many education institutions face a lack of pupils and students. Educators are underpaid. These conditions lead to a decrease of overall quality, what harms our competitiveness in the long-term. A higher lack of skilled work force will follow (on the other hand, low skilled workers face more challenges finding a job than in other countries of the EU).

Despite increasing automatization and digitalization, coming changes in the world of work, upskilling, re-qualification are not a priority. There are some efforts to improve it but it cannot efficiently respond to a growing demand of skilled workers. It is calculated that around 1/3 of workers in Lithuania skills are not sufficient for our current labour market (especially, regarding digitalization) but adult education is not popular (less than 7 % of Lithuanians take part in life-long learning).

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## PENSIONS, WELFARE STATE, POVERTY

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Welfare state. Despite rhetorics about a creation of welfare state and more attention to poverty and other economic problems, low wages and economic inequality, broad social exclusion are the crucial challenges in Lithuania. Income distribution in the country is insufficient. Currently the minimum monthly wage does not guarantee a decent living. Even legally the latter should be paid only for unqualified workers, this provision is abused by some employers. On other hand, shadow economics is still extensive.

Poverty. The most vulnerable groups are people with disabilities, pensioners, especially women, single parents. In Lithuania people with disabilities face especially high risk of poverty in comparison with other EU countries. Social benefits are not sufficient and enough efficiently used to promote a better income equality.

Women face a higher risk of poverty in old age due to a gender pension gap in Lithuania. With a required length of service average pensions of men and women are 409 euros and 338 euros. Additionally women live around 7 years longer in retirement and smaller pensions have a bigger negative impact. According to the official statistics, in 2018 below the absolute poverty line (245 euros a month) lived 14 % of women 65+ and 6 % of men.

Pensions. A pension reform was approved in 2018 and came into power in 2019. Yet again it adopted in a hurry without a proper analysis and an inadequate social dialogue despite protests of trade unions. The tax reform which Lithuania needs should be oriented to reduce a sharp social and economic inequality. Unfortunately, we see the opposite trends and LPSK argues, that this reform is far more favorable to

the rich (the most negatively affected will be those employees who earn around 2000 euros per month). Even now many aspects are not clear, not all needed homework done, delays of further implementation stages were announced. Then the Lithuanian Trade Union Confederation suggested applying an average annual employee salary. Unfortunately, this safeguard against possible manipulations which could diminish workers' net salaries was ignored.

LPSK criticized the compulsory participation in private pension funds and its caused further shrinking of the State Social Insurance Fund Board's budget. I. e. public money automatically directed to private structures (without an assent of workers). We stressed an issue concerning a lack of effective control mechanisms. We have requested that employee representatives would be included in solving these issues but our request was ignored.

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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Investment (a part of GDP) is much lower than the average of the EU. Productivity growth is concentrated in low-added value sectors. A lack of state investment to the public sector and its efficiency is questionable. Investment given to research and development, human capital is one of main hindrances for economic growth in the long-term perspective. I. e. technological uptake rate is have to be increased (too many companies still squeeze expenses for work force instead of creating higher added-value products). Yet again, a lack of qualified workers interferes to increase of investment to the private sector. The most of industrial investment is concentrated in the big cities. Efficiency of investment related with convergence policies is hindered due to a lack of consistent long-term regional development strategy.

Overall resource productivity in Lithuania remains low (0,8 Eur/kg) and ecological innovations are needed (environmental, climate change related issues were not a priority of the Lithuanian political agenda and got more attention just recently).

It is announced that around 10,8 billion EUR will be directed to national energy independence goals and means to fight climate crisis by investing in new practices, technological solutions and developing more sustainable processes in different sectors. 3,3 billion is planned to be directed to a needed adaptation to climate change (resistance of infrastructure roads, electricity distribution, storm water treatment etc); it is declared that more attention will be paid to more sustainable agriculture, improvements of emergency management, public health services, sector of forestry, biodiversity, preserving ecosystems and other sectors.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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Budget. In the budget project a higher amount of money is planned for social investment but there are many doubts that this sum will be directed to social (it is already clear that some promises to social partners will be broken). In plans 5462,5 mln. EUR should be directed to social area (from consolidated budgets). For environment much less, only 394,3 mln. EUR. 3 areas of the latter are the most important till 2030: decreasing CO2 emissions, higher energy efficiency, increasing a part of renewables in the energy sector.

Taxation. The last tax reform (2018) did not have desired impact to income inequality (LPSK warned about that). LPSK seeks real progressive taxes. Capital (real estate dividends etc.) should be taxed more adequately and take some burden from disproportionately taxed work force. LPSK agrees with the view of the European Union that taxes from work force should be transferred to sources, which hurt economic growth less (especially, to capital, environmental taxes). Truth, now there is a suggestion to adapt a so-called car pollution tax (in our opinion, its content is not closely related with a fight against pollution: taxed once when a new car is bought, later it was suggested to call it simply a car registration tax) but there is no discussion about a decrease of other taxes.

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## SOCIAL DIALOGUE

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There is some progress in some areas but, in summary, it is not working properly in Lithuania. It is still often seen as a formality. There is a lack of understanding, which organizations are social partners (i.e. instead of trade unions, often all organizations, representing civil society, are considered as such). We have negative examples, how that hinders success of employees' representation.

### Positive:

- " There is a good structure at the national level created (Tripartite Council) and trade unions may take part in important processes
- " There was an increase of signed collective agreements at the branch level

### Negative:

- " A double workers' representation system is still a big problem (TU vs Work councils);
- " Private sector stays very problematic, significant part of employers do not want to sign quality collective agreements (intentional obstruction, delays, leaving negotiation, withholding important information etc.)
- " Employers do not want to take clear financial commitments
- " At the national level social partners are not properly involved to processes regarding the National Reform Programme of Lithuania or Stability Program.
- " Bipartite dialogue is weak.

LPSK seeks that in the future social partners would be better involved and consulted regarding planned reforms and important changes beforehand and not after the most decisions are taken.

Also, during the legislative process, there is often a limited time scope to analyze proposals and answer them properly.



# LUXEMBOURG

## LCGB-OGBL

### LABOUR MARKET AND EMPLOYMENT

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Si l'emploi a considérablement augmenté au Luxembourg ces dernières années, est-ce que la qualité de l'emploi est aussi au rendez-vous ?

De plus en plus de personnes se voient obligées de cumuler plus d'un emploi pour s'en sortir: leur pourcentage est de 2,0% en 2007 et atteint 3,6% en 2018 (soit près de quatre travailleurs sur cent). Ceci menant directement à la problématique des travailleurs pauvres. En 2018, environ un travailleur sur sept (13,4%) est exposé au risque de pauvreté, ce qui est supérieur à la moyenne européenne et fait du Luxembourg un des plus mauvais élèves de l'Union européenne (UE) en la matière. Il est urgent que les acteurs politiques prennent des dispositions en faveur des emplois aux conditions salariales précaires qui mettent des travailleurs et leur famille dans des situations délicates.

L'**emploi temporaire** devient de plus en plus fréquent au Luxembourg au fil des années. S'il s'agit d'un phénomène qui reste toujours minoritaire (près d'un salarié sur dix), le travail temporaire ne cesse de prendre de l'ampleur: depuis 2003, la part du travail temporaire dans l'emploi salarié a connu la plus forte progression à travers l'Europe (+212%) pour se fixer à 9,7% des résidents en 2018. Les raisons pour lesquelles ces salariés en contrat à durée déterminée (CDD) ont consenti à occuper un emploi temporaire ont fortement évolué au cours du temps: l'impossibilité de trouver un emploi permanent a pris le dessus sur les autres raisons évoquées en grimpant, entre 2003 et 2018, de 11 à 55% des situations, tandis que le choix délibéré est passé de 6,5 à 9,8%. Le salarié en CDD, hors apprentis, gagne en moyenne un tiers de moins qu'un salarié en contrat à durée indéterminée (CDI), soit un écart négatif parmi les plus importants d'Europe alors que, dans certains pays, ce salaire peut être supérieur à celui du CDI. En outre, en 2017, le risque que ce salarié soit confronté à la pauvreté (26,4%) est près 2,5 fois plus élevé que pour le salarié en emploi permanent au Luxembourg. Dans certains cas, le travail temporaire, à l'instar du travail intérimaire, offre possiblement un tremplin aux salariés afin qu'ils s'insèrent définitivement dans le marché de l'emploi, mais il reste néanmoins caractérisé avant tout par une très grande précarité; il n'y a donc pas lieu de le promouvoir davantage comme instrument de la politique de l'emploi.

La fréquence des transitions d'un CDD vers un CDI est en effet moins élevée qu'auparavant, la persistance dans l'emploi temporaire s'étant donc renforcée. L'emploi temporaire qui est en outre dorénavant largement subi offre globalement une rémunération plus faible que l'emploi permanent et fait peser un risque accru de pauvreté monétaire sur le salarié.

L'emploi précaire est plus généralement une forme d'emploi insécurisant, n'offrant aucune garantie, notamment en termes de durée et de stabilité (horizon temporel, revenu et avantages, lien social, accès aux indemnités sociales ou à la formation continue, refus de crédits bancaires, etc.) qui tendra à pousser le salarié qui le subit à faire, sous une forme ou une autre, une demande de soutien social (aux organismes et institutions appropriés). En termes de sentiment de sécurité d'emploi, on observe au Luxembourg une détérioration de cet indicateur subjectif. En effet, ces dix dernières années, le pourcentage de travailleurs se sentant aller vers une plus faible sécurité d'emploi (par rapport à l'année précédente) est passé de 6,3 à 10,2% (+61,9%). Même constat dans le ressenti de ce sentiment négatif pour les salariés ayant un emploi permanent (de 5,9% en 2007 à 9% en 2018, soit +52,5%) et pour les travailleurs occupant un emploi temporaire (de 12% en 2007 à 18,7%, soit +55,8%).

Face à ces évolutions, il importe que les institutions compétentes fournissent des données plus fines afin de pouvoir mieux cerner les mécanismes à l'œuvre et de fournir des solutions politiques qui réduiraient pour le salarié les risques de l'emploi temporaire, notamment en renforçant les législations ad hoc qui sont censées protéger les salariés.

En ce qui concerne chômage, le Luxembourg affiche un taux de chômage toujours relativement faible en comparaison européenne. Cette moyenne cache toutefois des taux plus élevés pour certaines catégories de personnes, notamment les jeunes et les salariés plus âgés. Pour ces derniers, le chômage est souvent lié à des problèmes de santé. Par ailleurs, la procédure de reclassement professionnel pour les personnes incapables d'exercer leur dernier emploi ne fonctionne pas bien et mène souvent au chômage de longue durée.

Notons également que la moitié des chômeurs ne sont pas indemnisés et qu'une amélioration de l'indemnisation des demandeurs d'emploi s'impose, notamment au vu également du taux de risque de pauvreté élevé des demandeurs d'emploi au Luxembourg.

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## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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### Les défis à relever

1. Lutte contre la pauvreté des salariés par une augmentation plus rapide des bas salaires.
2. Combattre les inégalités et les discriminations: écarts de salaires entre genres et organisation du temps de travail dans une optique conciliation vie familiale/vie professionnelle

### Les meilleures options politiques pour relever ces défis

#### **1. Dans le but de mettre fin à la pauvreté des travailleurs:**

- 1.1. Une augmentation rapide des bas salaires est nécessaire pour assurer une vie décente à tous les salariés et à leurs familles
- 1.2. Le développement du travail à temps plein et à durée indéterminée par l'incitation, voire l'obligation, faites aux entreprises de limiter le recours au temps partiel et aux contrats temporaires/emplois précaires (contrat à durée déterminée, intérim) (sauf cas exceptionnels limités)
- 1.3 Une revalorisation structurelle du salaire social minimum (SSM)
- 1.4 La lutte contre le travail non déclaré

#### **2. Pour lutter contre les discriminations entre genres:**

- 2.1. L'incitation voire l'obligation d'afficher le salaire moyen/médian, notamment par catégorie d'emplois et par genre, dans les entreprises
- 2.2. À candidature égale, l'incitation voire l'obligation d'embaucher la personne dont le genre est le moins représenté

### Les données/faits qui justifient les revendications

Il y a lieu de constater que le Luxembourg affiche un système de négociation collective relativement décentralisé, ce qui n'est pas optimal, notamment dans une optique d'égalité entre les genres alors que des études internationales montrent qu'elle sont plus grande en cas de présence de convention collective. La tendance vers moins de couverture par des conventions collectives (plus de PME, notamment dans le secteur des services, moins de grandes entreprises industrielles) souligne l'importance d'autant plus grande d'un régime d'indexation généralisé des salaires et de l'existence d'un salaire minimum conséquent pour endiguer les inégalités.

1. Les faits indiquent que l'emploi est un moyen efficace de se prémunir contre le risque de pauvreté et d'exclusion sociale. Or, quand l'intérêt se porte sur le taux de risque de pauvreté des salariés, on remarque d'emblée que le Luxembourg a la pire situation par rapport à ses voisins et par rapport aux autres États membres, avec en 2018 plus d'une personne salariée sur 8 qui risque de sombrer dans la pauvreté ! Le Luxembourg affiche depuis 2009 la plus forte croissance du taux de risque de pauvreté avec une hausse de 28,0% de l'indicateur en 9 ans alors que, pour la zone euro, l'évolution n'est que de 16,2%. D'où la nécessité d'une revalorisation structurelle du SSM. Si le niveau en chiffres absolus du SSM peut paraître élevé, la prise en compte du niveau de vie au Luxembourg permet d'invalidier cette critique. Ainsi, rapporté au niveau de vie (PIB/habitant corrigé des frontaliers), le Luxembourg affiche un des salaires minima légaux les plus faibles de l'UE. Par ailleurs, le SSM se situe tant sous le seuil de pauvreté, que sous le seuil de bas salaires (fixé à 2/3 du salaire médian). Il est également inférieur au budget de référence élaboré par le Statec. Quoi qu'il en soit du niveau, de nombreuses études empiriques montrent que l'introduction et/ou la hausse d'un salaire minimum n'ont pas pour effet une destruction d'emplois.

