EUROPEAN SEMESTER 2016

# ETUC REPORT ON NATIONAL TRADE UNIONS INPUTS FOR THE EARLY-STAGE CONSULTATION ON COUNTRY REPORTS 2016


CONFEDERATION SYNDICAT EUROPEEN TRADE UNION

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## OVERVIEW

**PREAMBLE**

While we are experiencing a moderate recovery, the ETUC remains concerned about the low level of growth and high rates of unemployment. Austerity policies, imposed all around Europe since 2010, have had negative consequences for growth and employment, not to mention their effects on debt ratios, which in fact increased, as mentioned in the Survey. Indeed, unemployment is still at 10.8% while internal demand is still 3.5% lower than its pre-crisis level and inflation is dangerously low.

The EU urgently needs more ambitious policies for reviving internal demand within the EU. This requires an alternative approach, favouring public and private investment and a better income distribution through more economically efficient fiscal policies responding to the increase in inequalities.

The European Commission should now make recommendations that reverse the flawed ideology which drove Europe to the crisis and prevented a strong recovery. While the ECB is playing the game and experiencing unorthodox policies, policy makers around Europe stick to political *mantras* such as balanced budget, market deregulation and a decrease in labour protection as a way to increase investment and employment. We need policies which preserve and develop social standards and labour protection and prevent inequalities; policies which are more effective for growth and employment.

The ETUC is calling for more flexibility in the interpretation of the Stability and Growth Pact. We oppose the view that higher deficits necessarily lead to an increase in debt ratios and the assertion that labour regulation and labour protection are obstacles to job creation.

The "social" objectives have to be made visible within the Country Reports, the National Reform Programmes, the Stability and Convergence Plans, including more social-friendly Medium-Term Objectives, and finally within the Country Specific Recommendations. The involvement of social partners can better identify whether and which policies are needed, so that the interests of both sides of industry are well balanced.

***Method***

The ETUC has collected 29 questionnaire responses, from 36 member organisations in 21 EU countries. ETUC members selected clear policy priorities falling within the scope of the EU Semester in their respective countries. This means that national inputs may not be an exhaustive list of the reforms needed in each Member State, but they identify policy/reforms that are key to improving social performance in thriving national economies.

ETUC coordination ensures that such demands find a place in a coherent trade union strategy for a social Europe. Reported in their integrity, these national inputs should be considered as crucial when editing the Country Reports 2016.

***Trade union involvement in the Semester***

The European Commission's dialogue with trade unions has improved. At national level, trade unions are not given the possibility to dialogue with their governments during the main phases of the European Semester.

Austerity measures coupled with policies aiming at dismantling and decentralising collective bargaining have weakened social dialogue in many countries. To ensure a social dimension for the European Semester, more structured exchange between social partners and national governments should take place, according to national practices but responding to European standards, in terms of timing, contents and meaningfulness of the consultation. Economic and social objectives as agreed at European level should be reflected in national practices. For that purpose, it is important that social partners are involved in the National Reform Programmes. Governments should disclose possible contents of stability and convergence programmes and Medium-Term Objectives in the information package given to the social partners. In spring 2016, the ETUC and its affiliates will monitor the role and effectiveness of their involvement in the EU Semester and will transmit their report to the European Commission.

***Barometer of trade union fundamental rights***

The Semester 2016 is, once again, taking place in a situation of non-compliance with fundamental rights of the EU in too many countries. There is a strong sentiment among ETUC affiliates that violations of fundamental trade union rights occur frequently in Croatia, Estonia, Ireland, Poland, Bulgaria and Spain. More countries denounce (or continue to denounce) a strong deterioration of fundamental trade union rights, including Belgium (attack on fundamental component of their IR system), UK (right to strike), Finland and Cyprus (right to collective bargaining and autonomy of social partners).

## INVESTMENT AND FAIR TAXATION FOR GROWTH

As mentioned above, the ETUC is calling for a strong boost in public investment to re-launch aggregate demand i.e. private investment and consumption. The intervention of state investment in a number of sectors and activities is crucial to relaunch the economy, especially when it comes to infrastructure, research, development, innovation, and services of general interest (such as energy and water supply, social services, transport).

While welcoming the European Commission's recognition of this issue in the launching of a European Investment Plan, the ETUC remains doubtful concerning the real amount finally invested in such a scheme. In addition, while the Commission suggested more flexibility concerning respect of the Stability and Growth Pact, the ETUC deplores the fact that some Member States want to limit this already weak flexibility. Blind cuts in public expenditures had and will remain to have negative impacts on growth and employment. The ETUC calls for effective counter-cyclical economic policies, throught increases in public investments, to pave the way to a sustainable and balanced recovery.

Finally, the ETUC is in favour of a more progressive tax system, at the individual level, and at the corporate level of an effective tax rate of at least 25% within the CCCTB scheme.

What has to be pursued is a balance between the need to have a fairer taxation system and the need to ensure sufficient tax income to finance public intervention in crucial areas such as structural investments, welfare, and prevention of and fight against segregation and poverty.

## COLLECTIVE BARGAINING AND WAGES: IF NOT NOW, NEVER!

Eight years of economic crisis have dramatically hit households' purchasing power. It is high time to increase purchasing power of wage and pension earners to boost internal demand. ETUC affiliates propose a range of coherent policies that can be variously combined at country level:

- Restoring normal functioning of collective bargaining for a balanced growth of wages respecting the rule that real wages rise in line with productivity, not hesitating to propose a catching-up phase of wage dynamics especially in countries where productivity gains have evidently outperformed wage increases;

- Pushing minimum wages toward the objective of 60% of the national median wage or removing obstacles for that to happen; sub-minimum wages for specific groups (namely youth) should be abolished. They have been promoted in the name of easing the transition into the labour market but in practice they have produced nothing but inequality and in-work poverty.
- Encouraging policies that eliminate the gender pay gap. This should be achieved through country-tailored measures aimed at the removal of direct and indirect discrimination between men and women;
- Stabilising employment relationships avoiding segmentation of the labour market and adopting stringent measures to prevent abuses in the use of flexible employment relationships;
- Ensuring "social safety nets" for unemployed (especially long-term) and disadvantaged people, including minimum incomes linked to inclusive social and professional guidance.
- Restoring and preserving the purchasing power of pensions.

**SOCIAL PROTECTION**

Country Reports should address the issue of low wages for workers and low incomes for households. Increasing poverty is one of the most striking failures of the EU2020 strategy. As recalled in the Survey, "in 2014, a quarter of the EU population was at risk of poverty or social exclusion".

Inequalities in the EU have never been as pronounced as they are today. Once again, Country Reports have to identify balanced sets of measures to fight poverty and mitigate inequality. The most quoted measures are:

- Re-assessment of pension systems with social partners (as said in the AGS) to solve problems generated by the authomatic linking of statutory/legal retirement age to life expectancy, and adequacy of incomes. Whereas in many countries the problem is claimed to be linked to early retirement, low and short-term contributions and cost optimisation, national trade unions affirm the need to integrate pension policies in a wider spectrum of interventions for increasing revenues to state systems, for example by fighting tax evasion, increasing employability and enlarging participation in the labour market, and better distributing the tax burden and revenues linked to labour costs.
- Raising the retirement age without taking this holistic approach into account is not only useless, it is also highly detrimental for mental and physical health and safety, and therefore potentially counterproductive in terms of reducing public expenditure on health care.
- Capitalising from budgetary surveillance and identifying resources for fighting poverty.
- Making social investments visible in the Country Reports, especially to enhance universal public services which fulfil primary and general interests.

**LABOUR MARKET AND EMPLOYMENT**

Country Reports should promote the creation of quality jobs and more permanent types of contracts, and push Member States and employers to invest more in skills and lifelong learning.

Employment performances differ greatly in Europe. Indicators have been added to the Macroeconomic Imbalance Procedures. Employment levels have to be increased while fighting structural unemployment in a more inclusive labour market.

ETUC affiliates challenge the correlation that has been made between employment protection and unemployment in past years. Instead, we invite the European Commission to focus on the consequences that precariousness of work is producing on the quality of jobs. ETUC affiliates draw on both statistics and "real life" to show that precariousness makes companies and people less likely to invest in skills and qualifications. People are increasingly discouraged to find a job or a job that meets their expectations. Households are more likely to invest less in their own children’s education. This is visible in the mismatch between education levels and labour opportunities in many EU countries.

Investing in people means reforming Public Employment Services and educational and vocational training structures, investing more in the present and future workforce, and also addressing shortages in specific segments of the labour market. Vulnerable workers needing greater and immediate attention are women, older and younger workers. In this respect, many affiliates are critical that Youth Guarantee schemes are not tackling youth unemployment and the NEET phenomenon in an effective way, when not being misused. The involvement of social partners in general, and trade unions in particular, remains a challenge.

Policy options may include active labour market policies, having the principle of equal treatment as key in the EU context. The use of incentives to shelter or re-employ unemployed workers has to be evaluated case-by-case. The current use of subsidies is often denounced for its ineffectiveness, especially where a clear strategy for re-skilling or up-skilling of beneficiaries is missing, even though the employers have a responsibility to make that happen. Overqualification generates discouragement, emigration, and the "brain drain “phenomenon.

We call on the European Commission to take trade unions inputs into account when editing the Country Reports 2016 so that the EU Semester can finally be a driver for economic growth and social justice.

COUNTRY FOCUS TAB

Please note inputs have been put in the tab in alphabetical order for Country.

## *BELGIUM: FGTB – CSC – CGLSB*

There are significant gaps in the Belgian **labour market**. In particular, there is a lack of technical **skills** and posts requiring these are becoming increasingly difficult to fill. Alongside this, various target groups are particularly affected by **unemployment**: young and elderly people, the low-skilled and those from migrant backgrounds. This is due to a lack of training; in particular, insufficient length of time spent in education. There are also particular concerns in Belgium over a developing gap in digital skills.

Investment in education, training and the various apprenticeship schemes:

- greater investment in quality education
- additional resources for employment offices
- stronger requirements for businesses to provide training opportunities
- policy measures to support the various apprenticeship schemes, in both organisational and financial terms
- policy measures to address the digital skills gap.

There is also a need for tax measures to support at-risk groups.

Between 1999 and 2012, there was a net loss of 318,151 low-skilled jobs:

| | Hooggeschoold | | Middelhooggeschoold | | Laaggeschoold | |
|---|---|---|---|---|---|---|
| | **Aantal jobs** | **% daling/toename binnen doelgroep** | **Aantal jobs** | **% daling/toename binnen doelgroep** | **Aantal jobs** | **% daling/toename binnen doelgroep** |
| **Landbouw** | 1.201 | 77 % | 760 | 2 % | -26.245 | -48 % |
| **Verwerkende nijverheid** | 10.040 | 18 % | 8.508 | 3 % | -131.609 | -46 % |
| **Marktdiensten** | 190.249 | 80 % | 298.817 | 28 % | -110.344 | -15 % |
| **Elektriciteit & water** | 4.282 | 99 % | 4.536 | 21 % | -2.034 | -15 % |
| **Bouw** | 8.260 | 106 % | 56.148 | 57 % | -25.049 | -18 % |
| **Overige marktdiensten** | 177.708 | 79 % | 238.133 | 26 % | -83.262 | -14 % |
| **Huishoudelijke & publieke dienstverlening** | 37.743 | 42 % | 147.328 | 47 % | 9.417 | 8 % |
| **Niet-marktdiensten** | 67.722 | 60 % | 78.333 | 18 % | -59.369 | -29 % |
| **Totaal** | 306.955 | 62 % | 533.746 | 25 % | -318.151 | -23 % |

**Source : CCE (rapport technique 2014)**

According to the figures in Belgium's 2014 Country Report, 40 per cent of low-skilled workers are employed, compared to 65 per cent of medium-skilled and 80 per cent of highly skilled workers. Only 36 per cent of people with a migrant background are employed.