Afin de remédier, du moins partiellement, aux défauts du SSM, les organisations syndicales demandent une hausse structurelle d'au moins 10% du montant du SSM, ce qui permettrait aux personnes rémunérées à ce niveau de se hisser au-dessus du seuil



de risque de pauvreté et de bénéficier du montant requis en matière de budget de référence. D'autre part, les organisations syndicales demandent également d'exonérer le SSM de l'impôt sur le revenu.

2. Concernant les disparités de salaires entre hommes et femmes, elles ne se résument pas aux différences de rémunérations entre les genres. Elles concernent aussi l'environnement de travail (au sens large), ce qui se cache derrière ces différences: les emplois occupés, les possibilités de promotion, de formation professionnelle, l'équilibre vie familiale-vie privée (particulièrement quand il y a des enfants à charge, des personnes handicapées dans le ménage), etc. Ainsi, quand l'intérêt se déplace sur les catégories professionnelles, le salaire horaire médian est en défaveur des femmes dans la presque totalité des catégories. Il en est de même lorsque l'on prend le salaire mensuel ou horaire moyen.

#### Une forte progression du taux de risque de pauvreté

Sur 7 ans (de 2011 à 2018), le Luxembourg affiche, avec + 37,8%, la plus forte progression du taux de risque de pauvreté au travail des 18-64 ans parmi les membres de l'UE. Dans le même temps, l'évolution n'est que de 9,4% dans la zone euro et de 4,5% dans l'UE.

### EDUCATION AND SKILLS

Le cofinancement étatique de la formation professionnelle continue (FPC) favorise largement les moyennes et les grandes entreprises, profite d'abord aux salariés les mieux formés et plus jeunes et n'a aucune ambition «qualitative» (ni au niveau des programmes de formation ni au niveau des formateurs; un véritable marché de la formation s'est mis en place au Luxembourg sans monitoring qualitatif).

Une politique efficace de formation professionnelle continue ne saurait reposer presque exclusivement sur des incitations financières visant à encourager les entreprises dans la formation de leurs salariés. Les représentants salariaux ne peuvent adhérer à une telle logique de dépense «aveugle» qui dénature le sens même de la FPC, à savoir contribuer à l'avancement professionnel des salariés et à leur promotion sociale ainsi qu'à la pérennité de l'entreprise.

L'organisation de la FPC doit se faire en codécision avec les représentants du personnel afin d'assurer un véritable droit à la formation pour tous les salariés, notamment au vu des défis posés par la digitalisation du monde du travail.

Quelques réflexions pour relever ces défis

**1. Création d'un conseil consultatif à gestion tripartite avec pour mission d'évaluer les plans de formation des entreprises bénéficiant d'un cofinancement étatique. Il conviendrait d'évaluer la participation et la satisfaction des bénéficiaires et des entreprises, de proposer des actions de formation et des publics prioritaires, etc. Un relevé de données quantitatives et qualitatives (bilan social/formation national) constituerait une base objective pour les discussions. Le conseil serait à considérer comme une structure d'amélioration et d'évaluation de l'efficacité du système.**

**2. Introduire un véritable droit individuel et collectif à la qualification qui devrait permettre aux salariés de participer à des actions de formation pour acquérir une qualification reconnue voire complémentaire, et ce, en vue de leur maintien dans l'emploi. Ceci nécessiterait un accord au préalable entre partenaires sociaux afin de définir la nature des engagements auxquels souscrit l'entreprise: faciliter le recours au travail à temps partiel, maintien de la rémunération. Il ne suffirait donc plus que l'entreprise et les représentants du personnel élaborent un plan de formation interne, mais qu'ils proposent également un plan de qualification qui comporte des perspectives d'évolution professionnelle.**

**3. Élargir davantage les possibilités de formation continue par une réorganisation des cours pour adultes et une modernisation de l'organisation des études secondaires générales et de l'éducation des adultes. Les actuelles dispositions devraient être élargies peu à peu aux études supérieures, et l'organisation des formations (brevets de technicien supérieurs, bachelors et masters) devraient connaître des modifications similaires. Pour mettre en œuvre un tel système il faudrait, entre autres, (a) concevoir des formations modulaires préparant aux diplômes répondant aux divers besoins des apprenants adultes et des entreprises et (b) élargir davantage l'accès aux adultes qui ne disposent pas des prérequis traditionnels.**

**4. Des formations suivies dans des instituts de formation (centres de formation des chambres professionnelles, instituts de formation sectoriels, communes) complèteraient non seulement l'offre étatique mais seraient à prendre en considération/à valider, sous certaines conditions, lors de l'élaboration du parcours individuel de l'apprenant et pour la certification.**

**5. L'apprenant devrait pouvoir recourir à un dispositif d'orientation et de guidance (information, conseil et encadrement) afin de démêler les différents choix de formation qui sont possibles. Il conviendrait d'élaborer un**

## parcours individuel de formation tenant compte des acquis de l'apprenant (dispenses de matières/modules, validation des acquis de l'expérience).

En 2016, l'aide de l'État à la formation en entreprise s'élève à 62,1 millions d'euros. À noter que 16 millions d'euros, soit à peu près un quart de l'aide étatique, sont perçus par les entreprises du secteur « Activités financières et d'assurance ». Les entreprises du secteur « Activités spécialisées, scientifiques et techniques » arrivent en seconde position avec 14,1 millions d'euros (source: INFPC). Le cofinancement étatique à la formation perçu par les grandes entreprises est en augmentation constante; pour celles de plus de 1000 salariés, l'aide passe en moyenne de 677.437 à 735.104 , soit +8,5% sur une année.

Les salariés de plus de 45 ans, comme les salariés non qualifiés, participent à moins de formations que l'ensemble (année 2017). Les cadres et les dirigeants d'entreprise sont les catégories qui participent le plus à des formations. Le nombre moyen de participations à des formations par salarié est de: 2,4 pour les salariés non qualifiés; 4,1 pour les salariés de plus de 45 ans; 5 pour les salariés qualifiés; 6,1 pour les dirigeants; 6,8 pour les cadres.

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## PENSIONS, WELFARE STATE, POVERTY

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### Le soutien aux (petites) pensions

Depuis 2006, les pensions n'ont pas bénéficié de tous les ajustements à l'évolution réelle des salaires auxquels elles auraient normalement eu droit, alors que la situation financière du régime d'assurance pension est excellente. La façon dont on a appliqué les ajustements a causé des pertes structurelles définitives qui ne seront jamais compensées par les réajustements ultérieurs ! L'avis afférent de la Chambre des salariés (CSL) a montré qu'il existe en octobre 2019 une différence de 2,62 points de pourcentage en défaveur des pensions en termes d'adaptation des montants depuis 2006, par rapport au salaire social minimum (SSM) qui bénéficie d'une application normale de l'ajustement. En outre, en ce qui concerne le calcul des pensions à échoir, la réforme de 2012 a introduit un décalage de deux années qui constitue également une perte ancrée dans la législation. Ces pertes doivent être compensées par **un soutien structurel aux pensions, tout au moins en ce qui concerne les pensions les plus modestes**. Cela pourrait se faire, par exemple, en visant la pension minimale ou en octroyant une prime unique.

L'autre aspect important est la promotion d'une transition douce entre temps professionnel et temps de retraite. **Un droit réel à la retraite progressive, ou partielle, devrait être introduit**. Cela permettrait, sous conditions, de cumuler travail à temps partiel et pension partielle dès l'âge de 57 ans. Les salariés seraient plus enclins à prolonger leur vie active tandis que le coût total pour l'assurance pensions serait, dans le pire des cas, neutre. Au Luxembourg, les travailleurs âgés sont proportionnellement plus frappés par le chômage. Pour y faire face, **une véritable politique contraignante de gestion des âges dans les entreprises** est nécessaire. Celle-ci doit contenir les éléments suivants : amélioration des conditions de travail et prévention des situations de travail difficiles ; fusion des différents services de santé au travail ; garantie d'embauche et de maintien effectif des salariés âgés dans l'emploi ; extension de la préretraite « travail posté et de nuit » à d'autres conditions de travail pénibles. Par ailleurs, **la réserve légale** du régime des pensions pourrait être **utilisée à des fins plus sociales**. Il faudrait également permettre **une meilleure prise en compte des périodes d'études** et prévoir **des améliorations pour les personnes qui ont des carrières incomplètes**, en majorité des femmes.

Notons que les syndicats ont demandé sans résultat au patronat des négociations afin de transposer l'accord européen "Active ageing" (cf. box 7 sur ce point).

### Un « coup de pouce » structurel au REVIS

Le revenu d'inclusion sociale (REVIS), constitue un seuil sous lequel les ressources de chaque citoyen ne peuvent pas tomber. Mais ce revenu minimum doit être fixé à un niveau adéquat. Le REVIS (ancien RMG) n'a pas bénéficié de l'ajustement à l'évolution des salaires réels en 2013 et 2015, comme cela aurait dû se faire. Une adaptation a eu lieu en janvier 2017, mais celle-ci ne permet pas de rattraper les retards accumulés. De fait, la CSL a calculé que la différence en défaveur du REVIS, par rapport au SSM, atteint 1,76 point de pourcentage en octobre 2019.

**Au-delà de ces adaptations à rattraper, un « coup de pouce » structurel supplémentaire serait nécessaire pour le REVIS. La comparaison d'écart effectuée par la CSL pour différents types de ménages, entre d'une part le cumul du REVIS avec les allocations familiales et d'autre part le seuil de risque de pauvreté, montre que les montants envisagés, même ceux à destination des ménages avec enfants, ne sortent pas ces communautés domestiques de la précarité. Ainsi, un ménage de deux adultes bénéficiaires du REVIS reste en 2019 en dessous du seuil de risque de pauvreté, de plus de 500 euros par mois ! Les montants du REVIS ne sont dès lors pas à la hauteur des enjeux.**

Avec le REVIS, le nouveau mécanisme dit d'immunisation des revenus veut inciter à la reprise d'un emploi et à l'augmentation de l'intensité de travail. Si ce nouveau mécanisme entraîne une légère augmentation des revenus pour certains types de ménages, il pénalise financièrement les personnes qui occupent des emplois à temps partiel, y compris des ménages monoparentaux, ainsi que les communautés domestiques de deux adultes où l'équivalent d'un seul SSM est perçu, même lorsque celles-ci ont des enfants à charge. Le fait que, dans un ménage, tous les adultes ne travaillent pas à temps complet n'est pas forcément le reflet d'une absence de volonté de « s'activer », mais peut tout simplement résulter de difficultés réelles à trouver un emploi ou à augmenter son temps de travail.

La CSL a avancé une solution qui pourrait consister à rehausser le pourcentage de l'immunisation directe des revenus et à s'assurer que le revenu brut total ne devienne pas, dans les faits, moins avantageux par rapport à la situation qui prévalait dans le cadre du RMG.

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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Bien que l'investissement public soit au-dessus du lot en comparaison européenne (3,9% du PIB en 2019 vs 2,7% pour la zone euro), de grandes marges de manœuvre budgétaires subsistent au Luxembourg. Celles-ci sont en partie dues aux dépenses d'investissement programmées mais non réalisées au cours des exercices précédents: ainsi, de 2015 à 2019, l'écart entre les montants pour la formation et le transfert de capital de l'administration centrale (SEC2010) inscrits aux projets de budget et les montants réalisés s'élève à environ 800 millions d'euros.

Qui plus est, les faibles taux d'intérêts pratiqués actuellement et le faible niveau d'endettement public permettraient indubitablement à l'État de financer presque à prix coûtant des infrastructures importantes et nécessaires afin de garantir un développement équilibré du territoire national, voire grand-régional. La collaboration au niveau grand-régional se fait au niveau institutionnel entre le Luxembourg, les Länder allemands Sarre et Rhénanie-Palatinat, la Région wallonne et la Communauté germanophone de Belgique et la région française Grand Est.

Les investissements publics, notamment en matière de transport (grande voirie, transports publics) ou de logement, restent bien en deçà des besoins une fois qu'ils sont finalement réalisés. Cela est notamment dû aux longs délais entre planification, mise en œuvre puis finalisation des grands projets d'infrastructure et à un manque d'anticipation réaliste des besoins futurs. Dès lors, il s'agit également de repenser en profondeur la planification des investissements, en prenant, entre autres, mieux en compte la durée des démarches à effectuer en amont afin de garantir que ceux-ci seront adaptés aux besoins au moment de leur finalisation.

De façon plus générale, il s'agit aussi d'appréhender davantage l'investissement dans les infrastructures publiques comme un outil d'aménagement du territoire qui peut permettre un développement plus équilibré des activités économiques sur le territoire national et enrayer le risque de métropolisation excessive de la capitale aux dépens du reste du territoire national.

Dans une approche plus holistique, il est nécessaire de procéder à un changement de paradigme en matière de politiques publiques et notamment d'investissements: ces derniers peuvent et doivent jouer un rôle crucial en ce qui concerne le développement des activités économiques, leur répartition territoriale ainsi que la qualité de vie des citoyens, des travailleurs frontaliers et des autres visiteurs du Grand-Duché.

Afin d'uvrer en faveur de ces éléments - et en tenant compte des trois priorités du gouvernement pour 2020 que sont la protection du climat, les investissements permettant de préparer l'avenir et l'amélioration du quotidien des résidents (sans oublier cependant les travailleurs frontaliers) -, il importe de repenser le modèle de développement du pays, non seulement du point de vue strictement économique mais également social, territorial et environnemental. Le gouvernement doit également soutenir les ménages, notamment ceux à faible revenu dans "leur transition écologique" afin d'éviter également des phénomènes de précarité énergétique.

L'amélioration de la qualité de vie ne doit pas être tributaire du seul accroissement des activités économique (donc de facteurs purement quantitatifs), mais elle doit découler d'un développement qualitatif en améliorant les services de transports publics (sans pour autant pénaliser les autres formes de mobilité là où cela s'avère utile, voire nécessaire), en permettant à tout résident de disposer d'un logement approprié à prix abordable, en renforçant les services publics et en garantissant l'accessibilité à tout citoyen qui en aurait besoin, en promouvant le recours à l'économie circulaire, au recyclage et à l'utilisation rationnelle des ressources naturelles dont dispose le pays.

De ce point de vue, les politiques publiques, et plus particulièrement les investissements publics, ont un rôle capital à jouer en incitant (voire en contraignant lorsque l'incitation ne suffit pas) les acteurs économiques à adapter leurs comportements afin de répondre de façon cohérente et efficace aux défis auxquels le pays fait actuellement face et afin de se préparer au mieux aux mutations économiques, sociales et environnementales en cours et à venir.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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En ce qui concerne les finances publiques de l'État luxembourgeois, tous les indicateurs témoignent d'une situation budgétaire excellente pour l'exercice 2020, qui devrait se confirmer à moyen terme - le solde des Administrations publiques est largement excédentaire, les recettes courantes de l'Administration centrale dépassent largement les dépenses courantes, ce qui donne à celles-ci une marge de manuvre importante pour investir, la dette publique brute est en baisse constante en termes de pourcentage du PIB et le solde structurel respectera le nouvel objectif budgétaire à moyen terme (OMT) de +0,5% sur toute la période 2020-2023. Le Luxembourg respecte actuellement sans faute tous les critères budgétaires européens applicables (déficit public, OMT, dette publique).

Vu les défis sociaux, économiques et écologiques majeurs et les conditions extrêmement favorables sous lesquelles le Luxembourg peut s'endetter actuellement, le gouvernement luxembourgeois devrait profiter de l'intégralité de la marge budgétaire donnée par le pacte de stabilité et de croissance (PSC) pour mener des politiques d'investissements publics ambitieuses.

Vu la hausse inquiétante du taux de risque de pauvreté depuis la crise financière de 2008 qui dépasse actuellement largement la moyenne de l'UE27, le gouvernement devrait profiter de cette marge budgétaire pour réévaluer sa politique sociale et augmenter des dépenses sociales bien ciblées, afin de contrecarrer cette dégradation de la situation financière d'une grande partie des ménages.

Vu le taux de risque de pauvreté laborieuse élevé, il s'avère que le montant net du salaire social minimum (SSM) à temps plein ne suffit pas pour qu'une personne seule puisse se hisser au-delà du seuil de risque de pauvreté, alors que la hausse du SSM au 1<sup>er</sup> janvier 2019 reste insuffisante. Ainsi, le gouvernement devrait profiter de la marge budgétaire pour réduire l'imposition des faibles revenus.

L'imposition directe des revenus des personnes physiques doit être soumise à une réforme profonde:

- 1. Il semble urgent de réinstaurer le mécanisme d'adaptation des barèmes d'imposition des revenus à l'évolution générale des prix afin de mieux préserver les bas et moyens salaires de la diminution tendancielle du pouvoir d'achat.**
- 2. Les taux d'imposition du facteur travail et du facteur capital sont disproportionnés, l'un par rapport à l'autre.**

L'imposition d'un revenu de 50.000 de travail est 5 fois plus élevée que celle de 50.000 de revenus en capital. En conséquence, l'imposition directe agit de manière régressive au-dessus d'un certain seuil, du fait que les ménages plus aisés reçoivent généralement une partie élevée de leurs revenus des gains en capital. Les taux d'imposition des revenus de capitaux devraient au moins égaliser ceux du travail pour mettre fin à cette injustice.

**3. Les barèmes actuels sont généralement sans aucune relation avec la situation réelle des ménages. La classe moyenne est soumise à des taux d'imposition marginaux très élevés, tandis que le manque de progressivité de l'imposition au-dessus d'un certain seuil suscite des taux marginaux relativement faibles pour les revenus extraordinairement élevés. Vu la hausse extrême de l'indicateur de Gini qui a été observée récemment, les barèmes devraient être adaptés afin de soulager les bas et moyens revenus et rendre le système plus progressif en haut de l'échelle.**

Dans le contexte de la crise climatique, toute augmentation de l'imposition indirecte dans le cadre de la décarbonisation de notre société devrait être compensée par d'autres mesures fiscales et sociales, afin de soulager les faibles et moyens revenus. Sinon, la transition écologique risque d'exacerber les évolutions des inégalités et de mettre en péril la cohésion et la paix sociale.

Le nivellement vers le bas des taux d'imposition sur le revenu des collectivités en EU27 est fortement regrettable. Pour le Luxembourg, cette évolution est d'autant plus fâcheuse puisque la réduction continue des taux, basée sur l'argument de la croissance de l'assiette fiscale dans le cadre du BEPS, se fait généralement avant que les dispositions du BEPS n'entrent réellement en vigueur. En plus, il est important que des statistiques sur les taux effectifs payés par les collectivités au Luxembourg soient finalement publiées. La forte réduction de l'imposition des revenus des collectivités réduit de façon injustifiée les recettes de l'État et sa marge de manœuvre budgétaire.

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## SOCIAL DIALOGUE

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Le dialogue social dans le cadre du Semestre européen a lieu au Luxembourg entre le gouvernement, les organisations syndicales justifiant de la représentativité nationale générale et l'Union des entreprises du Luxembourg (UEL), sous l'égide du Conseil économique et social (CES).

Ainsi, au mois de mars, les partenaires sociaux se réunissent avec le gouvernement pour présenter leurs observations relatives au rapport spécifique de la Commission européenne pour le Luxembourg. Pour cet échange de vues, les partenaires sociaux ont demandé d'obtenir plus d'informations chiffrées sur la situation économique et financière du Luxembourg en vue de la préparation du Programme de stabilité et de croissance (PSC) et du Plan national de réforme (PNR). Les organisations syndicales ont notamment demandé que le Comité économique et financier national, qui se compose de hauts fonctionnaires des différentes administrations de l'État, fournisse non seulement au gouvernement, mais aussi aux partenaires sociaux, les données économiques, financières et sociales provisoires à utiliser pour la préparation du PSC et pour se positionner plus concrètement par rapport aux mesures de mise en œuvre des recommandations européennes sur le PNR. Les partenaires sociaux ont également proposé au gouvernement une troisième réunion (à huis clos, peu de temps après la réunion publique) pendant laquelle le gouvernement prendrait position par rapport aux commentaires des partenaires sociaux. Ces derniers regrettent en effet qu'il n'y ait pas de véritables négociations, mais plutôt une information de la part du gouvernement. Le gouvernement a jusqu'à présent répondu par la négative, puisqu'il désire réserver à la Chambre des députés la primeur de ses prises de positions lors de la déclaration annuelle sur la situation économique, sociale et financière du pays, qui a lieu normalement fin avril-début mai.

En ce qui concerne plus particulièrement les recommandations du Conseil européen du 9 juillet 2019 concernant le programme national de réforme du Luxembourg pour 2019 et portant avis du Conseil sur le programme de stabilité du Luxembourg pour 2019 (recommandations spécifiques), aucune des 4 recommandations ne fait explicitement référence aux partenaires sociaux et au dialogue social.

Toutefois, au cours des dernières années, le gouvernement a convoqué les partenaires sociaux à une réunion pour discuter des recommandations de la Commission européenne du 5 juin 2019, en amont du Conseil de juillet adoptant définitivement les recommandations spécifiques. En l'absence d'une convocation en juin du gouvernement pour discuter des recommandations de la Commission, les représentants des travailleurs et des employeurs ont adressé, en date du 10 juillet 2019, une lettre commune au Premier ministre, dans laquelle ils se disent accablés que le gouvernement tarde à réunir les partenaires sociaux. D'après eux, l'absence de dialogue entre le gouvernement et les partenaires sociaux portant sur les recommandations de la Commission va à l'encontre de la volonté de la Commission européenne de développer le dialogue social de qualité dans le contexte du Semestre européen. Finalement, la réunion entre le gouvernement et les partenaires sociaux a eu lieu seulement en automne, à savoir le 1<sup>er</sup> octobre 2019.

D'autre part, en ce qui concerne le dialogue social au niveau national, il convient de mentionner que le 18 septembre 2019, l'organisation patronale UEL a fait savoir aux syndicats et au gouvernement qu'elle souhaite quitter les négociations à trois au sein du Comité permanent du travail et de l'emploi (CPTE). Les organisations syndicales considèrent que ce boycottage de l'un des plus importants organes de négociation sociale à trois, entre le gouvernement, les syndicats et le patronat, constitue une attaque scandaleuse à l'encontre du « modèle social luxembourgeois » qui, depuis plus de 40 ans, a été d'une valeur inestimable pour le développement économique et social du Luxembourg et a garanti la paix sociale, si importante pour le pays. Le dialogue social au sein du CPTE aurait été d'une grande importance, notamment en présence des recommandations n°1 (augmenter le taux d'emploi des travailleurs âgés en renforçant leurs possibilités d'emploi et leur employabilité; améliorer la viabilité à long terme du système de pension, y compris en limitant davantage les départs à la retraite anticipée) et n°3 (stimuler le développement des compétences).

Afin de protester contre cette rupture unilatérale du dialogue social, les organisations syndicales OGBL, LCGB et CGFP ont appelé à une manifestation le 19 novembre 2019.

# MALTA

## GWU

### LABOUR MARKET AND EMPLOYMENT

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The main challenges that Malta faces in the Labour Market is the high rate of early school leavers that are quitting school without the basic skills. Although these youths are finding jobs in the labour market, as the economy is doing very well, their situation may change if the economy enters into a recession in the long term.

### COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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It is to be noted that Malta has what is called a Cost of Living Allowance (COLA) that is awarded every year to workers and pensioners alike to compensate for inflation related price increases. However, the COLA increase is computed on the basic wage and does not ensure that workers and pensioners do not fall in the poverty trap. A recent development to mitigate this is that every few years the COLA mechanism is reviewed to ensure that the minimum wage is adequate to combat in-work poverty.

As regards Gender-pay gap more needs to be done in this area to mitigate the obstacles that women find to continue working when raising a family, albeit most women stop working or work on reduced hours as culturally (raising a family) is still seen as a woman's job.



Regarding the women participation rate in the labour market this has greatly increased in the last few years with the introduction of active labour market policies such as free child care facilities.

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## EDUCATION AND SKILLS

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Malta still has a high percentage of early school leavers who are leaving school without the necessary basic skills. Recent developments however suggest that this rate has declined to 16%. However, a more holistic approach needs to be taken in conjunction with social measures to combat in-work poverty as both challenges are linked together, in that many times youths are forced to leave school and find a job without the basic skills to help the family.

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## PENSIONS, WELFARE STATE, POVERTY

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The government has introduced a number of social measures to mitigate against poverty and social exclusion. The minimum wage was increased after a 25 year freeze and introduced other measures to help those in need such as incentives for the disabled to find work. Unemployment at 3.8% is one of the lowest recorded in the EU and in fact the country is importing labour from abroad to address the needs of a growing economy which is forecast to reach 5.3% in 2019, the highest within the EU.

As regards poverty in Malta statistics provided by the NSO give some conflicting conclusions as detailed below:

78,685 people are at risk of poverty (ARP), 0.1% more than in 2017 - the previous year on record - newly released statistics from the NSO.

Other indicators also showed some minor movement; the at-risk-of-poverty or social exclusion (AROPE) rate decreased by 0.3% from 2017 to 19%; the severe material deprivation rate hit a 10-year-low; but more people fell below the 40% of median National Equivalised Income threshold.

The average gross household income for 2017 was estimated at €33,573, while the average disposable household income stood at €27,830, according to the NSO's statistics.

The statistics show that 76.5% of the household gross income can be attributed to employment income, while the share of social benefits - which include old-age benefits - was noted to be 18.8%. That is lower than the 20.9% share noted in 2013, but marginally higher than the 17.2% share noted in 2008.

The survey shows that the number of persons living in households with a national equivalised income below the at-risk-of-poverty line was 78,685. This translates into an at-risk-of-poverty rate of 16.8%, 0.1% higher than that recorded for the previous year.



The at-risk-of-poverty (ARP) threshold is defined as 60% of the median National Equivalised Income (NEI), meaning that any respondent whose NEI falls below this level is considered to be at-risk-of-poverty.

The median NEI is considered by the NSO as being -14,781 -259 higher than 2017. This means that the 60% threshold is considered to be -8,868.