Over recent years, Belgium has had a wage moderation policy - and the 2 per cent rise in the price index at the start of 2015 was the icing on the cake. Although salary costs will continue to reduce due to the planned reduction in employer contributions, both the indexation mechanism and the "Law of 1996" are still subject to criticism.
We wish to retain the Belgian system of free, centralised bargaining for salary conditions, as well as the indexation mechanism, and would like to return attention to the real problems for our competitiveness, namely the non-financial aspects.

The belgian unions demand:

- No change to the Law of 1996 on the promotion of employment and the safeguarding of competitiveness
- No change to the indexation mechanism
- Policy measures to encourage investment in innovation, training, infrastructure and renewable energy, thus improving productivity.

According to CCE (Central Economic Council) forecasts, salaries in Belgium will rise by 0.3 per cent in 2015-2016, while in neighbouring countries they will rise by between 3.9 and 5 per cent. Not only will the wage differential (2.9 per cent in 2014) be completely wiped out, but we are recording a positive pay gap, even with a limited margin of 0.8 per cent in 2016. (This will not apply to all sectors or businesses, or to the public sector.) Moreover, these data do not take into account the tax shift that was agreed in July 2015. This will result in a reduction in National Social Security Office (NSSO) employer contributions and therefore also a reduction in salary costs. These figures do not take into account salary subsidies (3.97 per cent of salary costs in 2013). See below :

| II. Uurloonkostenontwikkeling in de privésector | 2011 | 2012 | 2013 | 2014P | 2015P | 2016P | 11-12 | 13-14P | 97-14P | 15P-16P |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Gecumuleerde veranderingspercentages [6] | | | |
| Index (1996=100) van de relatieve loonkostenontwikkeling : België / Gemid. 3 in de privésector [1] | 103,9 | 104,0 | 104,2 | 102,9 | | | 104,0 | 102,9 | | |
| Gemiddelde 3 | | | | | | | | | | |
| Oeso (economie in haar geheel) [2] | | | | 1,9% | | | | | | |
| Secretariaat (privésector) [1] | 2,2% | 3,1% | 2,3% | 2,1% | | | 5,3% | 4,4% | 51,5% | |
| België | | | | | | | | | | |
| Oeso (economie in haar geheel) [2] | | | | 0,0% | | | | | | |
| Secretariaat (privésector) [1] | 2,2% | 3,2% | 2,4% | 0,8% | | | 5,6% | 3,2% | 55,8% | |
| waarvan : -indexering [3] | 2,7% | 2,9% | 1,9% | 0,7% | 0,2% | 0,2% | 5,7% | 2,7% | 38,6% | 0,3% |
| - bruto-uurlonen buiten indexering | -0,2% | 0,3% | 0,6% | 0,1% | | | 0,1% | 0,7% | 11,0% | |
| - effect van de sociale werkgeversbijdragen [4] | -0,3% | 0,1% | -0,1% | 0,0% | | | -0,2% | -0,1% | 1,3% | |
| waarvan : - betaald aan overheid | 0,2% | -0,1% | -0,1% | | | | -0,1% | | | |
| - betaald aan privésector | -0,4% | 0,1% | -0,1% | | | | 0,1% | | | |
| - toegerekende bijdragen [5] | -0,1% | 0,0% | 0,0% | | | | 0,0% | | | |

[1] Tijdreeks (1996-2013): bron Nationale Rekeningen. Prognose 2014: bron secretariaat. Zie het hoofdstuk over de lonen voor meer preciseringen over de methode.
[2] Economic Outlook van de Oeso, november 2014.
[3] Tijdreeks (1996-2013): fod Werkgelegenheid. Prognose 2014: NBB.
[4] Groeiverschil tussen de uurloonkosten en het bruto-uurloon.
[5] Hoofdzakelijk gewaarborgde lonen (ziekte), ontslagvergoedingen en andere sociale voordelen (pensioenen die rechtstreeks door de werkgever aan voormalige werknemers worden uitbetaald, kinderbijslag).
[6] Behalve voor de index van de relatieve loonkostenontwikkeling België/gemiddelde van de 3: waarde van de index aan het einde van de periode.

| | 2015 | | 2016 | | 2015-2016 |
|---|---|---|---|---|---|
| **Min** | | | | | |
| Duitsland | 2,8% | Bundesbank | 3,0% | Oeso, EC, Bundesbank | 5,9% |
| Nederland | 0,6% | Oeso, EC | 1,4% | Oeso | 2,0% |
| Frankrijk | 0,9% | | 1,0% | EC | 1,8% |
| Gem-3 | 1,8% | | 2,1% | | 3,9% |
| **Max** | | | | | |
| Duitsland | 3,6% | Oeso, EC | 3,0% | Oeso, EC, Bundesbank | 6,7% |
| Nederland | 1,5% | DNB | 2,4% | DNB | 3,9% |
| Frankrijk | 1,5% | Oeso, EC | 1,5% | Oeso | 3,0% |
| Gem-3 | 2,5% | | 2,4% | | 5,0% |
| **Oeso** | | | | | |
| Duitsland | 3,6% | Oeso | 3,0% | Oeso | 6,7% |
| Nederland | 0,6% | Oeso | 1,4% | Oeso | 2,0% |
| Frankrijk | 1,5% | Oeso | 1,5% | Oeso | 3,0% |
| Gem-3 | 2,4% | | 2,3% | | 4,7% |
| | | | | | |
| **Moy-3** | | | | | |
| Max - Min | 0,7% | | 0,3% | | 1,1% |
| Max - Oeso | 0,1% | | 0,1% | | 0,2% |
| Oeso - Min | 0,6% | | 0,2% | | 0,8% |

Bronnen: Bundesbank, Oeso, EC, DNB, berekeningen secretariaat CRB

**Source : CCE (rapport technique 2014)**

While an increasing number of workers are experiencing stress at work and are complaining of physical ailments, the Government has just raised the statutory retirement age to 67. Early retirement and time credit schemes have been tightened, if not abolished altogether. In the current context, it is practically impossible to make people work until the age of 67. Phenomena such as stress and burn-out are increasingly common. This makes additional measures essential to improve workers' psychological and physical **health**, so that it remains "sustainable" to work at a more advanced age.

The belgian unions demand :

- Stronger provision for special leave and career breaks
- Greater emphasis on health and safety at work issues
- Measures to improve the treatment of physical and mental health complaints, given that psychological conditions (such as burn-out) are as important as physical conditions
- Development of a robust, flexible policy
- Promotion of the creation of permanent jobs → reduction in the number of part-time and temporary contracts
- Provision for workers in heavy industry to take early retirement

**According to Securex statistics, one in ten Belgian workers suffers from burn-out, and two out of three experience undue stress at work.**
A study carried out by the National Sickness and Invalidity Insurance Institute (INAMI) showed that, in 2013, 450,000 Belgians were unable to work for a long period of time. The number of people experiencing long-term

incapacity to work is rising by 5 per cent each year. There is a marked rise in the number of people suffering from burn-out or physical injuries.[1]

INAMI, ***Facteurs explicatifs relatifs à l'augmentation du nombre d'invalides – période 2004-2013***, 2014.

The **tax shift** introduced by the Government will mostly benefit employers, while reducing purchasing power for consumers. There is a great need for a fair and reasonable tax shift; one which makes the wealthiest contribute to the functioning of the state. This needs to not only strengthen people's purchasing power, but also to help the most vulnerable at-risk groups in society to find work, by reducing targeted expenditure and investing in education and training. Alongside this, necessary measures must be taken to encourage investment in innovation, infrastructure, etc., to revive the Belgian economy.

*Although energy and the environment have been removed from the European Semester process, we would however like to see these topics addressed in the Country Report. Additional efforts will be required if we are to meet the targets in the Europe 2020 strategy. Investment in renewable energies will also be needed to keep Belgian businesses competitive, as well as in the interests of consumers.*
*The Macroeconomic Imbalance Country Report of June 2015 accused Belgium of "environmentally harmful tax subsidies".*

A fair and reasonable tax shift would result in greater contributions by the wealthiest, in particular by introducing a tax on capital gains on shares, removing the notional interest allowance, and gradually introducing tax on actual revenue from rent. The resources raised should be used to improve purchasing power, reduce targeted expenditure, and invest in the non-financial aspects of competitiveness.
*Further efforts will be needed in order to meet the targets relating to energy and the environment in the Europe 2020 strategy.*

The Macroeconomic Imbalance Country Report for Belgium makes the following observation: "The Belgian tax system contains environmentally harmful (tax) subsidies which send the wrong price signals in terms of the environmental impacts of activities and behaviour. One example is the favourable tax treatment of company cars in personal income taxation."

Belgium has one of the highest medium-term objectives (MTOs) in the European Union (0.75 per cent), which will have negative economic and social impacts in the medium term. Belgium cannot make any further savings and the Government does not intend to increase contributions from the wealthiest. It would not be desirable to strengthen budgetary discipline.

According to the Federal Planning Bureau's calculations, the government measures on pensions will reduce the budgetary cost of ageing by 3.4 GDP per centage points, meaning that the MTO needs to be revised to 0 per cent. In the short term, there is a need for a more **flexible budgetary policy** in order to revive our economy and enable **sustainable investment**.

The belgian unions demand :

- Revised MTO of 0 per cent
- More flexible budgetary measures for several years, to at last strengthen economic growth
- Do not take sustainable investments into account during budgetary evaluation.

See below:

[1] Explanatory factors for the rise in invalidity over the period 2004-2013, INAMI 2014.

| Tableau 1 Écart de soutenabilité *Mesuré pour l'année 2015 ; pour cent du PIB* | Écart de soutenabilité (a=b+c) | Composante « situation contemporaine » (2014) (b) | Composante « évolutions futures » (2015-∞) (c) | Composante Cyclique (2014)[1] (d) |
|---|---|---|---|---|
| Rapport CEV 2013 | 5,0 | 1,2 | 3,8 | -1,0 |
| Rapport CEV 2014 | 3,9 | 0,8 | 3,1 | -1,0 |
| Estimation mai 2015 | 1,6 | 1,2 | 0,4 | -1,0 |

1. Incluse négativement dans (b) et positivement dans (c).

**Bron: Federaal Planbureau**

Bogaert et al. (2014, p. 13) estimated that a reduction of 3.3 per cent of GDP was needed to bring the minimum MTO to zero. This condition will therefore be met, as long as the reduction in the present value of the cost of ageing calculated here (3.4 per cent of GDP) is repeated in the Ageing Working Group's (AWG's) future evaluations of the cost of ageing. These are taken into consideration when setting the minimum MTO.[2]

[2] *Estimate of the sustainability gap and implications for the medium-term budgetary objective*, Federal Planning Bureau, 2015.

# BULGARIA: CITUB

Some of the EC criticisms in CSR-2015, paragraph (12), concerning the **active labour market policies** are justifiable. In particular regarding vulnerable groups of unemployed and inactive people, the poverty and social exclusion, incl. among the Roma.

"Human Resources Development" Operational Programme provides for conducting the operation "Centres for employment and social assistance (CESA)" aimed at the integrated implementation of measures/comprehensive services in support of vulnerable groups through a multidisciplinary and inter-sectoral approach by joint teams of the Agency for Social Assistance and Employment Agency in order to prevent the social exclusion and improving the quality of life, as well as building a smooth transition from receiving passive aid to inclusion of people from the most vulnerable groups on the labour market in permanent employment.

By types of vulnerable groups in the labour market the following programs are underway:

- For young people who are neither in employment nor in education or training (NEETs): "Human Resources Development" Operational Programme provides operations "Active", "Identification and activation of youth", "Training and employment of young people";
- For long-term unemployed: "Human Resources Development" Operational Programme provides operation „New workplace";
- For children and young people from the Roma population: "Human Resources Development" Operational Programme, Priority Axis 2 "Reducing poverty and promoting social inclusion", operation "Integration".

Unfortunately, all these operations are on initial stage of application and it is still very difficult to assess their effectiveness.

In our opinion the concerns of the European Commission on the slow recovery of the labour market in Bulgaria are correct, but we do not share the harshness of the claim that **unemployment** is more structural than cyclical. If that is true, there must be available at least 200 000 job vacancies. It is true that there are significant structural defects, which further compounded the situation and slow down the recovery process, but limited investments and new jobs testify primarily to cyclical stagnation of the labour market.

We do not accept the assertion of the EC that the increase of the **minimum insurance income** excludes workforce with low skills from employment

Repeatedly at national and international forums we have clarified that these minimum incomes are determined through negotiations between the social partners for qualification groups of professions and economic activities, based on analysis of the actual ratios between the paid employees' incomes in these activities on which the contributions are paid and the specified minimum ones.

The law stipulates that contributions are due on the actual gross wage/salary of employees, not on MII. The latter is intended to compel those operators who try to apply unfair practices by paying low official wages/salaries, regardless of the qualifications of workers and complexity of work done, and actually pay additional amounts "under the table", illegally.

It should be noted especially that the amounts of contributions (rates for individual risks) have been reduced in the name of prosperity of the business and its competitiveness, but without taking into account the revenue requirements of the social security system. The result of this short-sighted practice, acclaimed by Europe as well, is the jump in the financial commitments of the state (public finances) towards the social security and mainly towards the pension system.

If the government now affords to deprive itself from the minimum insurance income, the effects will be similar - still larger and growing government funding through taxes. And employment will not increase neither as a result of the abolition of the minimum wage (as some Bulgarian employers' organisations want), nor as a result of the removal of MII. Conversely, the consequences for the labour market and social security revenue will be catastrophic.

It has to be remarked that two specific surveys recommended by the European Commission and implemented respectively by the Ministry of Finance and Ministry of Labour and Social Policy, did not prove such a negative effect. We remind once again that in the years after 2003 different decisions have been taken - increase or retention of minimum insurance income (MII) in economic activities, without an agreement reached between the social partners.

The concerns of the Commission that sharp changes of the **minimum wage** (MW) could lead to interference in the functioning of the labour market are unfounded. Since the beginning of 2015 the minimum wage is 360 BGN and compared to the average wage for the country (859 BGN) in the first quarter of the current year represents barely 41.9% of it. The MW increase as of 1 July 2015 to 380 BGN is minimal and will not change this ratio significantly. Eurostat figures show that the ratio between minimum and average wages in individual member states is in the range between 30 and 50%.

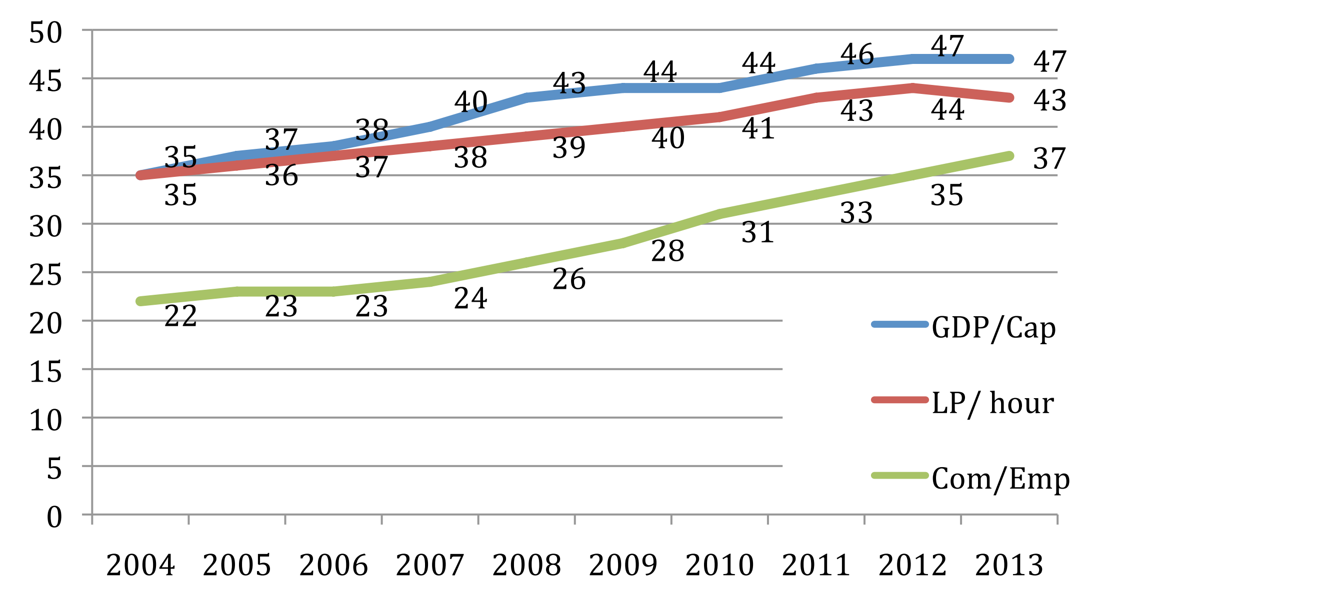
We recall the recommendation of the European Parliament in 2010, as well as the recommendations of a number of experts from the European Commission and the OECD, that especially in countries with high differentiation and polarization of income (such as Bulgaria - with GINI Coefficient 35.4 and Income quintile share ratio S80/S20 at 6.6), the minimum wage should strive towards a 60% ratio of the national average wage. Therefore CITUB believes that the provided in the medium-term forecast of the government for minimum wage (420 BGN as of the beginning of 2016 and 460 BGN as of 2017) is extremely insufficient to be a MW tool for combating poverty, social exclusion and income inequalities. Overall - the relative share of employee compensation in GDP is among the lowest in the EU (40.7% compared to the EU27 average of 49.3%). Raising the MW not only does not threaten the **employment** of the low qualified labour force, on the contrary it is an incentive for employment. And this is proven by the correlation analysis based on data from Eurostat for the period 2002-2013, which CITUB has already provided for use to the competent authorities in Bulgaria and in the EU.

In principle CITUB supports the part of Recommendation 3 "to prepare a transparent mechanism for determining the minimum wage." Moreover, we express our readiness for **autonomous MW negotiations** between the nationally representative organisations of employers and workers, provided that there would be adopted a mechanism, criteria and indicators that take into account both the economic and social aspects of development. The attempt to adopt such a mechanism, however, is sabotaged by some employers' organisations over the last 3-4 years.

We do not share in any case the consideration of the Commission (in Recommendation 3) to conform wage rates to **competitiveness**. The aim of all previous governments to achieve better cost competitiveness is one of the main reasons for wages and incomes as a whole to be systematically kept down and Bulgaria to be the poorest country in EU. Competitiveness based on low labour costs is unacceptable for an EU member-state, so we believe that we must strive towards competitiveness, which is based on innovative technology, high productivity and quality of manufactured goods and services.

The cohesion in the area of labour remuneration is lagging behind the cohesion in GDP and productivity of labour within the EU. The data in the table below show that compensation per 1 employee in Bulgaria in PPS is 37% of the EU27 average level, while in respect to GDP per capita (in PPS) and labour productivity per one hour worked (in PPS) the figures are 47% and 43% respectively.

GDP per Capita, Labour productivity per hour worked, Compensation per employee (PPS-Data for Bulgaria and EU, EU27=100)




**Source: EUROSTAT and own calculations**

In the field of **pensions**, we do not accept the argument developed by the EC in the CSR-2015 in the second part of paragraph (14) that "the main reasons for the low levels of pension rights are early retirement and short periods of pension insurance schemes." This statement is not accurate because the conclusions should be made on the basis of data for the new pensions, i.e. how the changes made to the pension system since the beginning of 2000 increased the real indicators of age and contribution period regardless of the possibilities for early retirement.

According to the National Insurance Institute, in 2013 the average age of the pensioners with a new pension granted in the same year (for all types of contributory pensions and for all categories of labour) is 61,2 years, for men – 61,3 years and for women – 61,1 years. Only for the individuals from a third category of labour (the most popular category, covered over 85% of the insured) the average age of the retired with newly granted pension is 62,7 years: for men it is 64,7 years and for women – 61,8 years (i.e. above the legally required retirement age for this category of employment – respectively 63 years and 8 months for men and 60 years and 8 months for women). For the average contribution period of newly granted pensions in 2013 the data are as follows:

- For men in all categories of labour (including the individuals who work in special departments and who retire pursuant to Art. 69 of the Social Security Code), the average contribution period is 40,0 years, and
- for women – 35,9 years, i.e. also exceeds the legally required average contribution period – 37 years and 8 months for men and 34 years and 8 months for women;
- Only for the third category of labour the average contribution period of the newly granted pensions for men is 37 years and 6 months and for women – 35 years and 2 months.

The long-term sustainability of the public finances is related not only to the cost optimisation, but also to measures that will increase the revenues to the pension system. In this respect there are necessary steps for a gradual increase of the contributions to the "Pensions" fund, which in the last 15 years was reduced by about 1/3, as well as policies to improve the collection of social security contributions and sanctions for incorrect insurers and self-insured persons if they disregard their social security obligations.