The statistics also show that in 2018 16,241 people - equivalent to 3.5% of the population - are even below 40% of the median NEI. Comparatively speaking, in 2017 there were 12,800 people - equivalent to 2.8% - below this threshold.

Meanwhile, the material deprivation indicator for 2018 stood at 8.7% - up by 0.7% from 2017 and equivalent to 40,754 people. A person is described as being materially deprived when they cannot afford three out of a set list of items which include unexpected financial expenses, a one week annual holiday, and not being able to keep the home adequately warm in winter. A person is then defined as being severely materially deprived if they cannot afford four items. That rate stood at 3% - down by 0.3% from 2017 and equivalent to 14,246 people.

A comparison of past rates show that the Severe Material Deprivation rate is at its lowest in 10 years, but that the Material Deprivation rate rose for the first time since 2014.

At 19% meanwhile, the at-risk-of-poverty or social exclusion rate (AROPE) decreased by 0.3 percentage points when compared to EU-SILC 2017. A person is considered to be at risk of poverty or social exclusion (AROPE) if th

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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While the country is forecast by the EU Commission to have one of the highest growth rate within the EU at 5.3% for 2019, the GWU feels that more investment is needed in the green economy and also in the social sphere to reduce poverty. It is good to note that industry and house holds have been given fiscal incentives to reduce their carbon footprint for the generation of electricity, the challenge remains in the area of private and business vehicle use with an estimated of 35/40 new vehicles each day clogging the streets of Malta and polluting the air. Government is due to announce a target date when vehicles running on fossil fuels will no longer be imported in Malta and at the same time more efforts are being made to give more financial incentives for buying battery powered cars or hybrids. These efforts need to be accelerated and be more ambitious if they are to have a more immediate impact. As regards waste management here again we need more ambitious plans to ensure that we have more engineered landfills and reuse or re-cycle and reduce waste.

As regards social investment the foundations are there, the challenge lies with existing pensioners since many of them have only a state pension which is inadequate, yet at the same time many pensioners are asset rich (as 80% of household own their own property they live in ) but cash poor. To address this issue the government has given financial incentives and regulated the issue of Equity Release Product / Schemes, however so far the take-up has been very little as they are relatively new products on the market.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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Malta is expected to register another budget surplus both for 2019 and 2020 and the debt to GDP ratio is expected to fall below 41% by 2020. The challenges facing our economy at the moment is the political crisis that has emerged recently with the arraignment in the criminal court of justice of the alleged mastermind of the killing of the journalist / blogger Ms Daphne Caruana Galizia who was killed in 2017. The Prime Minister has tendered his resignation which will take effect in mid January 2020, unfortunately, the government seems to be in dormant mode. Moreover, the country's reputation in the financial services sector has also taken a nose dive with the bad press that this case is generating.

Therefore the horizon at the moment looks very bleak, the new Prime Minister that will be taking over will have some very strong challenges to address once the political crisis subsides as the reputational damage might in the short to medium term affect the economy and the public finances.

## SOCIAL DIALOGUE

Social Dialogue in Malta is structured through the Malta Council for Economic Development (MCESD) as regards national issues and through the Malta EU Steering and Action Committee (MEUSAC) as regards EU matters. The GWU is of the opinion that these two committees should be merged or at least meet jointly on such matters such as the EU semester to avoid the silo effect and ensure a structured approach by all social partners on the EU semester for example. The tight deadlines and expertise required on the EU semester for a small country like Malta demands that we should pull our socks together for the benefit of our country.

# POLAND

## OPZZ

### LABOUR MARKET AND EMPLOYMENT

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The most important problems occurring in the labor market and employment in Poland:

- Labor market segmentation, i.e. parallel existence of employee groups whose employment stability is high and groups that work in conditions of high instability (so-called precariat). In Poland there is a high level of employment on term contracts, through temporary employment agencies, forced self-employment and employment on the basis of civil law contracts (without the right to leave, paid overtime, protection in case of pregnancy or illness, or - in the case of specific work contracts - without social security). Precarious conditions apply primarily to young people as well as economic migrants.

- The population of the economically inactive in Poland in the first quarter of 2019 numbered over 13.3 million people. There are almost 5 million of working-age people among the economically inactive. The most common causes of passivity are family responsibilities (31.9%), illness, disability (25.0%), and learning and raising qualifications (24.4%). These are labor resources that should be used first if there is a problem of missing hands for work in the labor market.

- Competence gap, which is the difference between the skills of employees and the needs of employers. Due to, among others, dynamically progressing digitization, the employee competence gap is growing, while robotization and automation of work processes have led to the need for new technological competences.

Suggestions for solving problems occurring in the sphere of the labor market and employment in Poland:

- Granting labor inspectors the right to issue administrative decisions transforming civil law contracts into employment contracts in situations where work under civil law contracts is provided under conditions specific to employment relationships.

- Strengthening legal employment protection, among others by introducing the obligation to indicate in the employer's statement on termination of the employment contract concluded for a definite period (for a period of at least 6 months), the reason justifying its termination.

- Allocating funds from the Labor Fund to finance employment incentives.

Creating a mechanism to raise employee competences in accordance with the needs reported by the employer, including digital and technological competences of employees.

- Liquidation of free internships.
- Extension of holiday leave to 32 days.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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Of the total employed in the national economy 13% receives a minimum wage for work, the most-paid wage in the economy was PLN 2074.03 and as much as 66 percent earns below average wages in the national economy. As a consequence, a very large group of employees in Poland are people with low salaries. The main challenge is to ensure that Poland is an attractive workplace not only for migrant but also native workers. One of the elements of achieving this goal should be faster increase of the minimum wage for work.

During the transformation period, wages in Poland grew more slowly than GDP and labor productivity. Gross domestic product increased in the years 2000-

2018 by 93 percent, while the average gross real salary in the national economy increased by 68 percent. As a consequence, in 2018, the share of wages in GDP decreased to 49 percent. GDP (EU average 55.6% of GDP). We see a decline in the share of wages in GDP despite a significant increase in labor productivity. As the European Commission noted in the National Report -

Poland 2019, the increase in labor productivity in Poland is one of the highest in the European Union. In the years 2010 - 2017, real labor productivity per hour increased by almost 20%, which is almost three times higher than in the whole EU (7%). In Poland, there is also income stratification. In 2017, the average monthly disposable income is 20% people with the highest income in 2017, according to the Central Statistical Office, 4.7 times higher than the corresponding income of 20 percent. people with the lowest income.

Salaries of employees do not reflect the good financial condition of companies, low labor costs and the average number of hours worked. It is worth pointing out that the average hourly labor costs in the European Union in 2018 amounted to EUR 27.4. In individual countries, the communities ranged from EUR 5.4 to EUR 43.5. In Poland it was 10.1 euros. In addition, according to OECD statistics, Polish women and Poles are among the longest working nations in the world (1792 hours per year, 2018).

Wages of many public finance sector employees, including employed in public services or civil servants do not allow a fair life. Therefore, the salaries of these employees should increase. Unfortunately, the increase in wages for budget employees proposed by the government will not allow a significant improvement in their living conditions. An efficiently functioning state requires adequate expenditure on remuneration in the budgetary sphere and improvement of employment conditions in public institutions. OPZZ postulated that wages in the budget wages should increase by at least 15 percent.

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## PENSIONS, WELFARE STATE, POVERTY

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The most important problems occurring in Poland in the sphere of pensions, social protection and poverty are:

- The replacement rate decreasing from year to year, ie the difference between the remuneration received and the pension. According to the European Commission scenario, in 2060 the replacement rate in Poland will be 23.5%.
- Persons working in special or special conditions who started working after 1 January 1999 cannot exercise their right to a bridging pension, ie the possibility of early retirement. Despite this, contributions to the bridging pension fund are paid for these persons. The Bridging Pensions Act is selective and discriminatory.
- Pauperization of single-person retirement households.

Proposals for solving problems in the sphere of pensions, social protection and poverty in Poland are:

- In order to reduce the Social Insurance Fund, it should, among others strive to contribute to all income from work.
  - Making retirement dependent on the period of insurance. Introducing the possibility of retiring after 35 contributions for women and after 40 contributions for men.
  - Amendment to the Bridging Pensions Act, eliminating the expiring nature of the Act to allow people working in difficult conditions to take early retirement.
  - We suggest that a retired widow or widower is entitled to at least 25% of the retirement pension of a deceased spouse.
  - Raising pensions by increasing the deceased spouse's pension by 25%.
  - Reduction of the disability pension contribution for working pensioners.
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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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First of all, investment policy should be linked to the inches of the United Nations Agenda 2030 and its 17 Sustainable Development Goals and the implementation of the European Pillar of Social Rights by 2030.

In Poland, the main goal of the Europe 2020 Strategy and some specific objectives, e.g. the amount of expenditure on research and development as well as the economic activity of the employed, remain a challenge. This is an obstacle to building an innovative economy competing with products and services with high added value.

In our opinion, the European Commission should expect Member States' policies in the last year of the Europe 2020 Strategy to be recognized as priority actions for decent work for all employees, thereby increasing social cohesion, increasing public and private investment, and a just transformation of the economy. These priorities should form the basis for formulating specific initiatives at national level in social dialogue.

The professional activity rate in Poland is one of the lowest in the European Union. As part of the European Semester 2020, the European Commission should recommend to the government side in Poland to take initiatives to increase the economic activity of the employed, in particular by:

- increasing the quality of employment on the labor market through changes in law and increasing legal, financial and control competences of the National Labor Inspectorate, as well as increasing sanctions for violation of employee rights;
- stopping violation of the principle of equal pay for the same work in the same place and increasing wage transparency in the economy;
- limiting labor market segmentation, which we consider to be the effect of unfair competition in an economy based on competing with low pay and employment quality;
- reducing the scale of in-work poverty, because work often does not protect against poverty;
- reducing the wage gap between men and women through new legislative solutions;
- supporting high-quality education and developing skills that meet the needs of the labor market;
- system monitoring of health and safety at work.

The rate of investment growth in our country is low compared to the rate in other EU countries. On average, investments in Poland account for only 19 percent. GDP, while in countries such as the Czech Republic, Slovakia and Hungary, and therefore with a similar economic condition, the share of investment in GDP is much higher. Private investment is primarily a problem for the domestic economy. According to data from the Eurostat, the value of private investment of companies and households in Poland in 2018 was about 13.5 percent. GDP, being one of the lowest levels in the EU. This demonstrates the limited effectiveness of the economic development strategy adopted by the govern

ment in shaping optimal conditions for the development of business activities.

Investments in technologies and innovations, using private and public potential, are a stimulus for faster wage growth. In Poland, the amount of expenditure on research and development is, however, insufficient (1.21 percent in 2018). In the EU's European Innovation Scoreboard 2018 ranking, Poland maintained its 25th position and remained in the group of so-called moderate innovators. In turn, in the report Global Innovation Index 2018 (GII) Poland took 39th place (out of 126 countries).

On the one hand, greater investment by enterprises and expenditure on research and development in the private sector are needed, as well as a significant increase in state expenditure for this purpose. On the other hand, conditions for wage growth in the economy should be strengthened.

The minimum wages should increase, and the directive is the most appropriate instrument for this at European level. However, wages in the economy should generally increase, and not just as labor productivity and inflation rise. Employees should also participate in the distribution of profits generated by the enterprise. Collective bargaining is a good tool for shaping higher wages in the economy and preventing wage flattening. Their range should increase significantly, which requires, among others launching at EU level a legislative initiative increasing the role of collective bargaining. The European Commission should indicate collective bargaining as the main tool for increasing wage growth in the EU in the coming years.

Existing and previously unknown forms of work require a different approach to safety and working conditions as well as increased investment in occupational safety. This also requires public and private investment. At EU level, the abovementioned challenges require the inclusion of a future EU strategy on health and safety at work in the European Semester. The new strategy in this area should be an impulse to shape a new culture of work safety in Europe.

The EU's achievement of climate goals requires public investment and

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## STATE BUDGET AND FISCAL CONSOLIDATION

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cs Investments

and public support in this process through public services and social activities as part of a socially just transformation of the economy. The effectiveness of actions at national level requires appropriate EU policies, including those related to protecting the competitiveness of industry in the EU. To this end, the EU budget and the EU Investment Plan should have adequate financial space and a sufficiently large budget to support states in the fair transformation of the economy, and their amount should be adapted to the scope of challenges of individual EU Member States in the field of environmental policy. We call for a political strategy at EU level to ensure that EU industrial sectors remain competitive during the transformation process. The risk of carbon leakage should be taken into account and ensure that manufactured products are verified during their life cycle taking into account their carbon footprint. The European Commission should also implement the so-called carbon border adjustment and introduce a cross-border tax on carbon dioxide emissions.

## Budget

The situation of the state budget in 2020 is determined by forecasts for GDP growth (3.7%), inflation (2.5%), the average annual wage fund in the national economy and pensions (nominally by 6.3%) and also private consumption (by 6.4 percent in nominal terms). Similarly to 2019, domestic demand, including household consumption demand, will remain the main driver of GDP growth in the next year. It is thanks to him that the state budget revenues in 2020 will be about PLN 25 billion (6%) higher than this year, including tax revenues by about PLN 21 billion (6%). Only from the VAT alone receipts to the state budget will increase by PLN 14.7 billion (8 percent). High rates of value added tax (VAT) do not favor low-

income people. The rates of this tax were increased in 2011 from 7 to 8 percent. and from 22 to 23 percent and were to remain in force until 2013 as a periodic solution. They apply until today, and the poorest people bear the highest costs. However, it is assumed that in 2020 VAT rates will remain at the level applicable in 2019.