FDI inflows decreased in the last five years. At the background of stagnation the domestic **investment** activity is

also very weak. At the same time the medium-term government forecast outlines the process of fiscal consolidation and the achievement of 1% budget deficit in 2018.
CITUB shares the position of the European Commission expressed in AGS 2015 on the close relationship and opportunities for obtaining mutually reinforcing effects of the three pillars (investment, structural reforms and fiscal responsibility), for which are required simultaneous actions in the three areas that will lead to restoring confidence and reducing uncertainty, and this will induce more new investments and growth.
In this regard we consider necessary to seek more effective coordination of the actions of Bulgaria regarding our participation in the Juncker Plan, including through regional cooperation, but also to maximize opportunities for targeted investment from other European sources and projects in order to achieve better cohesion effect. Fiscal consolidation and low indebtness cannot be an end in itself - a new prudent government debt policy would provide through target emissions important public resource to be invested in the real economy, supporting economic recovery and growth.
Energy and water sectors, rail infrastructure need huge investment resources – tens of billions Euros. This can be achieved with the decisive participation of the state. Public investment in these and also in other important sectors will contribute substantially to economic recovery and revival of a number of industrial sectors

The Commission's "Country Report 2015" placed Bulgaria in the 5. MIP category excessive imbalances, which requires decisive policy action and specific monitoring.
The main reason for Bulgaria to go into the 'more dangerous zone' is the situation of the fourth largest bank in the country – Corporative Commercial Bank (CCB) in 2014 and its ambiguous effects on the banking system and non-banking financial sector (the pension funds expositions). There are reasons for this, since nothing significant happened in the banking supervision and there is no guarantee that a second such incident is possible to happen.
In the present document - CSR-2015 - the Commission has also given due attention to the problem of confidence in the financial system and the state's ability to respond appropriately in such a situation. CITUB shares the Commission's concerns that the lack of full transparency in the unravelling of the case could turn the CCB case into a very serious problem with long-term consequences on the stability of the financial system, and hence on national security.
The payment of the guaranteed deposits (up to EUR100 thousand) and the lack of sufficient funds in the Guarantee Fund forced the government to draw an internal loan, which further complicated the fiscal and debt positions of the state.

The report of the assignees in the Corporate Commerce Bank (CCB) pointed to the fact that a large number of state companies are focused reckless huge investments in bankrupt private bank. As the main reason for the bankruptcy the report considered the lowered financial control by part of the Central Bank (Bulgarian National Bank).

## *BULGARIA: PODKREPA*

The Bulgarian **labour market** is facing a lot challenges. It is affected by a very poor increase in jobs demand and creation, particularly for low-skilled position as well as an extremely limited demand for employment opportunities in the underdeveloped Bulgarian regions;
Despite some positive changes - the number of **unemployed** for the country remains high. Especially difficult is the situation of certain groups unemployed: namely: young, long-term unemployed and those over the age of 50. Politicians and employers are affirming that the main responsibility for the stability in the high unemployment rate is on the unemployed people themselves. According to politicians and employer - conducted numerous training and retraining courses, respectively such subsidized employment should be sufficient prerequisite for coping with the problem. Unfortunately, statistics are showing that such subsidized and temporary jobs are lost – the labour contract expires – immediately after finishing the respective project, which does not guarantee any stability. As a result Bulgaria has well qualified, but extremely unmotivated unemployed people.

The last standing protections in the Labour Code are gradually removed. It was introduced the legal possibility for one-day employment contract - essentially which is a voucher. People in a one-day employment contract cannot be organized, as they are employed only for a day. The change is in response to calls from the European Commission for mobility and flexibility of labour. But in the national context it removes the threat for any unscrupulous employer to be penalized for illegal employment.
We observe significant share of violations of labour law as grey economy, illegal employment in agriculture and tourism, overworking and poor working conditions.

Following actions would be necessary:

- To shift the philosophy of state's intervention on Bulgarian labor market. Because no policy may be sustainable, if it is not based on a really integrated approach – on coherence between all national programs, actions and resources. Our practice pointed out that European projects were unstable source of income. A source which does not create enough sustainability but expands the precariousness at work. The lack of state-owned enterprises, which may create stability of the economic environment. Bulgaria needs dynamic economic environment, which is with crucial importance to the real economy, thus for employment.
- In addition Bulgaria has to apply integrated approach towards those groups, which are most vulnerable at national labour market, in particular older workers and young people who do not participate in any form of employment, education or training;
- It is necessary to take decisive measures for improvement of tax's collection and to address informal economy – measure and action should be based on comprehensive risk- analysis and on punctual evaluation of the already implemented action in that direction;
- We have to review portfolios of pension funds and insurance sector.
- It would be of fundamental importance to review and strengthen the supervision on banking and non-banking sectors, including strengthening the provisions for deposits' guarantee and financial stability.

The annual report for 2013 on implementation of OP "Human Resources Development" 2007-2013 contains detailed data for the achieved during the first programming period results. Indicators are showing that, after receiving support/advise services 36.165 unemployed started working and that after training 63.200 people do the same. A total of 99.365 people started working thanks to the assistance of European projects. One year after the completion of those projects, no one has retained his workplace. Those results are clearly unsatisfactory.

Bulgaria has a National Action Plan for Employment. The vision of that plan is defined as: "To increase the quality of employment in the real economy by increasing knowledge and skills of job seekers, with priority to focus on disadvantaged groups from the least developed Bulgarian areas." Such active policy on the labour market can influence directly labour supply (in quantity and quality) and can provide for quick & quantitative changes in the national labour market. Support for unemployed may be provided by training and subsidized employment for the most vulnerable groups

Special support to Small and Medium size Enterprises - it is actually to encourage them to create new and decent jobs. Targeted support is to be given to investments in areas with high unemployment rate.

The very low income level and employment insecurity are main challenges, face by Bulgaria. Labour costs in Bulgaria are the lowest in the EU. They are 6.5 times lower than the EU average. Although in January and July 2015 the **minimum wage** was increased, Bulgarian citizens are still receiving the lowest salaries in EU. In practice the increase of labour **productivity** outpaced wages' growth.

It should also be noted that in economic branches where collective agreements have been signed, generally wages are higher comparing to others. Second, for those branches are negotiated even higher scale social benefits for workers. Hence, the negotiation of CAs represents possibility of increasing the role of trade unions in Bulgaria.

Only independent funding will allow the trade unions to guarantee adequate protection of social rights, will permit to offer legal consultancy, to organize protests and strikes to defend our members/ workers.
The expected economic growth and rise of competitiveness of the national economy does not correspond with the tiny income growth – which is practically frozen – and the improvement of working conditions. It may be not achieved with restrictions.

**Social benefits** levels are in a complete stagnation. From six years they is not an increase in basic social benefits – such as the **guaranteed minimum income**, which amounted is 65 BGN per month (about 33 euros). The monthly minimum unemployment benefits are 50 percent of the official **poverty** line. **Maternity leave** for 2016 is less than the minimum country's wage. Public services are chronically underfinanced. As result, their quality decrease constantly, resulting on the fact that Bulgarians have to pay extras for health and education, otherwise individuals remain isolated from society and marginalized. Hence **growing inequalities** violate the possibility of social mobility. The necessity to pay for services deepens the poverty.

**Social security** system suffers from constant deficits. Decent work is the most relevant tool to fight poverty and social exclusion. More funds are to be allocated to social policies, but it is necessary to carry out reforms in several sectors as health, social security and assistance and to stop the drain from the social system. To fight **corruption** models and to introduce reform is the best way to support growth and Bulgaria recovery.

The draft Budget for 2016 foresees nearly 5 billion BGN in support of State Social Security System. PODKREPA proposal is that it will be appropriate to introduce amendments into social contributions size with a view on eliminating the trend of deficit increase. Social benefits in Bulgaria are miserable, without any exaggeration. In practice the government explains all national adversity with higher rate of social payments. For us that is a vicious approach. 87% of public social expenditure is aimed at paying pensions, but they are not so high in Bulgaria. On the contrary - according to Eurostat data for 2012, the state paid only 8.5% of GDP on pensions, while the EU average is 13%. The basic conclusion is that social costs in Bulgaria are very low in general and, in turn, social benefits (excluding pensions) are insignificant.

Some of the social payments are not indexed and updated from several years For example:

- The daily minimum **unemployment benefit** again remains stable at 7.20 BGN. On a monthly basis it makes about 150 BGN or only 50% of the poverty line.
  Podkrepa proposal is at least to double it.
- The **guaranteed minimum income** is 65 BGN and represents the basis for the monthly social support determination.
  Podkrepa insists the amount of the guaranteed minimum income should compulsorily be updated.
- **Maternity allowance** amount is 340 BGN that means well below the minimum wage. It should be emphasized that this type of compensation is paid to women who have worked and paid social contributions for three years.
- Podkrepa considers that maternity compensation should be not less than the minimum wage.
- The State do not make contributions to the fund "to secure workers' receivables in case of **bankruptcy**".
  Podkrepa alarms that such contributions should obligatorily be collected – opposite of that dysfunctional application procedure, which should be corrected.
- **Child benefits** will increase symbolically from the 1 January 2016 for the second child. Allowances for third child are reduced and for the next almost abolished. Due to the change of the model, the following table will present comparable amounts of child allowances proposed in the budget:

| | 2015 /BGN/ | 2016 /BGN/ |
|---|---|---|
| first child | 35 | 37 |
| second child | 50 | 48 |
| third child | 35 | 45 |
| fourth child | 35 | 10 |
| additional child | 35 | 20 |

  It seems the legislator encourages birth of just two children since after the second allowances are reduced. Payment for fourth is symbolic. This model raises many questions. Why legislature tries to limit fertility in demographic crisis?
- In connection with the forthcoming **liberalization of energy** will be needed more funds for energy poor households. Not yet started work on the definition of energy poverty, in support mechanisms. There is no estimate of the amount of resources needed.
  Podkrepa calls for urgent analysis of the social impact of energy prices liberalization and for inclusion of the necessary funds to support energy poor households in the 2016 budget**.** Podkrepa is for financial stabilization of public services and transparency in their management. Healthy and educated people are the basis for economic development.

Currently revenue from **tax** on personal income is bringing in the budget significantly more funds, comparing to corporate tax. The national budget is actually built on indirect taxes to be paid back by workers and consumers. Certainly such tax structure is unstable and may explain why each year there is a budget actualization. We have to note that the fight against illegal economy, smuggling and corruption may not be effective only by tax burdens, but should be done by concrete actions in the field of control and justice.

In pursuance of objectives for affordable and sustainable transport, the focus should be turned on management programs. More on railways rather than road transport which is cheapest and environmentally friendly.

Direct foreign investments are not at a level which may allow economic development and growth.
Analysis of the Ministry of Economy shows that Bulgaria exports raw materials and not products with high added value, thus depriving the country of significant and sustainable economic growth.
Bulgarian authorities continue to rely on one-off revenues from privatizations and concessions, not responsible management of state property. Over the next year, according to plans the Sofia airport should be privatised.

One-off income from this transaction (600 million BGN) will be used to cover debts of National railway. Respectively fresh money will go to cover debts, not to create employment.

Direct taxes are still among the lowest in the EU without any tax exemption for low-paid workers. National budget is based on indirect taxes, paid by workers and consumers. Similar tax structure is unstable, which may explain the fact that in recent years almost no budget, which does not being modified at the end of the year. The Main problem is the persistent shortage in state expenditures in which basic public systems – listed as priority (education, health) – are underfinanced.
Podkrepa considers that the **flat tax** of 10% does not generate enough funds for those expenses. Moreover, regardless of the low taxes rate, it doesn't attract any foreign investors. In this regard, within the next three years national tax policy should to be reconsidered in one of the following two directions:

1. If Bulgaria decides to keep the flat tax, it should be introduced a tax-free threshold and more favourable taxation for family, without which there is no way to conduct effective demographic policy.
2. Another possibility is the introduction of progressive income tax with a cliff in combination with an increase in corporate taxation. It is time Bulgaria to restructure its tax policy in line with Europe.

Once again provided by the **2016 budget** is the increase in government debt, which maximum can reach 26.6 billion BGN. This is an increase by 2.1 billion BGN comparing with 2015 respectively the rates of national public debt' increase are disturbing.
For two years, Bulgaria managed to double its public debt and to stand first in the EU growth rates. In budget for 2016 is included a new loan of 5.3 billion BGN – but there are no signs that those money will be used by the government for public investment in the real sector. This is particularly worrying because we are going into a dangerous spiral deficit-covering debt instead of reducing the deficit at the expense of real sector development, high employment, high incomes and ultimately - greater domestic consumption.

Early in 2015 the National Assembly approved new public debt framework amounting up to 16 billion BGN. Such money will be taken during the next three years. The aim of these new loans is to cover previous budget deficit and to repay for old debts, as well as to increase the fiscal reserve. With such decision Bulgaria may enter into a debt spiral. Although Bulgaria debt levels are relatively low, his rate is growing. The debt in 2014 increases by 53%. New debt should be used to strengthen the real economy. Without production, the only result is the poverty stagnation, the budget deficit and respectively the underfinanced public services

Podkrepa insists the budget for 2016 should include following proposals:

- The redistributive function: state expenditure to amount to a minimum of 40% of GDP.
- To increase the maximum insurance income/ which according to the proposal should remain unchanged - 2600 BGN/
- Introduction of tax reliefs for the low-income groups.
- Introduction of family taxation.
- 150 Millions BGN should be targeted to labour market for increasing the activity of unemployed people.

Following our estimation the planned GDP growth will not be achieved through the increase in consumption. Investment activity is unsatisfactory. The geopolitical situation is severe, and economic growth in EU-28 and the Euro zone is low. Our analyses on medium-term budget estimates for 2016-2018 that the engine for growth are investments by the government, but Bulgaria will rely basically on EU funds once again. This does not imply a rapid development of real sector, neitherr the creation of new jobs, nor an income increase. Neither investment nor final consumption can lead to growth of GDP in these circumstances.

## CROATIA: SSSH – NSH

In Croatia there is growing emergence of **flexible (atypical) forms of work**, which are often abused by employers, i.e. flexible contracts are not used because of objective reasons justified by the nature or work, but for a sole reason to lower the labour costs. The abuses are facilitated by generally weak enforcement of labour legislation. Moreover, the new Labour Act adopted in 2014 further encouraged using the flexible forms of employment, and lowered the EPL index from 2.69 to 2.3. Although the use of flexible forms is justified in some situations, many employers abuse them and there is inefficient enforcement of labour legislation in practice.
Accordingly, instead of further flexibilisation of the labour legislation, actions should be taken in order to strengthen its application in practice and prevent misuses of flexible arrangements.

Croatian trade unions call for:

- strengthening capacities and increasing competences of the Labour inspection (including more thorough scrutinising of justifications for using flexible forms of labour contracts)
- adapting the labour law in order to stimulate standard employment (i.e. flexible employment should not be cheaper than regular reemployment, , so not to motivate employers for using it in cases when it is not objectively justified)
- promoting standard employment through active labour policy measures (i.e. target support measures and subsidies primarily to standard employment)

Based on the data from Croatian Pension Insurance Institute, in June 2015 26.28% of all employees in Croatia had temporary contracts (compared to EU-28 average of 14% in 2014). Furthermore, number of agency workers in 2014 increased by 12.00% compared with the preceding year.
Based on the Labour Force Survey, the number of temporary workers in Croatia rose by 16.55% in 2014 compared to 2013, and by 32.03% in the last five years.

Low employment rate and high **unemployment** rate, especially among youth, are long-term problems. Spending on active labour market policy measures was increased in recent years, but the effectives of the measures remains low. Moreover, most of the national and ESF funds is directed to measure called “occupational training without commencing employment”, which produces poor results (in terms of increasing employability of participants) and targets those who are most employable anyway (highly educated).

Croatian trade unions call for:

- establishing a continuous and independent evaluation of active labour market policy measures
- focusing the ALMP measures on those with low employability, and no-skilled and low skilled workers
- a gradual decrease of users in “occupational training without commencing employment” and its replacement with more effective measures and reforms in the education system (in order to acquire practical skills during education)

Out of 53,701 users of AMPL measures in 2015, 27,180 were in “occupational training without commencing employment”. Earlier data shows low effectiveness of the measures – only 49.2% of those using the measure in 2011 were in employment 12 months earlier, which is only marginally higher, compared to those who have not used the measure. More than 50 percent of users of this measure are highly educated, which means that measure targets those who are already relatively employable.

**Non-payment or delayed payment of wages** remains widespread practice and a serious problem. As a consequence, Croatian trade unions call for:

- strengthening the supervision of Labour inspectorate;
- defining effective fines and penalties of employers who do not pay wage to their workers;
- evaluating the Law on insurance claims in the event of bankruptcy of the employer (which was amended in 2015 by introducing rights of workers in case of employers' account being blocked)
- setting up a single register of all workers and employers in order to improve control over the payment of wages and to ensure better and more transparent insight of the rights and duties of employers and workers

Based on the data of Tax Administration, in period from 01/2015-09/2015, 7,383 employers in Croatia did not pay wages to 24,744 workers. However, these data include only employers that have not paid the wage 3 months or longer; therefore, in reality the number of workers that do not receive the wage could be much higher.

**Collective agreements**, although legally binding, are not sufficiently enforced in practice. Slow justice system average duration of individual labour disputes is around 3 years), and lately questionable decisions presents objective obstacle for the trade unions to enforce collective agreements through courts, while high unemployment, rise in flexible forms of employment and weak enforcement of labour legislation in general (including protection from unfair dismissal) prevent effective enforcement of collective agreements through industrial action.

Government interventions in the system of collective bargaining (prescribing which rights and benefits should or should not be the subject of collective agreements in state owned enterprises; adoption of legislation that forbids the payment of certain material rights to the employees in public services although these rights are incorporated in the valid collective agreements; Government's plans to establish employers' organisation that would organise state owned companies).

So, Croatian trade unions call for:

- respecting the right to voluntary and free collective bargaining, and create legal incentives for strengthening collective bargaining
- extending the competence of Labour inspection, and other relevant institutions, to application of collective agreements;
- implementing measures aimed at shortening duration of labour disputes in front of courts;
- allowing trade unions to initiate legal action in front of the court in case when employer fails to comply with the collective agreement (at the moment, only workers as individuals can initiate legal action)

Sources:

The Act on Denial of Certain Material Rights of the Employees in Public Services (Official Gazette 143/12, 159/13 and 36/15)

The Act on Denial of the Right to a Wage Increase based on years of service in public services (Official Gazette 41/14, 157/14 and 36/15)

State Asset Management Plan Implementation for 2014)

Due to unclear definition of the **minimum wage**, stated in the Minimum Wage Act, employers include in minimum wage different allowances and other additional payments. Such a situation causes discrimination among the workers as minimum wage earners often do not receive benefits for working on Sunday, holiday, night work, etc.

Croatian trade unions demand the redefinition of the term "minimum wage" as follows:

"Minimum wage is the lowest monthly amount of the gross wage pertaining to worker for his regular work on full time basis, for the usual efficiency. The amount of the minimum wage does not comprise wage increases to which worker is entitled under a special regulation; that is for difficult working conditions, overtime and night work and work on Sunday and holidays or on other days which are statutorily declared as non-working days." Trade unions have the insight in the individual payslip of their members, which can support the claim.

Minimum wage should serve as an effective tool for combating **poverty** and ensure decent working conditions, which is currently not the case. The minimum wage, which in 2014 amounted to 37.9% of the average wage, should be gradually increased to the level of 50% of the average monthly gross wage.
In 2013, 29.9% of the population in Croatia were at risk of poverty or social exclusion (comparing to EU-28 average of 24.5%).

In spite of progressive income tax, the overall **tax system** in Croatia is highly regressive (as most of the tax income comes from the VAT which is by its nature regressive, while at the same time capital gains and property are weakly taxed). As due to budgetary reasons lowering the general rate of VAT is not a viable option in the short term, income tax for lower categories of wage earners should be decreased. Such measure would simultaneously raise living standard of working population, stimulate domestic demand, facilitate participation in the labour market, decrease the level of inequality and help combat undeclared work.

Croatian trade unions call for raising the un-taxable amount of income, as well as the first lower bracket for income tax. Moreover even the Introduction of a 4th tax rate on extremely high income is necessary.

In March 2014 (the last available data on wage distribution), only 19.7% of all employees have the salary 1,045 € or more. The last labour tax burden decrease at the beginning of 2015 was relatively successful. It brought the increase of net minimum wage by 1,21%, net average wage by 2,03%, while higher net income (gross wage of EUR 2665) has increased by 8.5%. The growth of household consumption in 1$^{st}$ and 2$^{nd}$ quarter of 2015 was 0.4 and 0.6%, respectively.

Frequent changes of the legal and tax system are important obstacle for increasing both domestic and foreign **investments**, thus having a negative impact on economic **growth**.
Croatian trade unions call for:

- making a valid assessment of the impact of tax changes,
- avoiding frequent changes in tax system,
- increasing the scope and quality of regulatory impact assessment

In last 4 years 820 different laws were changed and adopted in Croatian Parliament (658 through urgent procedure)

In January 2014 the Council has adopted a decision on existence of an excessive deficit in Croatia. There is an objective need for **fiscal consolidation** due to unsustainable budget deficit and growing public debt.

Trade unions stress that fiscal consolidation should not be undertaken by cuts in the social expenditure, as this is already well below European average. Instead needed savings must primarily be achieved through rationalisation and more effective and better targeted current expenditure and economic subsidies and measures that would increase consumption.

The level of total social protection expenditures in relation to GDP in 2013 was equal to 21.9%. Moreover, benefits for sickness/health care and old age pensions in relation to GDP in 2013 were equal to 7.2% and 5.8%, respectively. In all segments the expenditures are far below the EU average.

## *CYPRUS: SEK*

**Public Employment Services** need to undergo more and quicker reforms in order to become more efficient. Some corrections have been undertaken but have not yet been able to face the extremely high needs of the labour market and especially the long-term unemployed.
Trade unions are very concerned as the phenomenon of **outsourcing**, in both public and private sector is increasing, and there is a tendency by the employers to encourage workers to become self-employed (**bogus self-employment**) providing them with personal contracts that are much below sectoral collective agreements standards.
Unions demand more decisive policies by the public authorities to tackle the labour market deregulation. In particular measures able to fight undeclared work and bogus self-employment. As said, also an effective reform of PES is urgent.

**Youth unemployment** is still very high - according to Cyprus trade unions youth unemployment rate is 43%, much higher than the 35.5% that the Eurostat shows. Youth Guarantee remains problematic as the age limit of 25 actually does exclude the majority of male young workers. Indeed after the completion of secondary education there is a compulsory military service of 24 months, and afterwards the majority of young males are doing their university studies and by the time they complete their studies they are beyond the age of 25.
Trade unions ask for enhancing the participation of youngsters in the labour market. SEK has asked for an extension of the youth guarantee age limit of 25 by 2 years, which was rejected by the government.