Consumption is primarily stimulated by the Family 500+ Program (benefits PLN 500 per child) and good situation on the labor market. The increase in state budget expenditure in the following year is relatively low (by 3%) and the amount of planned expenditure, e.g. on education, raises doubts. Increasing income of citizens resulting, among others from the increase in salaries will allow not only to maintain the level, but also to increase the income from personal income tax in the following year. As a result, the costs arising from the functioning of the state will continue to be based mainly on working income in the next year, instead of shifting this burden to legal persons and income from capital to a greater extent. The draft state budget for 2020 does not contain systemic solutions that -

first of all, increase the disposable income of employees through systemic changes in the personal income tax. Secondly - they will activate those who are long-term unemployed or outside the labor market - in all age categories.

Inclusive and sustainable economic growth requires consideration of tax policy in efforts to reduce inequality and its adjustments that will allow fair distribution of generated economic growth. The tax system should promote employment under an employment contract, but unfortunately it does not. In turn, EU initiatives to reduce tax avoidance should not simultaneously affect the competitiveness of the economies of EU Member States.

OPZZ has been calling for a comprehensive reform of tax law for many years. The tax system in Poland is regressive, which means that it burdens people with low incomes more than people with the highest incomes. However, the draft state budget for 2020 does not provide for systemic changes to tax laws. In the OPZZ assessment, the draft state budget does not present solutions that effectively reduce the income stratification of citizens and distribute the tax burden socially. In our view, the government should significantly reduce labor taxation. The tax system adversely supports the duality of the labor market with its negative effects on the quality of jobs. The effective tax burden on an employment contract is currently around 36 percent. Meanwhile, civil law contracts are taxed more favorably, which causes their selection to the detriment of the employed. taxation of these contracts is clearly lower than employment contracts, on average by approx. 10 points percent.

OPZZ calls for systemic changes in this tax consisting in:

- introducing stronger tax progression by setting new tax rates and thresholds,
- changing the rules for determining the tax-free amount,
- higher than in the current year, a significant increase in employee deductible expenses,
- 19 liquidation of 19% flat PIT tax for persons conducting business



## SOCIAL DIALOGUE

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### cd Budget

Balancing the budget (expenditure is as much as income) has been presented as one of its greatest strengths, although in our opinion, the lack of budget deficit is the result not only of public finance management, but also of the economic situation and the situation on the labor market. The draft presented to the trade unions will be forwarded to the Sejm and it will turn out how far the budget balancing will be possible in practice. Unfortunately, it may turn out that the weakening economic growth and growing state expenditure will, however, lead to a budget deficit. This can create a risk for the state's social policy and investment outlays.

### Social dialogue

Social partners take part in the work of the Europe 2020 Strategy Team. Within the Team, documents related to the European Semester are consulted and discussed. It should be emphasized, however, that this team is consultative and there are no binding arrangements between the social side and the government. That is why social partners (trade unions and employers' organizations) have recently adopted recommendations on greater involvement of the Social Dialogue Council, the main place of the national social dialogue in the work of the European Semester, and thus increasing the role of the Social Dialogue Council in shaping policies within it.

The draft National Reform Programs is not prepared in cooperation with social partners, while its draft is subject to public consultations. Comments to the National Reform Program submitted by trade unions, however, do not have a significant impact on the activities undertaken in the framework of the implementation of the document, i.e. they are not implemented as governmental activities. The annex to this document contains summaries of comments submitted by social partners as a summary of the project's public consultations.

In particular, as regards the Council Recommendation on improving the quality of public consultations, we consider them reasonable, especially since public consultations are an important element of social dialogue and statutory obligation of public administration. The quality of public consultations should improve significantly, because the manner of implementing this statutory obligation raises doubts. Draft legal acts are often not subject to public consultation. Despite the clear law regarding the principles of public consultation, there are problems in public administration with the proper consultation. The real impact of social partners on the lawmaking process and thus reforms and state policies is limited.

The government's previous actions indicated as aimed at preventing violations of the Act on Trade Unions and the Act on the Social Dialogue Council and other social dialogue institutions in the field of conducting social consultations did not have a visible impact on the situation in the area of quality of public consultations. Examples of well-conducted public consultations should not, in the OPZZ's assessment, obscure the overall, critical, assessment of the quality of public consultations in Poland.

According to OPZZ, there is a noticeable need to strengthen the potential of social partners to appear in social dialogue. Trade union members working in social dialogue institutions point out the need to increase the number of trainings and to provide expert support for their participation in meetings. They emphasize the social nature of their work, which is often difficult to reconcile with the performance of activities for the trade union and often also with paid work. Even taking into account the work of the Europe 2020 Strategy Team, which is an advisory body for the Prime Minister dealing with the European Semester, social partners participate in it using their own potential. There is no network of external advisors for the members of the Team or the possibility of commissioning research or expertise in the field of the

European Semester, financed from funds allocated for the operation of the Team.

It is also necessary to have a government initiative to increase the role of collective bargaining in Poland, which is currently low and inadequate to the economic challenges facing Poland and whose solutions can be developed as part of collective bargaining.

# PORTUGAL

## CGTP-IN

### LABOUR MARKET AND EMPLOYMENT

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Our main priorities are:

- Measures to boost work quality and to fight precarious employment, promoting the transition to permanent contracts and discouraging emigration;
- Measures to address long term unemployment which still represents more than half of total unemployment;
- Concerning just transition, our first priority resides in the preservation of employments.

First, there has been a very huge job creation (3.3% in 2017 and 2.3% in 2018) although not recovering to the 2008 level. Two of the main drivers of job creation are the expansion of tourism and the ageing population.

Many jobs created are jobs with low wages, low skills and precarious ones. The weight of non-permanent contracts in wage employment has been above 20% since 2006 (20.5% in the 3rd quarter of 2019) and precariousness is particularly high in the private sector.

The revision of Labour Code, while contemplating certain amendments intended to limit the possibility of concluding fixed-term contracts and improving the protection of temporary workers, also proposes other measures that allow employers continue to hire and keep thousands of workers with precarious contracts. We stress the extension of the duration of the probationary period for first job seekers and long-term unemployed persons - which represents a kind of a new fixed-term contract with no rights - , and the expansion of very short-term contracts.

Second, although unemployment rate has been declining (6.1% in the third quarter) long term unemployment is still very high.

GRAPH Share of long term unemployment in the annex

Third, the government recently announced the closure of two coal-fired power stations, which employ around 600 workers. For the CGTP-

IN, it is necessary to find appropriate solutions to safeguard jobs. It is not a question of maintaining the coal-fired power stations in question but of finding suitable alternatives for jobs.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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Our two main priorities are related with:

- Wages, including minimum wages and wages in Public Administration;
- Collective bargaining, including the right to collective bargaining.

First, the updating of wages is a strong priority for the CGTP-

IN. Our claim is to put an effective end in a period marked by cuts in wages followed by wage stagnation; by the declining trend of wages here, accelerated after 2009; by the freezing in wages in the Public Administration since 2010; and by wage cuts when workers change their jobs.

Real wages have fallen in the last 10 years. This development was not uniform. Real wages increased slightly in 2010, after which they sank by more than 10 percentage points until 2012. This was followed by a period of stagnation or slight recovery, which is more pronounced in the last two years. Over the years as a whole, real wages grew less than the wealth produced (real GDP).

GRAPH on Evolution of real wages and GDP in annex

In the period from 2016 to 2019 there is an improvement in real wages with the increase in the purchasing power of the minimum wage. This relative progress is expected to be more marked in 2019, which will result from lower than expected inflation (0.4% until November) and wage growth driven by falling unemployment.

Wage cuts followed by wage stagnation had strong social and economic (also demographic) consequences. Skilled workers have been leaving the country, not just young people with high qualifications. 846 thousand Portuguese have left the country since 2011 (17.4% of employment in 2018). Now it is more difficult to recruit skilled workers in Public Administration. The population decreased all the years from 2010, although this was mainly caused by low fertility.

Second, we defend the development of collective bargaining. Collective bargaining coverage (workers covered by the renewal of collective conventions) just has a slight recovery after the troika period. And, with wage cuts and/or freezes, there has been no real negotiation in the Public Administration.

GRAPH on Workers covered by collective bargaining in annex

The CGTP-

IN struggles for the reversal of articles of the Labor Code that weakened the balance of power of workers and their right of collective bargaining, namely the full respect of the principle of more favorable treatment to the worker; the reversal of the rule on individual choice by the worker of the applicable convention (an anti-trade-union rule); the repeal of survivor and expiry regimes of the collective agreements (several collective conventions have already expired since 2003); the elimination of the rule concerning the delegation of power to negotiate on behalf of the trade union. New legislation (this year revision of the Labor Code) maintained these anti-union norms and added a new form of expiration of conventions.

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## EDUCATION AND SKILLS

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Our main priority is the fulfillment of the right to continuous training by enterprises, ensuring that the training provided in a work context also contribute effectively to the raising of the levels of qualification of workers.

There has been a very significant increase in the educational attainment of the employed population. The low qualification of the employed population has been emphasized. Although employees with qualifications up to the 3rd basic cycle still represent 44% of the total, it should not be forgotten that the level of qualifications of employees has increased and that young people leave the education system with qualifications higher than those of previous generations.

GRAPH on Employment by education levels in annex

Portugal faces two major problems. First, faces a mismatch between the education level of the population, which has been improved, and employment quality - this mismatch fuels emigration. Although emigration declined in the period from 2016 to 2018, it remained considerable and even increased in 2018.

Second, Portugal needs to increase the skills of employed population. Portugal continues to be a country with an enormous deficit, both in terms of compliance with and exercising the right to vocational training at the initiative of employers, and in terms of valuing, recognizing and motivating workers to acquire skills and recognize qualifications. Many companies continue to view vocational training as a cost, not reflecting in salaries and professional careers the effort and investment of workers to acquire more skills.

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## PENSIONS, WELFARE STATE, POVERTY

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Our two main claims for 2019 respect:

- The update of pensions;
- The improvement on unemployment social protection.

First, there was some improvement in social security rights with the last government. We emphasize the updating of pensions, including extraordinary updates in 2017, 2018 and 2019; the creation of an extraordinary support for the long-term unemployed in 2017 and its improvement in 2018; the elimination of the 10% reduction in the daily amount of the unemployment benefit after 180 days; the valorization, since October 2017, of the very long contributory careers; the improvements made in non-contributory benefits (minimum income and others).

Our first priority concerns the updating of pensions for all pensioners in 2020. Other key issue concerns the link between life expectancy and the retirement age. With the present rules there is a continuous increase in this age: from 65 years in 2013 to 66 years and 5 months in 2019-

20 (and, as it was recently announced, 66 years and 6 months in 2021). Another issue concerns early retirement. We defend the possibility of all workers with a contributory career of at least 40 years to have access to the old-age pension without any penalty.

Our second priority regards unemployment social protection. During the troika period, the rules governing unemployment social protection were worsened, which has affected the coverage, the amount of benefits and its duration. These restrictive changes were maintained by the government in 2016-2019 but some improvements occurred: the creation of an extraordinary support for the long-term unemployed; and the elimination of the 10% cut in the daily unemployment benefit after 180 days.

The coverage of unemployed persons by social security, including contributory and social unemployment benefits, is just 50% of all unemployed persons in 2019 (latest number). The coverage by the unemployment benefit (that is, the contributory component, which is more favourable) was only 34% in 2017. The risk of poverty covers 47.5% of unemployed persons in 2018.

GRAPH on Unemployed persons covered by social security benefits in annex

Concerning the access to social protection, the Portuguese legislation covers salaried and independent workers. The independent workers re

gime was reviewed and the new one entered into force in January 2019. The new regime: change the contributory relation which is now based on more recent income (quarterly declaration and no more yearly one); it is based on effective income and no more on conventional one; the contribution rate is lower; the access to the benefits was facilitated (sickness and unemployment benefits, namely).

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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Our main priority remains the increase of total investment, private and public.

Total investment was heavily affected by the austerity policies: the percentage change on total investment in volume reached -6.9% during 2010-

14, the third worst position after Greece and Cyprus. Net investment (Gross Fixed Capital Formation net of consumption of fixed capital) fell during the period 2012-

2017. This means a destruction of our productive capacity. We expect an improvement during 2019 due to investment in construction (linked to the current boom in tourism) and also in equipment but the government preview a slowdown for the next year.

Public investment declined strongly after 2009. Its level in 2018 (1.9% of GDP) was the lowest in the EU.

GRAPH on Public investment (% GDP) in annex

These developments undermine economic growth and the modernization of the economy with obvious consequences for overall productivity. Our economic model remains based on low value added output and cheap/precarious labour.

For the CGTP-

IN, a strategy for economic and social development requires a more active role for public investment, which would have the effect of boosting investment in general. This strategy has been hampered by constraints resulting from European budgetary rules (Stability and Growth Pact, Budget Treaty and Country-

specific recommendations). Investment has been in fact, within the framework of a restrictive budgetary policy, a variable of adjustment.

It also sees as a concern the likely decrease in European funds and the possible reduction of project funding rates from 85% to 75%. The situation is particularly worrisome taking into account the strong dependence existing between public investment and European funds.