Trade Unions are also asking for the implementation of the law concerning **equal treatment at the workplace** in order to protect the exploitation of migrant workers and to fight unfair competition among businesses. After unions' pressure, the government invited social partners to a dialogue and hence some more drastic measures are about to implemented soon.

Cyprus is not any more a good model for tripartite cooperation and social dialogue after the financial crisis and the high deregulation of the labour market. Austerity measures have **weakened collective bargaining** and the majority of workers in the private sector are not covered by collective agreements. In addition, even in workplaces where collective agreements exist, many employers regardless of their economic situation are violating the agreements without any cost due to the fact that Law in Cyprus does not protect the collective agreements. For this reason, trade unions have set as a priority, by asking for a legislative framework that will protect collective agreements in a sense that employers will be obliged to respect the sectoral agreements, or at least the basic conditions of these agreements.
In the public sector after five years of the freezing of the collective agreements and pay cuts that were enforced by law as well as the freeze of the indexation of wages, as a result of the memorandum of understanding, the two sides restarted negotiations. An agreement has been reached that for the years 2017 and 2018 and pay increases shall commence under a certain agreed framework.

**Gender pay gap** in Cyprus is still high, 16%. The problem is confined mainly in the private sector and in the majority of workplaces that are not covered by collective agreements. Thus, the solution of this problem is related with the legislative protection of sectoral agreements in order to force all employers to implement equal wages to all workers.

**Guaranteed minimum income (GMI)** that was introduced in July 2014 provides a minimum protection to thousands of families in Cyprus. After trade union pressures the Ministry of Labour has improved mechanisms and has increased the personnel that examine applications for the GMI therefore reduced delays. However the **lack of national minimum wage** affects negatively the objective of GMI, especially on the necessity that GMI has to enhance and encourage beneficiaries to reintegrate in the labour market.

Another issue that needs improvement in the area of **social protection** is the delays in the payment of unemployment and redundancy benefits by the Social Security Scheme. There is usually a delay of 3 to 4 months after a worker has registered as unemployed to the local authorities.

The unacceptable delay in the introduction of the **National Health System** affects the standard of living of low and medium wage earners. The new deadline has postponed the introduction of NHS for 2017. However, trade unions are very pessimistic having in mind that a number of important reforms that need to be completed before the introduction of a NHS, such as the autonomy of national hospitals, have been frozen.

Trade unions underline the absence of Growth and Public development projects. The improvement of the efficiency of Public Services are an essential instrument to encourage **investments and growth**.
SEK calls for quicker implementation of the announced governmental projects, demanding that all projects should be implemented by companies that respect the sectoral collective agreements. Moreover, there is further ground for promoting green economy such as renewable energy resources, recycling, waste management, invest in green/eco-tourism that will protect the environment and create new jobs.

The improvement of the efficiency of Public Services is an essential instrument to encourage **investments and growth**. Thus, the government after studies and dialogue with the unions has decided to proceed to many reforms in Public Services (i.e. mobility of workers, new evaluation system, a more fair system for promotions and recruitment) that will decrease bureaucracy and create conditions for a more efficient system.

Trade unions are pressing the government to fight in a more drastic approach the phenomenon of **tax avoidance** and **tax evasion** as well as **undeclared work**. All these issues have a negative effect on national revenues. Uncollected taxes in Cyprus are very high and according to official data they exceed €1 billion.

Economic measures led to a significant improvement of **fiscal consolidation**. However, cuts in governmental expenses affected negatively growth. Cyprus, like the other States that are under stability programs, must have a more favourable financial assistance through the different European funds and programmes in order to boost growth and achieve social protection.

## *ESTONIA: EAKL*

One of challenges the Estonian trade unions are facing is to prevent the affected employees from having a significant drop in income due to the **sick leave** pay rules. Today's rule foresees that in the first three days of sickness the employee will not be reimbursed by the employer nor by the Health Insurance Fund. It causes a hole of income for many workers they cannot afford. As a result people prefer to go to work instead of staying home and violate both their own health and colleagues' rights.

EAKL calls for changing the sick leave pay rules. Payment for the sick leave should start from the first day. In the first 4 days the employer should pay for the sick leave 60% of employee's average wage and from the 5th day the Health Insurance Fund should pay it, 70%).

## FINLAND: FINUNIONS – SAK – STTK

The government has the aim of strengthening the flexibility of Finnish **labour market** and of raising the **employment** rate with supply side reforms. It is crucial for the government to implement all the changes in cooperation with the social partners. It is also important for the government to take into account the effects of its future reforms on productivity and social cohesion.

On promoting **workplace level bargaining**, the government is looking at measures proposed in the so called *Hietala* report. SAK agrees with some of these proposals and is prepared to increase the flexibility of pay determination, but only via collective agreements, not with legislation bypassing these agreements. Bypassing collective agreements may contribute to the expansion of low-wage and low-productivity sectors, but this will not help push Finland into a sustainable growth path.

SAK strongly condemns the attacks by the government on the freedom of collective bargaining.

The Finnish government has set the target of lowering unit **labour costs** by 15 %. As the unions could not agree in the summer of 2015 to implement the cuts in the way the government wanted, the government came out later in 2015 with several legislative initiatives to implement these cuts unilaterally. The initiatives include a reduction of annual leave to a maximum of 6 weeks, reductions in pay during the annual leave, reductions in sick leave benefits and turning two days of public holidays into working days. The proposals foresee binding changes to be made into collective agreements, in violation of the freedom of collective bargaining. In addition, the package of measures include the right for workers at risk of unemployment to one month of training paid by the employer and the right to take use of occupational health services for the first six months following the termination of the work contract.

The government has signaled to the social partners that the legislative proposals will be withdrawn if an alternative set of measures to lower unit labour costs is agreed in bipartite negotiations. Such negotiations have been under way since October 2015. All sides, including SAK are prepared to strengthen the **cost competitiveness** of the Finnish economy.

It is of key importance for the continuance of effective consensual decision making in Finland that the government stops its attacks on collective bargaining and adopts a more cooperative and less ideological stance vis-à-vis trade unions.

The Finnish government introduced in September 2015 its **budget** for 2016 and its public sector finance plan for the years 2016 – 2019. These foresee major cuts in public expenditure to bring down the deficit. With the planned cuts, the government expects the deficit to be brought down to 2.8% of GDP in 2016, in line with the country specific recommendation for 2015, and to 2.4% of GDP in 2017.
SAK laments the fact that major cuts are to be made at a time when the Finnish economy is one of the worst performers in the EU. While some of Finland's problems are structural and as such cannot be solved by expansionary fiscal policy, tight fiscal policy runs the risk of prolonging the stagnation. The risk of hysteresis is very high as long term unemployment and other factors are likely to have a significant impact on potential growth.
The austerity policies will have an excessively negative effect on domestic demand, at a time when export led growth is increasingly difficult to achieve due to the slowdown in emerging markets. As Finland is very dependent on the export of capital goods, the slowdown may hit Finland particularly hard.

While the cuts proposed by the government for 2016 will hurt growth, the proposed level of **fiscal consolidation** may be necessary to avoid Finland becoming subject to the excessive deficit procedure. The level of cuts planned for 2017, however, should be reassessed in 2016. If growth fails to adequately pick up, Finland should use all the flexibility inherent in the Stability and Growth pact to support growth. Increasing public investments in infrastructure, education, research and innovation would help not just to lift growth in the short term but also to raise potential output.

SAK strongly disagrees with the government on how the cuts are to be focused in 2016. Perhaps the most detrimental for the economy will be the cuts into education, research and infrastructure spending. Meanwhile, the proposed reductions in unemployment benefits and housing benefits will lead to increased **poverty** in Finland, and the unprecedented cuts in foreign aid means Finland will not fulfil its obligation to alleviate poverty in the world. SAK strongly condemns these cuts.
At the same time the government will implement costly and inefficient flagship initiatives favoring farmers and forest owners, which form a key constituency of the Centre party, the senior party of the coalition government.

For 2017 a much more **growth friendly approach** will be needed, reversing, at the very least, the cuts in education, research and infrastructure spending.

Politics also appears to have trumped considerations of economic efficiency and social equity in the recently agreed reform of social and health services. The reform had been demanded from Finland as part of the country specific recommendations. The Centre party used the reform to promote regionalization of state administration and pushed through an increase in the powers of regional bodies, most of which are controlled by the Centre party. At the same time the Coalition party succeeded in boosting the role of the private sector in providing social and health services, pushing through a form of liberalization that in Sweden has increased the inefficiency of service provision. When implementing the agreed major reform package in the coming years, the government needs to mitigate the aforementioned negative impacts while also taking the rights of workers in the affected sectors adequately into account.

## FRANCE: CFDT

At the start of 2016, social partners will commence negotiations which are due to end in April 2016 with the finalisation of a **new unemployment insurance agreement**.

In France, the Government is 'delegating' to social partners the task of agreeing unemployment insurance arrangements. If agreement is reached, it will check the legality of the text before approving it; it will then become mandatory. In the absence of agreement, the Government will decide for itself the rules for compensating workers who have lost their jobs. Since the economic crisis, the unemployment insurance agreement has been negotiated for a two-year period (previously this was three years). This improves responsiveness to the developing economic situation.

The current agreement was negotiated in 2014 and will expire in spring 2016. The main new addition in 2014 was the principle of 'rechargeable entitlements'. Every period worked by a job seeker recharges their entitlements, at a rate of one day worked = one day of benefits. This arrangement has benefited 100,000 people per quarter. Before it was introduced, job seekers were often faced with the choice of accepting a short-term contract, which would cancel their remaining entitlements, or of refusing the offer. From now on, it will be in their interests to accept any period of work they are offered.

It is too early to assess this system, as it has only been in place for two years. The negotiations which are about to start should refer to the preliminary analysis but cannot initiate changes to it.

The main challenges for the negotiations are:

- consolidating the arrangements introduced in 2014 and making adjustments as appropriate
- encouraging companies to extend the length of contracts. (Since 2008, there has been a sharp increase in short-term contracts, as well as a reduction in the length of these contracts.)
- encouraging companies to retain senior employees
- improving the financial balance of unemployment insurance.

The reform to **vocational training** of 5 March 2014 resulted in a thorough reorganisation of the governance of vocational training:

- Creation of agencies bringing together the four main actors at the regional level: regional authorities, decentralised statutory services in the region, employee trade unions and professional associations for employers. We now refer to quadripartite governance.
- Strengthening of the link between employment policy and training policy, based on socioeconomic appraisals shared between the actors.
- Introduction of new provisions: a personal training account and a right to training for each worker, whether employed or job-seeking; and professional development guidance, enabling every individual to be supported.

In 2016, the quadripartite actors are due to develop the regional planning contract for the development of vocational training and guidance (*Contrat de plan régional de développement des formations et de l'orientation professionnelles* - CPRDFOP). This guidance document will give rise to a range of operational schemes for initial and continuous vocational training, and for lifelong vocational guidance.