We are convinced that responding to climate change requires high public investment (in infrastructure, but not only, for example, the need to implement a national railway plan), but this investment has been sacrificed in the name of the 'right accounts' and compliance with the Stability and Growth Pact and the Budget Treaty.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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Our main priorities are related with growth (fiscal policy must be supportive of sustainable growth), fiscal justice and the development of public services.

The fiscal policy in Portugal is subordinating at achieving a zero-headline deficit and with a blind fulfillment of European rules. Nevertheless, Portugal attains high surplus (the average primary balance is close to 3%) and bear the highest interest expenditure in Euro zone after Italy (2019 data). The accumulated amount of these two items accounts for near 6% of GDP in 2019.

We must add the support to financial institutions. The accumulated support amounted to 19084 – million during the period 2008-2018, which represents 9.4% of 2018 GDP.

TABLE on Public finances (% of GDP) in annex

The plethora of money paid/involved (zero-headline deficit obsession, primary balance, interest expenditure, support to banks and others items like expenditure with PPP) sharply contrasts with the freeze of wages in Public Administration (frozen since 2020), anemic public investment and deterioration of public services.

The rules of European economic governance, and its interpretation by the Commission, act as a real straightjacket on fiscal policy, constraining the increase in public expenditure including wages and pensions.

The recent Opinion of the Commission on the Draft Budgetary Plan of Portugal is highly critical. The Commission ignores the effort made with the reduction of government headline deficit and points out to a risk of deviation from the rules in several issues. The analysis of the Commission is based on the structural balance (a nonsense indicator). The Commission concludes by inviting the authorities to ensure that the 2020 budget will be compliant with the Stability and Growth Pact. The 2020 Budget Proposal has not yet submitted due to legislative elections last October. - that is, demanding more austerity.

The CGTP-IN reemphasizes that the rules of European economic governance are invasive of national sovereignty - in domains where European authorities have no competences, according to the Treaties - and represent a constraint to public wages, investment and social policies.

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## SOCIAL DIALOGUE



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Concerning the involvement in the European Semester, we highlight that our Economic and Social Council expresses its opinion on the National Reform Program; and that consultations were held at meetings of the European Commission Representation in Lisbon, namely on the recommendations addressed to the country. We have been heard but without practical results.

# ROMANIA

## BNS

### LABOUR MARKET AND EMPLOYMENT

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The situation in the labour market in Romania has continued to be tenuous; the phenomenon is emphasised by the aging of the population, ongoing migration of the workforce, and also by the difficulty in correlating the job offers with the expectations of the workforce.

The lack of surplus workforce, especially skilled workforce, is a new experience for the last 30 years after the revolution. The lack of consideration for the workforce, coupled with the lack of concern to create good quality jobs, the destruction of the organizations representing the workers' rights - pushed the active workforce from Romania outside the country.

Although the evolution of the employment rate, unemployment rate or unemployment among young people seem to indicate an improvement in the labour market, however, there are some signs that reveal the deceptive nature of these improvements. The increase of the employment rate is due to a great extent to the reduction of the active population rate, and only to a small extent to the real growth of the employed population. Despite the significant economic growth in recent years, the active population continues to shrink.

According to the data provided by the NIS, currently there are 1.184.949 housewives, part of the inactive population, aged 15-64 years. This number stands for 9.16% of the working age population. Also, in 2018 about 18% of the employed population are working in agriculture, respectively 11% of the working age population (15-64 years); 97% of these persons are self-employed and unpaid family workers. 65% of the self-employed workers are working in agriculture (2018).

The labour resources have decreased almost constantly in the last years. In 2018 the labour resources have been reduced by about 1.5%. High emigration rate, especially among young people, has serious demographic impact. In the last 10 years the change in the structure of the employed population is visible. The employed population is aging fast, but the Romanian labour market is not friendly with people over 45 years old.

Although employers complain about the lack of workforce, about one third of the employed population in Romania is either involved in precarious forms of employment, self-employed or unpaid family workers. 38% of the self-employed persons were forced to start a self-employment activity because they could not find a job. Many work in agriculture (over 70%), and

more than a third are people over 55 years old. Less than 40% of the self-employed persons have officially received in a year an average monthly income higher than the minimum wage (national level).

Free movement of workers, treatment of the workforce in Romania, compared to the old Member States, especially regarding the salary and working conditions, maintaining the low cost of labour as the main instrument of competitiveness - all will prevent Romania from solving the labour shortage. In the last 30 years the employers in Romania have treated the workforce from positions of force. As mentioned above, the shortage of the workforce is rather an induced idea. The shortage of the workforce specifically refers to the skilled and cheap workforce, which is permanently available to employers. The job vacancy rate has stagnated lately and is currently at a level similar to that of 2007-2008, with the only difference that at that time Romanians were captive in the Romanian labour market.

Although employers claim a shortage of skilled labour, it is inexplicable that the job vacancy rate for elementary occupations (unskilled workers) is higher than the national average, especially in the last 2 years. Less than 45% of workers in elementary occupations (unskilled workers) had lower primary, secondary or no education.

Over 75% of the employed population of Romania have graduated the high school, at most. The change in the last 4 years is almost insignificant. In addition, about 14% of the workforce with higher education level are currently employed in occupations that do not require such education level. These workers face difficulties in finding suitable jobs for their skills. There is very little concern in correlating the education system with the requirements of the labour market. The number of people employed without education has increased in almost every age group, which makes it impossible to approach them through vocational training. The faulty implementation of the activation policies has deepened the gap between the job demand and offer.

Romania need effective public policies in order to stop the workforce migration, and to activate the persons employed in precarious working conditions or those who choose to remain outside the labour market. Sustainable economic growth reflected in the living standard of the population can contribute to the consolidation of the internal workforce, and to temper the migration wave of the workforce. It is important for policy makers to be aware of the importance of reducing the risk of creating large skills.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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After a significant reduction of the wage share in the GDP from 2008 to 2015 (from 36% to 32%), in 2016 the trend for the evolution of this indicator showed an increase. However, the level of 2001 was not yet reached again. Although Romania has recorded wage growth rates that may seem significant, the existing gaps are so important that we cannot really talk about a recovery of the disparities and a real convergence.

During the last 10 years the hourly productivity of labour doubled (it increased by 1.96 times), while the hourly cost of labour had an almost similar evolution (it increased in 10 years by 2.01 times). Significant wage gaps continue to be a constant in the evolution of the Romanian labour market, both in terms of territorial profile and the size of the employer. Significant gaps are also noticeable based on the size of the enterprises. Also, the wage gaps are deeper between public and private companies.

The difficulty that employers encounter in recruiting cheap workforce is reflected in the evolution of wages, especially in some sectors, in this new context for Romania. The labour market begins to function according to market rules, the level of the wage is balanced also by the workforce cost. The quality of jobs and the level of remuneration are the main reason why the active workforce in Romania decide to migrate.

Minimum wage policy has functioned in recent years as the main instrument of public wage policy. The lack of collective bargaining has limited the intervention of the minimum wage almost exclusively to the level of the workers paid with the minimum wage. Currently approx. 1.3 million employees with full-time work agreements have a salary equal to the minimum wage.

The adequacy of the net minimum wage, relative to the evolution of the average wage, is not a priority for the Romanian political decision-makers, a situation that is also reflected by the graph above. The fiscal burden for the minimum wage is far too high, the difference between the fiscal burden for the minimum wage and the average salary is insignificant (39.28% compared to 38.8%). In 2018 the total tax rate for a salary equal to 50% of the average wage earnings, for one person, without dependents-care responsibilities was 34.09% in Romania, while the European average was 20.46%. Of all the Member States Romania has the highest level of taxation of this level of income.

In 2019, for 2020, the Government's decision was one based on subjective criteria and without a

real impact assessment. Once again, the Government was limited to acknowledge the opinions of the social partners, but there was no real debate on this topic. The proposal of the former Government to increase the net minimum wage by 100 lei is not much different from the one of the current Government, which set an increase of 7.2%, and subsequently the Government sought indicators to support its decision.

Increasing wage gaps between employees with high salaries and those with low salaries is another consequence of the absence of collective bargaining, despite significant increases in the minimum wage in recent years. The disappearance of the salary grids from the sector-level collective agreements has accentuated this phenomenon of disparity.

During this period the situation of collective bargaining at sector level remained unchanged. The legal framework in the field of sectoral collective bargaining is so toxic that in almost 10 years it was not possible to conclude a collective agreement applicable for an entire sector. Attempts to conclude collective labour contracts that could be extended at sector level were exclusively in sectors dominated by the state. In fact, the negotiating partner from the employer's side remained unknown.

The current legal framework significantly limits the freedom of association of workers and the exercise of the right to collective bargaining. Consequently, the personnel fluctuations have become the main manifestation of the conflict between employees and employers.

The income inequality was accentuated in Romania during the post-crisis period. In 2018, the highest 20% of revenues were 8.1 times higher than the lowest 20%. In 2016 and 2017 this indicator has seen a decreasing trend, and since 2018 it has returned to an increasing trend. The income inequality for the population under 65 years old is 1.5 times higher in Romania than the EU average 28. The effects of reducing the share of employees covered by collective labour agreements are already visible in the short term in the mechanism of distribution of added value.

Best policy options: Strengthening the freedom and autonomy of collective bargaining - Revising the social dialogue legislation; Adopting wage policies that will ensure convergence with EU Member States; Fighting in-work poverty, discrimination and inequalities in the wage policy.

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## EDUCATION AND SKILLS

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School dropout rate has decreased (a trend consolidated over the last three years, from 2016 to 2018). However, Romania remains among the European countries with the most constant dropout phenomenon. Romania still holds a modest place in the EU ranking. The causes of school dropout are complex, tightly linked with poverty and the low level of education of the

families of those children (mainly in rural areas). The causes are not treated fundamentally and are not included as priority objectives in the public agenda. The current regression of school dropout rate may be due to some specific circumstances, such as the decrease of the overall number of students.

During the last 10 years (2010-2019) the budgetary allocation was on average 2.98% of GDP, which is less than  $\frac{1}{2}$  of the percentage provided by the National Education Law (6%) and well below the European average. The increase of 2019 by 0.81% (reaching 3.02%, compared to 2018 when it was 2.21%) is mainly the result of the inclusion of costs with the payment of salaries of teachers from the public budget, costs that were previously paid from local budgets. The standard costs in education (per student) increased, an arithmetic increase of 15.26%, and a real increase (due to inflation) of only 9.56%. This cost is insufficient, as it includes the salary expenses, allowances and contributions, the professional training of the teachers, the periodic evaluation of the students, and expenses with goods and services.

Compared to the average of the OECD countries, Romania's results at PISA 2018 are below the 2015 test (in mathematics, reading and science). The share of students who solved the most difficult problems in at least one of the three areas (reading, math or science) represents 4% of the total (OECD average is 16%). Functional illiteracy reached 44% (increased by 5 percent - in 2015 it was 39%).

Post-graduation monitoring (especially on insertion) is non-existent. The data are partial and inconclusive. Only universities are able (in terms of funding) to carry out the monitoring of the insertion of graduates. Therefore, the data collected in this way is partial, unqualified, incoherent in form and content, and ultimately unverifiable.

Although the dual education system was established, the link between the education system and the labor market is still very weak in terms of skill demand. The dual system adopted does not tackle the core of the problem, because the employers (who request the organization of dual education programs) have no obligation regarding the actual recruitment of the students thus trained, after graduating those study programs.

Training programs are circumstantial and in the absence of pathways that are in line with the real requirements of the labor market, they are carried out in a poorly reactive (and practically not at all proactive) manner. There is a chronic scarcity of occupational standards (which are either non-existent or outdated), and quality assurance mechanisms in continuous vocational training are in fact non-existent.

Continuous vocational training programs are fragile, both in terms of quantity and quality. Romania ranks last in the EU28 (and even well below the rates of some non-EU countries, such as Serbia or Turkey) in this respect. The rate of adult participation in continuous education programs is extremely low (0.9%), being over 12 times lower than the EU28 average (11.1%).

#### Best policy options:

Education: Precise and transparent monitoring and evaluation for school dropout; Ensuring adequate financing by granting the 6% of GDP provided by law; The national system for establishing funding for pre-university education should be adapted to include more independent experts; A gradual plan to increase the standard cost per student must be assumed; Rethinking this activity and implementing a national post-graduation monitoring program; Launch of projects that integrate the institutions and resources necessary for the elaboration of the analyzes at regional / national level that identify and propose the necessary optimization measures.

Acquirement of skills: Establishment of a permanent mechanism / system of predictive skill management; Optimal methods should be envisaged to facilitate participation in training programs; Creation of a system of predictive skill management, and a list of benchmarks regarding the orientation of education and training programs.

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#### PENSIONS, WELFARE STATE, POVERTY

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Demographic changes will change the structure of Romania's population. The ratio of persons over the age of 65 years and those of working age (15-64 years) increases significantly, which means that in the coming years the public pension system will have much diminished resources in relation to the expenses.

The challenges posed by changing employment patterns and also by the aging population are two challenges that require a responsible analysis of the current and future situation. Somehow, the insurance in the social protection system is seen as a characteristic of the employees, of those who work under an employment contract. The politicians gave in to the temptation not to impose the payment of social contributions, for the employed persons, other than the employees. In return these persons are not covered in case of risk. In fact, daily workers or self-employed are used in precarious employment forms, precisely for the fiscal advantage existing for this situation.

About 7.3 million persons are registered at this time as participants in the compulsory private pension system, but only half of these participants are currently active contributors. During the lifetime of these funds almost 100% of the new entrants who accessed the system did not have an option regarding the choice of their private pension fund. The distribution was made randomly by the National Pension House. On August 31, 2019, the average value of an account was about 1500 euros, for average contributions paid of about 1400 euros. As of January 2019, participants in these funds can be transferred to the public pension system, upon request, without being able to transfer the assets gathered in the private fund, although the amounts are insignificant. So far, the transfer to the public system is an almost non-existent



phenomenon.

Until now there has been no official (government) assessment of the effects of GEO 79/2017. The long time passed since the moment of January 01, 2018 makes the filtering of the effects increasingly difficult to evaluate, especially with the increase of the minimum wage and the evolution of the salaries in the public sector. Although filed in the urgent procedure in Parliament, GEO 79/2017 has not entered so far on the agenda of the Chamber of Deputies, being blocked at the Committee on Budget, and the deadline for the submission of the Commission report (December 14, 2017) has been exceeded by more than 1 year. The blockade is made precisely in an attempt to postpone the challenge of this normative act to the Constitutional Court, as various representatives of the Government admitted.

To complete the assuming of the financing of the pension system by the employees, the new pension law conditions the recognition of the period of contribution to the public pension system of the payment of social contributions by the employer. If the employer retains and does not pay the contributions owed to the pension system, the penalty will be received by the worker.

The health system in Romania is centred on the health insurance system, its financing being assured by the contributions of the employees in proportion of over 80%. Only 40% of the insured persons in the public health insurance system pay health insurance contributions. The rest of the insured persons benefit from insurance without having to pay a contribution.

The unequal distribution of health facilities as well as the health status of the workers require barriers to access health services, especially in rural areas, thus completing the picture of the health system.

The working conditions for the workers are hardly monitored in the Romanian labour market. The incidence rate of fatal accidents at work is the highest in Europe, three times higher than the average in the European Union. At national level, there is no unitary situation regarding the health status of the workers in relation to the professional risk factors. The number of workers exposed to specific fumes and their distribution by counties is not known, the health status and the exposure of the special risk groups (such as young people, pregnant women, the elderly, workers who work in difficult or special work conditions) cannot be estimated. This situation must stop.

Urgent measures are needed in this regard, especially given the strain in the labour market but also the demographic evolution of the population and the already excessive exposure of the social security systems.

Unemployment insurance is a system maintained only because the Constitution stipulates that citizens have the right to get unemployment benefits. Every year the financing of this fund has been reduced. For instance, in 2017, in the structure of the expenses with social protection, unemployment is the second to last as importance.



Romania misses an opportunity (at a time when unemployment is low) to invest in the workforce. From 2017 unemployment insurance has been limited exclusively for employees.

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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Investments continued to be the weak point of the Romanian economy, especially in the case of those that are critical at the moment, the infrastructure and human resources.

Romanian investments in productive assets are not keeping up with consumption-based economic growth. Thus, the competitiveness of Romania's real economy lags behind other Central and Eastern European countries.

The share of the gross fixed capital formation in the GDP saw the most significant decrease in the region in the last 10 years.

Although in the last years Romania had one of the highest economic growth rates in the European Union, the procurements of productive assets in economy - the main component of the gross formation of the fixed capital - decreased from 37.4% of the GDP in 2008 up to 22.6% in 2017, namely by almost 15 percentage points.

In 2018, the contribution of the gross capital formation to the dynamics of the economic activity was negative, and with implications on the macro-economic balance.

In recent years, both public and private investments have remained fragile, below the level recorded in 2008.

Among the sectors with a favorable course of investment activity were those associated with the constructions, the agricultural segment, the industrial branches with notable developments throughout the pre-crisis period (i.e. the automotive and the related branches), and also the commercial sector, while others areas had less convincing performance, such as the food industry.

Yet, there are no major investments in Romania, investment that involve a vision and a strategy for realization, investments with long execution timeframes and requiring significant resource allocation. In a country with a large infrastructure deficit, with chronic underfunding in education and health, with an acute need of investment in human resources, this type of investment should be a priority.

Unfortunately, the amounts allocated through the public budget for such investments remained

at a level well below the European average. Due to the need to be included in the budget deficit, these amounts have been reduced constantly.

Between 2009 and 2018 more than a quarter of the population of Romania expressed its intention to settle abroad should they have this opportunity. It is the highest percentage ever registered in a European country. Moreover, the intention expressed was higher especially among young people. This decision is related to the low employment opportunities in Romania, especially for young people with higher education. The quality of employment in Romania is one of the main causes of the emigration decision. Two thirds of the Romanian immigrants mentioned the quality of employment as the main reason for emigration. And the phenomenon has not ceased. In 2016 about 6% of the total immigrant inflows from OECD countries came from Romania (OECD, 2019).

Generally, Romanians working abroad have to take jobs that require a low level of training. A quarter of the Romanians - especially women - working in OECD member states take jobs requiring a low level of training. Those who return to Romania prefer to carry out activities on their own, which exposes them even more to precarious employment conditions.

Even under these circumstances, there is very little interest in investing in human resources and creating a strategy of retaining the workforce in the country.

Significant financial resources directly allocated to the public employment service are wasted, although it is clear that the adopted measures are hardly efficient. Investments in entrepreneurship are continued, although given the conditions imposed by Romanian regulations, this status on the labor market implicitly means precarious employment, without insurance and without protection.

The state must play a key role in promoting large investments, It is vital to have a vision of infrastructure development in Romania, and resources should be focused on viable projects.

It is also extremely important for Romania to think of a strategy of retention of the workforce and to invest for high quality in human resources.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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Regardless of the fiscal reforms promoted in recent years Romania seems to be stuck at a very low level of tax revenues as percentage of GDP. With about 32% of GDP, the total revenues in 2018, Romania is well below the European Union average.

The collection efficiency remains extremely low, the tax system is very complicated and with many exceptions. In many cases there is an unfair placement of the tax burden. There is a high level of activity in the underground economy. These are just a few reasons why the public budget faces a severe strain. The low level of revenues collected and the increase of some categories of expenses led to a public budget deficit estimated at over 4% of GDP.

The tax administration in Romania does not have the capacity at this time to ensure a substantial increase of the tax collection.

The political involvement, the lack of transparency and of a computer system, are just some of the major problems of the National Tax Agency (ANAF).

Policy makers display a major lack of responsibility regarding fiscal policy and budgetary stability. One such example is the transfer of tax burden from employer to employee. Beyond the violation of treaties ratified by Romania, and letting the employees face the effects of the population aging on social security funds, none of the assumed objectives have been validated in reality.

The effect on the social insurance budget and on the health fund were strictly scripted, meaning that by modifying the calculation basis and reducing the income tax rate, in fact the direct income in the form of social contributions increased but the transfers from the public budget decreased for the 2 social security budgets. Overall, considering the evolution of the number of employees, the average gross salary and implicitly the remuneration of the employees, the effect of the transfer on the consolidated budget in 2018 was only 295 million RON. The 2017 tax reform surely did not yield the expected effects. Moreover, it significantly disturbed the wage policy and exposed both employees and employers to a state of uncertainty that continues to persist and is accentuated by the blocking of the GEO 79/2017 in Parliament, to prevent it from being challenged at the Constitutional Court.

Although there are a number of approx. 13 requests lodged by several courts in Romania requesting the Constitutional Court to verify the constitutionality of GEO 79/2017, without offering any justification, everyone concerned irresponsibly avoid the clarification of this situation.

In a country where economic growth has been constantly accompanied by increased income inequality, it is very important to talk about inclusive growth and at the same time, to look for levers for a fair distribution of the benefits of economic growth.

With an estimated budget deficit for 2020 of over 3%, the reforms initiated are currently under question (such as public sector salary or pension reform), thus producing new situations of inequity between categories of employees in the public sector or categories of pensioners.

If in the previous years from the public budget transfers were made to cover the deficit of the

social insurance budget or the single social insurance fund, starting in 2019 the two social security funds received extremely limited transfers.

As a result, after 11 months of execution, the 2 budgets accumulated significant deficits, over 6 billion lei:

Best policy options:

- to clarify urgently the constitutionality of GEO 79/2017,
- to return to a responsible fiscal and budgetary policy, with targets assumed for an economic growth accompanied by social cohesion.

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## SOCIAL DIALOGUE

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Although social dialogue has constantly been one of the country recommendations in recent years, Romania has not achieved significant progress in this regard. The lack of interest and political will for a real tripartite social dialogue and the deficient legal regulations for bipartisan social dialogue are the main problems of the social dialogue in Romania.

The capacity of the social partners was undermined by the current legislative framework. The conclusions of an independent study contracted by ILO regarding the impact generated by the new law on industrial relations in Romania are relevant to the current situation. *~Ultimately, the reforms have had detrimental social impacts and not delivered the economic benefits promised. Workers and their representatives have lost a wide array of entitlements, leaving them in a very precarious working situation. .. The reforms have also caused collective bargaining in Romania to stagnate. At all levels, there is a noticeable drop in the extent to which collective bargaining is taking place and the number of agreements being signed. Even those agreements which have been signed cover less workers and their provisions offer inferior protection to employees compared to previous agreements in similar contexts. This can be attributed to the changes to Romanian industrial relations law which have made the formation of unions and the conduct of bargaining much less accessible. This poses longer term concerns for regulation, working conditions and social stability.~*

In the last year there have been numerous discussions to change the current legislative framework, but discussions took place in the Romanian Parliament, the Government being rather a mere spectator of these discussions. Furthermore, a political crisis has blocked the debates again. The positions of the unions and the employers' associations are divergent in terms of the need to change the current legislation because the current legislation is unbalanced and extremely favorable to one specific party. The deficient legislative framework, and its faulty application creates a toxic environment for real social dialogue.

Sector level collective agreements can only be concluded in the public sector. In the economic environment 85% of the collective agreements have been signed with the representatives of the employees - a structure created by the current legislation, without any responsibilities, in overwhelming majority of the cases being controlled by the employer - which led to the significant limitation of power of the trade union organizations, especially in the private sector, and to increasing occurrence of wage gaps.

Undermining the power of union organizations and strained labor relations are visible in more and more cases of spontaneous labor conflicts, as well as in often overly aggressive approaches of employers to any attempts at union organization or collective bargaining. Public institutions are spectators to these manifestations of aggression.

The Romanian workforce crisis is not an effect of a marked development of our country in recent years. The lack of consideration for the workforce, the lack of concern to create high quality jobs, the destruction of organizations representing workers' rights, all pushed Romania's active workforce outside the country. The quality of employment in Romania is one of the main causes of the decision to emigrate. Two thirds (2/3) of the Romanian emigrants mentioned the quality of employment as the main reason for emigration. It is no coincidence that Romania ranks 25th among the member states in terms of respecting workers' rights.

The extremely short time allocated for debates and the lack of impact assessments for public policy proposals determines the parties involved to express their opinion based on their own data or information. This is fragmenting the dialogue and does not help facilitating the convergence of opinions. Quite the opposite. One such example is the setting of the minimum wage for 2020. The proposal submitted by the Government has no impact assessment. Consequently, each party presented its own opinion on the impact, and the social dialogue has become a simple process of information regarding the intention of the Government.

In the absence of a real interest and usefulness allocated to this process, the efficiency of the Tripartite National Council for Social Dialogue (TNCSD/CNTDS) could not be improved. There was not even a discussion about how the activity of this institution could be amended.

There must be a political will in order to make the involvement of social partners in the elaboration and implementation of public policies real and effective.



# SLOVAKIA

## KOZ

### LABOUR MARKET AND EMPLOYMENT

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Priorities in the field of employment and labour market guarantees persist. Employment protection legislation and unemployment issues are the main targets.

As we see the unemployment rate of Slovakia is nowadays under 5 %. The most problematic issues are youth unemployment, unemployment of older people, long-term unemployment and disadvantaged unemployment.

The specific issues as women participation at labour market, long-term unemployed, disadvantaged groups and marginalized groups were resumed also in country specific recommendation 2019. We truly agree with CSR in this field, and they must be the priorities in following years.

Labour market reforms and their measures help to decrease the unemployment rate. With unemployment rate under 5 %, there is lack of labour force and there is an urgent need for requalification and education reform. Most problematic are technical fields and vocational training (lack of graduates). In the beginning of the year, several measures for easier employment of foreign entered into force. Opening labour market for foreign workers partially solves the problems with labour force, but it pushes on respecting social and economic standards of workers. Integration of foreign workers and respecting the rights of foreign and national workers as well, will be challenge.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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The coverage of collective agreements is still poor therefore there is a need of government and public support for promotion the importance of the collective bargaining and collective agreements.

Minimum wage will increase on 580 /month in 2020. From 1. January 2021 onwards, if social partners´ don´t get agreement about minimum wage, automatic formula will entered into force and minimum wage for the next year will be counted as 60 % of nominal average wage in national economy stated in year which go before year of negotiations (e. g. in 2021 minimum wage would be 60 % of nominal average wage in 2019).

Despite of this, we still emphasize that the wages in Slovakia are really low in comparison with other European countries and collective bargaining must be reinforce.

Best policy option to address the challenge of low wages is to continue in increasing the minimum wage to keep recommended level of minimum wage according to European social charter and to drive the growth of all national wages. Reinforcement of collective bargaining at national, sectoral and company level plays the essential role in the pay rise. Due to huge different wage levels between European countries, the essential thing is convergence within the countries.