In addition to these overall developments with medium or long-term impact, two short-term measures should also be mentioned:

- Roll-out of the Youth Guarantee throughout France (the national version of the European Youth Guarantee). This is a public policy, but the commitment to support 100,000 young people by 2017 was secured by the CFDT at the social conference in 2014. We are following its implementation closely.
- The social conference in October 2015 adopted the principle of a new emergency plan for 150,000 job

seekers. This will involve mobilising stakeholders (the Government, regions and social partners) to fund training linked to environmental and digital transition. This plan will target young people as a priority. Social partners will contribute to it through the joint fund for the development of secure professional paths (*Fonds paritaire de sécurisation des parcours professionnels* - FPSPP).

**Decentralising negotiations** toward the arena where the outcomes will apply, but within a national and sectoral framework which protects employees and is more effective than the one currently available to them.
The CFDT approves the proposals in the Combrexelle report, if they are based on:

1. A public social policy that is precise enough to guarantee a protective framework for negotiations, and a supplementary ruling guaranteed in law which will apply in the absence of agreement. (The CFDT will ensure that this is not a minimum platform, but a platform backed by regulation to encourage negotiations).
2. A public occupational policy defined by the branch and a supplementary law defined within the branch (crucial for very small enterprises).
3. A contractual law defined within the branch or the company, by majority vote, on the areas left open to negotiation by the two higher levels.

This would therefore not represent a change to the hierarchy of rules.
In addition, the CFDT is setting three conditions:

- acceleration in the restructuring of branches (to take on a regulatory role)
- introduction of majority agreements
- the ability to conclude an agreement being reserved for representative trade union organisations.

The preconditions announced by the Government are appropriate (protection of minimum wage, legal benchmark of 35 hours working time).
The CFDT also supports the idea of reviewing the Labour Code to make it more accessible and therefore better observed, as well as proposals to accelerate reorganisation of the branches.
On the other hand, the Combrexelle report has very limited effect on the issue of working time (the main rulings on flexibility in this area have already been made).

**Salary inequalities between women and men** are mainly linked to periods in part-time work, which are most often experienced by women. It would be helpful for legislation to progress toward introducing a right to transition into and out of full-time work.
NB: Since the job security act, a part-time contract must be for a minimum of 24 hours a week, unless there is a branch agreement or employee request. The CFDT supported this strengthening of the framework for part-time work.
Twenty seven per cent of people in part-time work would like to work more; mostly women, but also 40 per cent of young people and 37 per cent of manual workers (compared to 15 per cent of senior management).

There is aneed for strengthening control for **agreements on grading**, **minimum salary** and **labour law**
Priority 1: Strengthening statutory monitoring of infringements to contractual agreements or the Labour Code. This involves the return of our representatives to very small and SMEs. This approach can be linked to the reduction in the number of government agents responsible for monitoring infringements (see below) within companies.
Priority 2: Strengthening sanctions where infringements are observed, to provide real disincentives to bypassing the rules.
Source: *State control officers (labour inspector)*
Ratio: number of employees per control officer
2011: 8,130
2013: 8,710

The CFDT demands the reduction of social dumping between European countries (including remuneration component). In particular:

1. In the CFDT's view, a new social contract for Europe must meet several objectives. It must put our social entitlements on a convergence path, as they affect direct competition between workers and companies on European territory. Other issues here include some form of minimum wage, and benchmarks for working time and for health and safety at work.
2. The CFDT backs a guaranteed minimum wage for all workers in Europe.
3. Strengthening French and European legislation on the framework for seconded employees is a fundamental issue. The CFDT supported the related European Economic and Social Committee (EESC) proposals (September 2015).

The CFDT demands for enabling all citizens resident in France to benefit from a supplementary health insurance scheme. This scheme will complement the compulsory health insurance scheme run through social security and will avoid a portion of the population having to forego care.

From 1 January 2016, all employees in the private sector, regardless of the size of the company, must be covered by supplementary health insurance (agreement of 11 January 2013). At least 50 per cent of the cost of this cover will be met by the employer. For the CFDT, the challenges are:

- negotiating sectoral agreements which, through strong cooperation, will enable a high level of solidarity:
    - portability of pensions
    - introduction of a prevention policy for branches
    - access to entitlements for non-contributing members of the population
- creating a mutual insurance arrangement which covers groups not in work:
    - pensioners
    - young people
    - job seekers
- introducing a supplementary health insurance scheme for civil servants monitoring supplementary health insurance schemes for social welfare groups, as well as introducing prevention policies tailored to branches.

The CFDT demands for creating the conditions and tools necessary for high quality, sustainable and inclusive growth. France needs to :

- Identify job-creation sectors linked to energy transition; anticipate the occupational transitions needed; investigate the sectors, occupations, qualifications and skills involved; implement the law on energy transition.
- Understand the changes related to the digital revolution and to new structuring of work (atypical forms of employment); adapt social protection and safeguard career paths for all workers. Improve qualifications for all workers. Combat insecurity and polarisation in the labour market.
- Communicate the needs of occupational sectors to the training system.
- Establish monitoring methods and benchmarks; help trade unions to develop geographical appraisals and to implement concrete projects (experimental approach); initiate high quality economic and social dialogue in branches and companies; better define sectors and geographical areas.
- In the context of the recent *Comité de Suivi des Aides et Engagements* (monitoring committee for grants and commitments), ensure returns on the Responsibility Pact in terms of jobs and investment. Assess whether public subsidies are contributing to a new development model focused on quality.
- Improve the governance of businesses so that a proportion of added value is directed toward innovation, training and fair pay. Ensure ownership of tools introduced (economic and social database). Make corporate social responsibility (CSR) a topic for negotiation.
- Reform the rules of the international fiscal system to combat fraud and fiscal optimisation (in addition to base erosion and profit shifting - BEPS).
- Develop socially responsible investment.

- Identify levers for developing inclusive global trade (multilateralism) which supports sustainable development and the development of social rights.

The **Draft Finance Bill 2016** continues the approach of restoring companies' margins Competitiveness and Employment Tax Credit (CICE; Responsibility Pact), with the aim of reviving productive investment. Alongside measures with long-term impact (estimated at around four years), it intends to give an immediate boost to consumption with a lower-level provision: a new reduction in income tax totalling 2.1 billion euros.The Government expects these measures to result in growth recovery of 1.5 per cent in 2016; however this will not be sufficient to reduce unemployment. Moreover, this measure goes against the CFDT's plan to reinstate fair, progressive taxation (through in-depth reform of income tax and its weighting among overall statutory deductions). Although this measure is being implemented to support short-term growth, by targeting low- and medium-income households who do not have a tendency to save, this remains theoretical in a context of very low inflation (households can choose to pay off debts instead).
The Draft Finance Bill 2016 confirmed the commitments made in the stability programme for 2015-2018 submitted to the European Commission, to reduce the public deficit to less than 3 per cent by 2017 by implementing the plan to reduce public expenditure (50 billion euros over three years). The public deficit should reduce in line with the commitments made and public debt should stabilise at 96.5 per cent of GDP, without really restoring the restricted margin for manoeuvre in public intervention. In the current context in France, however, recent decisions taken will represent challenges to the declared target path (though not the goal). The advancement of a Security Pact over and above a Stability Pact represents a paradigm shift, even if it does not have a very significant impact on the budget at present.

National defence personnel, one of the leading areas for job losses (a total of nearly 15,000 over 2014 and 2015) were spared in the Draft Finance Bill 2016, with an addition of 2,300 posts, and will in fact be strengthened following the events in Paris (600 million euros; 0.05 per cent of GDP). With the exception of defence, there will be net losses of approximately 1,400 jobs in the civil service. Although there are small gains in priority sectors (Ministries of Education, Justice and the Interior), the other ministries are again experiencing heavy losses (2,500 at the Ministry of Finance and over 500 at the Ministry of Ecology, as in the two preceding years).

## FRANCE: FO

Recommendation 6 for France 2015 on **reform to labour law**

- facilitate deviations to general legal provisions, especially in relation to working hours
- reforming the law on establishing *accords de maintien de l'emploi* (protection of employment agreements)

Recommendation 4 on **threshold effect:**

- By the end of 2015, eliminate regulatory barriers to business growth, in particular by revising the regulatory size criteria to avoid threshold effects.

Among the many provisions in the Macron law, its "catch-all" text details a number of provisions in **labour law**, in particular those relating to the ***accords de maintien de l'emploi***. These *accords* arose from the job security act passed on 14 June 2013. In the case of serious short-term difficulties, they allow businesses to modify the working hours and remuneration of workers for up to two years, in exchange for a guarantee of employment. In light of how few *accords de maintien de l'emploi* have been agreed since the 2013 law (about ten) and faced with pressure from employers to relax the arrangements, the Macron law extends the maximum duration of the *accords* from two to five years. The law also provides for a review of the application of the agreement two years after its introduction. The law specifies arrangements for the potential suspension of the agreement by a judge, in the case of changes (improvement or worsening) in the economic situation of the business. Henceforth, the agreement can include the possibility of suspending it for a duration no longer than the length of time it has left to run.

The law of 17 August 2015 on social dialogue and employment, known as the Rebsamen Bill, is yet another "catch-all" law and Force Ouvrière considers that its content aims to further undermine labour law. In particular, it affects employee representative bodies, professional elections, career paths and collective bargaining. Under this first component, the potential to combine representative bodies, "rationalising" - i.e. challenging - their remits and resources, or to combine mandatory negotiations, will have profound effects on how employee representatives and union representatives fulfil their roles within businesses.

The Bill addresses the issue of thresholds by extending the rule on single common representative bodies (délégation unique du personnel – DUP) to businesses with between 200 and 300 employees. In addition to the staff delegates and the works council, this DUP can also incorporate the committee on health, safety and working conditions (*comité d'hygiène, de sécurité et des conditions de travail* - CHSCT). For those with more than 300 employees, there can be partial or total reorganisation by majority agreement. There must be joint consultation and sharing of experience on issues affecting both the CHSCT and the works council. Force Ouvrière has fought against incorporation of the CHSCT into the DUP, due to the CHSCT's specialised role in insisting on proficiency, safety, investigations and specific measures.

Force Ouvrière strongly opposed this capacity to merge employee representative bodies in businesses with 300 or more employees, as they have easily the human and financial resources necessary to operate separate employee representative bodies.

Shortly after the Macron and Rebsamen laws had been adopted, the Government initiated a further revision to labour law, with the announcement on 4 November of a reform to the Labour Code. The new Code is organised into three different levels: fundamental rights for all, areas open to negotiation, and rules applied in the absence of agreement. It will define the interaction between the sector and the company in areas open to negotiation. The law will specify the areas in which company-level agreements will not be able to adversely deviate from sector arrangements.

The Government decided to proceed immediately with rewriting the core component of the Labour Code dedicated to working time, rest and leave, applying this new three-level model. The 35 hour principle will be classed within the first level, but there are already many deviations on this issue. The Government has finally confirmed that the hierarchy of norms will not be challenged, which in itself is a positive step. However, given the ambiguities at this stage, there are no guarantees.

Recommendation 3 for France 2015:
**Reform of the wage-setting system** so that wages grow at the same rate as productivity, ensuring that rises in the minimum wage are compatible with targets for employment and competitiveness.