Slovakia has relatively low wage inequality because of low wages, but there is a gender pay gap around 18 %. Women are working in retail, services, health care, branches which are less pay. They care about children, elderly and with poor work-life balance they earn less and have lower pensions.

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## EDUCATION AND SKILLS

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Slovakia is still waiting for educational reform. There is no balance between educational system and labour market needs. Graduates have problems to find job in their finished study field. Economic growth, changes of labour market (digitalization), prevailing industrial orientation and regional disparities cause lack of technical workers and technical graduates. Except support of requalification there is also need to support vocational training and lifelong learning.

Wage valuation of teachers is not sufficient and motivational, we need to make the teaching profession more attractive. Education and Training Monitor 2019 (EU Commission) acknowledges that among all factors in the school environment, teachers are considered to have the greatest impact on students´ learning outcomes. In case of Slovakia the investment in



education and training is insufficient, and this is reflected in teachers' still low salaries despite recent increases. Most of the targets of ET 2020 are not met in case of Slovakia.

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PENSIONS, WELFARE STATE, POVERTY

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There is no urgent need in this field although the improvement will be welcomed:

- A) Unemployment benefits - sufficient - max. 6 months of support (50 % of daily assessment basis)
  - B) Sickness and health care benefits - first 10 days are paid by employer then by Social Insurance Agency (1. - 3. Day - 25 % of daily assessment basis, from 4. Day - 55 % of daily assessment basis) - new employee in new job (less than 90 days of insurance) has benefits from Social Insurance Agency as % from minimum assessment basis which is minimum wage and it doesn't matter if he works (in global) year, 2 years, 10 years, and pays the insurance - this should be improved.
  - C) Maternity and equivalent paternity benefits - sufficient - maternity - 75 % of daily assessment basis, generally 34 weeks; paternity - benefit paid till 3th year of child, generally 220,70 /month/child.
  - D) Invalidity benefits - sufficient - no remarks; Nursing benefit - from 2020 will be increase in length of receiving.
  - E) Old-age benefits - sufficient - Slovakia has the retirement age ceiling (64 years); minimum pension (from 2020 will increase to 33 % of nominal average wage in national economy).
  - F) Benefits in respect of accidents at work and occupational diseases - sufficient - improvement should be in increase of fairness in fund creation (bonus-malus - employer should pay more if there are more accidents or diseases) tripartite management of fund would be welcomed.
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INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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Trade unions demand more public and private investments e. g. to infrastructure, human resource in public sector, R&D. At our situation we see that the domestic demand growth (comprising consumption, public and private investment, government expenditure) is essential for national economy growth and as well it is a major challenge.

This all is also the reason why we push on growth of wages which will caused consumption or savings growth.

Other challenge is setting and improving of social or rental housing since Slovakia has high share in private ownership of properties.

Another issue is to establish environmental and sustainable industry which will be based on innovations and productions with high value added. Structure of Slovak industry is one-sided and simple handling work and assembly work prevail.

Since, workers have paid the highest price in the crisis, is necessary to demand a strengthening of the fight against tax avoidance and tax havens. Slovakia has to improve tax collection.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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We do understand the need of reaching the goals of Stability and Growth Pact in the field of planned deficit targets. The increased efficiency of public expenditure must be based on adoption of binding expenditure ceilings and the implementation of the 'value for money' programme, which was recommended in 2016 and 2017 recommendation. In 2018 the recommendation was to increase the use of quality-related and lifecycle cost criteria in public procurement operations and to tackle corruption. In 2019 it was to achieve the medium-term budgetary objective in 2020 and to safeguard the long-term sustainability of public finances, notably that of the healthcare and pension systems.

We see that the state budget 2020 covers social measures and invest to public employees but we see the risks in maintaining the deficits due to economic growth, external issues and planned reforms. We pointed that the budget objectives will probably not be met. As a trade unions we demand effective public expenditure but with no impact on employees working in public institutional units.

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## SOCIAL DIALOGUE

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These requirements are the same as in the previous years - we presented them at EMCO peer view and at annual consultations at Representation of the European Commission in Slovakia - DG Employment fact-finding for country report 2020:

The social partners have the opportunity to participate in consultations in legislative procedure, thereby also being informed of planned reforms. Trade unions are usually involved in all legislation process. Social partners can put forward their views and amendments at the beginning of legislation process and there are also the consultations. Afterwards the important reforms (or chosen reforms) are negotiating at tripartite level or if there is a need also at sectoral bipartite. Some kind of reforms are discussed at working groups.

As further effort in this field, should be better informing of planned reforms - rather be formal or informal consultation (planned reforms are presented through web site where are very weak information). During the legislative process, there is often a very limited time scope to enforce demands or objections.

Social partners rose the problem of participative financing social dialogue and social partners through the national budget as it is at several EU countries. There is an urgent request to streamline and improve the preparation of legislation at the tripartite level by strengthening the capacity building of the social partners by supporting the creation of experts, expert papers and education.

We really do appreciate the Social Dialogue Project, which helps us with capacity building and education. On the other hand there is a need of long term systematic solution separated of EU founding.

Trade unions will welcome every positive promotion of importance of social dialogue also from the government representatives.

# SPAIN

## CCOO

### LABOUR MARKET AND EMPLOYMENT

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Economic recovery in Spain boosted the employment growth from 2014, supported by short-term positive factors such as the fall in the price of oil, the devaluation of the euro, the ECB's expansive monetary policy that reduced the risk premium and interest rates or the tourist strength given the instability situation of other tourist destinations. The exhaustion of these factors undermines the evolution of the Spanish economy, whose growth is moderating (2.0% year-on-year in 2019) in a context of international slowdown and high uncertainty caused by events such as the US-China commercial and tariff war or the UK's exit process from the EU.

These deceleration signals are moving into job creation. The gain in purchasing power of wages (above 1%) is damping the slowdown, but it is not enough to sustain domestic demand and consumption. The insecurity generated among the population by years of cuts and regressive labour reforms has caused the population to react by increasing savings and postponing spending and investment decisions in the face of economic and political uncertainties.

Job creation remains largely concentrated in the less productive sectors that have traditionally boosted the Spanish economy, with little evidence of change towards a model based on activities with higher added value, concentrated on services and building. Unemployment slows down due to lower job creation and the increase in the active population. In annual terms, unemployment falls by 111,600 and stands at 3,214,000 people and the unemployment rate falls one tenth to 13.9%.

The labour force evolution has been very negative for women, who have seen the number of employed women fall (-4,900) and the number of unemployed (17,400) increased, while among men the numbers of employment (74,300) and unemployment (-33,700) improved. The female unemployment rate has rebounded to 15.9% while the male rate fell to 12.2%, 3.7 points of gap. Inequality and job insecurity, in their different forms affect the majority of the active population, increased during the growth stage linked to the housing bubble, continued to increase during the recession and the long crisis (with mass unemployment) and have continued growing in recovery, where the decline in unemployment has been caused by an increase in the precariousness of the employment generated: temporality (26.7%), part-time, dependent self-employment, wage devaluation, rebound in occupational accidents.

Given this panorama, it is necessary that the Spanish Government carry out a turn towards an economic policy that fosters the structural change of the productive system, that promotes the efficient use of public resources at all levels of the Administration and that helps to recover the domestic demand. The objective should be to remove the Spanish economy from its traditional pattern of growth with low added value, without industry, unstable employment and low wages. This requires increasing public investment and reorienting it towards improving the quality and technological content of production. High value-added services, services to people, reorientation of the building sector towards rehabilitation and energy efficiency, the commitment to renewable energies and a diversified industrial sector with a growing

presence of the future sectors must be the basis of the new model.

A shock for Employment Plan must be promoted to urgently create jobs for the long-term unemployed population, young people without qualifications and over 55 years, as well as increasing social protection, especially for unemployed people. From CCOO, we welcome the Young Employment Plan and the Plan for return to the employment for long-term unemployed people approved this year and which must now be implemented and developed during its three years in force to promote and promote employment.

## COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

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## EDUCATION AND SKILLS

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The main challenge is to integrate vocational training reforms within the framework of the 2030 Agenda and the European Pillar of Social Rights. The evolution of the characteristics of employment and the increase in inequality make it necessary to consider the guarantee of the right to training in this context.

The New Skills Agenda sets goals for improving adult education and access to vocational training. In Spain, educational reforms and the training of workers in the most critical years of the economic crisis, together with the lower investment, have deepened the lack of equity in both initial and lifelong learning.

In the initial training the rate of early school leavers has lowered, but there are great differences if one considers the social origin or the migration, and the opportunities to access the formation later are marked by the same causes. According to the latest survey on the participation of the adult population in learning activities (2016), 19% of the population over 16 years of age wanted to do training and could not, pointing out the lack of time (53%) as the main reason. But it should be noted that 43% of those with less income said they could not finance it.

In the training at work the participation of smaller companies, those that have less than 10 workers and employ 21% of the salaried population, has fallen to 16.6% compared to 92% of large companies.

The challenges for training policies arise from two points of view:

the right of people to training

the quality of employment and the improvement of social welfare

In order to respond to both, greater cooperation is needed between the educational and labor administrations, both with competence in vocational training, and with the social partners.

Among the issues that must be addressed together are:

the increase of public investment in research, infrastructure, teacher training, etc., for the development of vocational training plans linked to strategies to combat climate change and in favor of the circular economy

increased investment in the offer of general and vocational training for adults in public centers

the guarantee of a stable and flexible training offer for workers in public centers

recognition of the value of collective bargaining to boost workers' access to training

promoting the improvement and development of training leave

quality assurance of practices, always within official training programs

the development of dual training in post-compulsory training, to reduce educational dropout

Unless investment in training and new productive activities is improved; without improving the quality of employment, inequality in access to training will not be reduced and labour insertion will not be improved.

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## PENSIONS, WELFARE STATE, POVERTY

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## INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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Spanish economy effort in new investments (i.e. excluding capital consumption) was, in real term, 3.9% of GDP in 2018, almost eight percentage points below 2011 (11.7%), before the euro has been launched and the housing bubble had begun.

This lower investment impulse is mainly in the private sector, whose net investments has gone from 11.5% of GDP in nominal terms, to 4.2% in 2018; that is, 7.3 points lower. In the same period, the public sector has reduced its investment effort from 1.8% of GDP to -0.2%. The Spanish public sector has been recording annual net investment cuts since 2012. This means that public capital endowment has been destroyed.

By type of product, the real investment effort in construction has gone down by 5.2 points between 2001 and 2018 (up to 9.5%); 60% of this fall is due to investment in commercial and civil infrastructure, and the remaining 40% correspond to the investment in housing. The investment effort in capital goods has remained at 6.2% of GDP in this period, corresponding 4.1 points to investment in metal products and machinery, and the remaining 2.1 points to investment in transport equipment. The 'other investments' section has increased by 0.2 points up to 0.4% of GDP.

Spain spends 1.2% of GDP on R&D while in the EU-28 as a whole it is 2.06%. In addition, 54.9% of this expense is done by private companies, appreciably below Europe (66%). This is due, among other factors, to the smaller size of Spanish firms and the colonization of the large ones by the foreign capital, that usually means the transfer of R&D activities and other high



value added activities to the country where their headquarter is located. The difficulties for growing of small and medium enterprises are related to the lack of competition in basic sectors such as banking, electricity and real estate, that manage to extract monopoly incomes from SMEs. Also SMEs face unfair competition from large companies. The latter enjoy lower taxation (due to a poor corporate tax design), lower financing (caused by the ECB's QE) and, after the 2012 agreements, which made companies have collective bargaining agreements with a downward bargaining agreements that have broken the wage floors of sectoral agreements, expelling small and medium-sized companies from those activities.

The environmental expenditure of all Public Administrations is equivalent to 0.9% of GDP, the same as in 2001, 17 years ago. Thanks to the significant investments made in the extension of the fiber optic network at the end of the previous period of growth, Spain has good digital connectivity ratios. Regarding social rights, Spain has also a good education and health systems, universals and mainly free, although the freezing of public employee workforce or the lack of replacement of retired employees during the crisis, has generated waiting lists in the public health service and a slow progress in the quality of education at public schools. This has led to higher-income users abandoning public services that, as a consequence, have lost part of its universality. Public spending remains the same as in 2001 on education (4% of GDP) and it has increased a point in health (6%), but not as a consequence of service improvements but because of population ageing.

Social protection spending is the only one that has experienced an important increase in the last 17 years (4.4 points) but, again, the whole increase is explained by population ageing (increase in pensioners and widows). On the contrary, the improvement of dependency protection, social exclusion and social housing are still pending. Public resources allocated for housing represent only 0.1% of GDP, with Spain at the tail of Europe in social rental housing.

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## STATE BUDGET AND FISCAL CONSOLIDATION

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## SOCIAL DIALOGUE

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Beyond the fields of institutional participation and the Social Dialogue roundtables, which currently have little activity due to the lack of government in Spain, in the specific case of the elaboration of the National

Reform Plan, the social partners and specifically the trade unions, we have not had a formal consultation process in NRP 2019, only an exchange of letters at the beginning of the elaboration process.

Effective participation, not just formal consultation, is essential in this respect, since it is the European semester through the PNR that determines the policies to be developed in Spain, among others, in the social and economic areas, which are matters of trade union action and competence.

In the specific case of Spain, it must also be remembered that the process of social dialogue and the role of the Social Partners is enshrined in our constitutional norm.

It would be convenient, and this is what we have proposed to the Government in office, to establish a protocol for trade union participation in the elaboration of the European semester and its concretion in the National Plan of Reforms.



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