Force Ouvrière has once again challenged the intervention of the European Commission on the wage issue. This is an area over which the latter has no authority, and which goes against the principle of **autonomy in collective bargaining**. European recommendations consistently support strong wage moderation, challenge the minimum wage and its adjustment method, and challenge the arrangements for wage-setting through collective bargaining.
Force Ouvrière considers it a priority to raise salaries, for both social and economic purposes. This must also be accompanied by overall tax reform, which all governments have kept postponing. The lack of support for a minimum wage for all workers proves that increasing salary purchasing power is not a government priority. This is one of the features of austerity logic, an approach which has an equal impact on all public services, to the detriment of their users and their staff. In public services, the price index freeze of the past five years is exacerbating the reduction in employees' purchasing power, taking into account the rises in deductions.

Main recommendations for 2015:

a) "Maintain the **reductions in labour costs** resulting from the Competitiveness and Employment Tax Credit (CICE) and the Responsibility Pact [...]"
b) "Eliminate regulatory barriers to **business growth**"

Measures taken by the Government in response to the recommendations and Force Ouvrière's appraisal:
Since 2013, one of the Government's economic priorities has been to restore the price competitiveness of French businesses, through implementation of the CICE, a tax credit for businesses, and the "Responsibility Pact", a system to reduce the taxes and social security contributions paid by companies. Its scope makes it a "supply shock" unequalled since the Second World War, according to the French Economic Observatory. Businesses will in effect receive a reduction of 108 billion euros in taxes and employer contributions over the period 2014-2017!
The 2016 Finance Bill extends this policy of reducing labour costs, through the implementation of additional exemptions. Having received nearly 24 billion euros of tax relief in 2015 (including 17.5 billion through CICE), businesses will receive a 33 billion reduction in statutory charges (taxes and social security contributions) in 2016. In 2017, businesses are due to see a reduction of 41 billion in statutory charges.

| | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|
| Total relief in statutory deductions through CICE and the Responsibility Pact, also including the investment plan for very small, small and medium enterprises introduced in 2016. | 10 bn | 24 bn | 33 bn | 41 bn | 108 bn |

**Source: *General explanatory statement*, Finance Bill 2016, p 23.**

Force Ouvrière completely opposes this policy of dispensing with tens of billions of euros each year, with no targeting of recipients, no payback, no monitoring and no controls.[3] Force Ouvrière has long demanded monitoring for public subsidies. Every public subsidy should be targeted, conditional and contractual, i.e.

[3] CICE and the Responsibility Pact are only part of the huge public subsidies received by businesses in France. According to government costings made public through the *Comité de suivi des aides publiques* (monitoring committee for public subsidies) attended by Force Ouvrière, 110 bn euros of public subsidies are set aside to support businesses each year. This figure could rise to a total of 140 bn by 2017, including CICE and the Responsibility Pact. (Seventy-five per cent of this total is in fiscal or social exemptions or expenditure; 10 per cent is through grants.)

granted on the basis of commitments by the recipient; specific commitments in terms of productive investment, innovation and employment. There should also be follow-up public checks on whether the commitments have been met and, where necessary, the potential for the subsidies to be paid back.
Force Ouvrière favours a true recovery policy through public investment, especially at the European level, which is the only level with the capacity to launch a strong, sustainable momentum that will create jobs. Force Ouvrière backs ETUC's demand for a much more ambitious investment plan than the Juncker plan. It also supports a European-level public policy in relation to industry, in the form of interstate coordination of public interventions.
Force Ouvrière supports steering the public investment bank in France in a manner consistent with other public policies, in particular the development strategies for industrial sectors. This is in order to build future capability in French industry for export and for the creation and retention of new jobs.
In Force Ouvrière's view, the key to restoring "French competitiveness" lies in public and private research, innovation and development. (For example, Force Ouvrière calls for the research tax credit to become a tax credit for research and for the commercialisation of innovation research.[4]) It is also linked to the existence of public services, which is a pull factor for potential employment areas. The re-establishment of French competitiveness also depends on resolving the problems between purchasers and subcontractors, and on the capacity of the state to give "meaning", direction and coherency, through major public policies and projects.
Force Ouvrière considers that the response to the loss of competitiveness in the French economy has no place for an ideological and partisan approach obsessed with relieving taxation, especially where this affects "labour costs".

Main **budgetary recommendations** for France in July 2015:[5]

a) "Take effective action on excessive deficit procedure and ensure sustainable correction of the excessive deficit by 2017 at the latest, through strengthening the budget strategy [...]"
b) "Identify potential savings [...], particularly within social security and local authorities"
c) "Take additional measures to restore balance in the pension system, and in particular ensure long-term viability of the supplementary pension system".

Measures taken by the Government in response to the recommendations and Force Ouvrière's appraisal:
With the aim of reducing the deficit to the 3 per cent threshold in 2017, the French Government agreed to introduce a plan to save 50 billion euros between 2015 and 2017, with the following breakdown: savings of 19 billion euros to be made on public expenditure, nearly 11 billion on local authorities and 20.3 billion on social security expenditure (including 10 billion on health expenditure).
Half of the savings from the state budget planned in 2016 (2.7 billion out of a total of 5.1 billion state savings in 2016) are to be made within state social expenditure, which is strongly condemned by Force Ouvrière. Force Ouvrière considers it unacceptable to make savings on minimum social benefits in a social context where serious poverty is on the rise in France.[6] In 2016, the Government has set a growth target for health expenditure at a historically low level: 1.75 per cent, compared with 3.6 per cent spontaneous growth for health expenditure.[7] Budget allocations to local authorities are set to reduce by a total of 11 billion by 2017, representing a reduction of nearly 20 per cent of their allocation over the period 2014-2017. This significant decrease is condemned by Force Ouvrière as it will cause financial strangulation for many authorities, particularly departments. The fall in public investment, especially at the local level, widely anticipated by Force

[4] The cost of the research tax credit in 2016 is valued at 5.5 bn euros (Annex to Finance Bill 2016: *Assessment of ways and means, Tax Expenditure*, volume 2).

[5] Recommendations from the *Economic, Social and Financial Report,* Finance Bill 2016, p 155-161.

[6] The numbers living in poverty (40 per cent of the median standard of living) has risen continuously since 2008.

[7] Costing from PLFSS [Social Security Finance Bill] 2016.

Ouvrière has now been confirmed: a recent report from the Court of Auditors showed the extent of this and forecast a worsening in the employment situation.[8] Departments, having been unable since summer 2015 to pay the welfare benefits that they manage (above all, the *revenu de solidarité active* - earned income supplement), declared emergency measures in autumn 2015.

At the same time, the Finance Bill 2016 stipulates continuously increasing taxes on consumption, which is regressive taxation. In particular, environmental taxes are higher in 2016 and are set to be further increased in the near future. Force Ouvrière has continually opposed the unbalanced nature of the tax structure in France, which is largely dominated by proportional taxation (taxes on consumption and social security contributions) rather than progressive taxation.

Contrary to what some people think, France's fiscal policy certainly is an austerity policy. The clearest proof can be seen by comparing the annual growth rates in public expenditure: while the growth rate averaged 3.2 per cent over the period 2007-2012, it was 0.9 per cent in 2014 (its lowest historical level), 1 per cent in 2015, and is likely to barely reach 1.3 per cent in 2016.[9]

As a result, the deficits are reducing: the government deficit went from 148.8 billion euros in 2010 to 73 billion in 2015. Setting extremely low levels for health expenditure has reduced the social security deficit by almost two thirds in only five years (from 27.3 billion in 2010 to 9.7 billion in 2016).

[8] *Local public finance, Summary of report on financial situation and management of regional authorities and their public institutions*, Court of Auditors, October 2015.

[9] This refers to growth rate in value terms. Figures from *General explanatory statement*, Finance Bill 2016, p 12.

## GERMANY: DGB

Germany needs to **tackle atypical employment** (here: mini-jobs)**/long-term unemployment/qualification.** More indetails:

- General: economic policy recommendations (by the EU) without balanced social policy underpinnings
- Extension of atypical employment and low-pay sector
- High levels of entrenched unemployment (long-term unemployment)
- (De-)skilling

The DGB believes that all employment relationships, in other words including the likes of mini-jobs, need to be included in social security. In order to reduce the burden for employees on very low incomes, the current transition zone (which has so far applied from 450 to 850 euro of income) should be increased. In this way, contributions in this zone are not financed jointly, but instead, in cases of low income, the employers pay a higher share. This also provides incentives to extend working time. Pensioners and students already benefit from exemptions from social security, so that they do not need mini-jobs. Tax law should not offer any privileges, the jobs should be incorporated into the normal taxation system. Single people on low incomes pay no taxes anyway.

Atypical employment, to which mini-jobs, temporary work, fixed-term employment and involuntary single autonomy all belong, is a driver of the low-pay sector. Such atypical employment relationships combine several risks, namely a high risk of dismissal, low pay (followed, as a result, by low pensions), health risks and the danger of de-skilling. This in turn exacerbates the skills shortage. Therefore, atypical employment should be curbed. At the same time, more efforts need to be made to increase workers' skills levels or maintain their fitness for the labour market.

Germany has a high level of entrenched unemployment. The labour market reforms have done nothing to change this situation. Increasing pressure on workers is ineffective so long as the demands of the labour market and the skills available do not match. What is therefore needed is a skills offensive (retaking educational and vocational qualifications). This would also tackle the shortage of skilled workers.

Long-term unemployment is stagnating at a high level in Germany of approximately 1 million. The number of people on minimum incomes ('Hartz IV') is three times as high. This means that people depending permanently or repeatedly on 'Hartz IV' need additional funding offers. Alongside skills, what this mostly involves is a social labour market where people with poor chances on the labour market can also permanently exercise publicly supported employment.

*See graph at annex*

The **law on uniform wage structures** is intended to secure the functional capacity of a uniform wage structure and take account of the protective, distributive, peace-keeping and regulatory function of wage standards – and therefore to combat the fragmentation of the collective bargaining system.

The principle of 'One company – one wage agreement' is the political foundation of the DGB unions in Germany when it comes to their actions within companies, in the individual branches and in society. Collective bargaining should resolve the undercutting competitive struggle around the workplace which affects individual workers between themselves vis-à-vis the employer, and create good remuneration and working conditions for all.

Where a single company applies several different wage agreements struck by different trade unions, whose fields of application overlap and which have different contents, then such wage collisions will be unleashed as soon as the two different agreements overlap: the only legal standards which will apply will be those of the wage agreement binding upon the larger number of the unionised workers in the company. So it boils down to the majority of those who are members of a union in that particular company. Only the legal standards in that union's collective bargaining agreement will be applicable. The trade union with a minority of members and its own collective agreement will be left with the right to sign up after the event to those legal standards in the majority wage agreement, to the extent that these overlap with the legal standards in their own wage agreement.

Where there are several competing unions, the aim of the DGB unions is to strive for the greatest possible degree of cohesion. However, to the extent that competing wage agreements exist which overlap within the company, the necessary cohesion among the workforce is taken into account by means of the application of the majority principle in the selection of the applicable wage agreement.

The economic framework conditions guiding the 2015 wage round were comparatively favourable, because after a decline in the second quarter of 2014, real growth rates in GDP increased again in the course of the year. The Institute was preponderantly forecasting real growth of between 1.5 and 2.0% for 2015 and a rise in consumer prices of largely between 0.5 and 1.5%. Developments on the labour market were cautiously positive (BA 2015): the number of people in employment rose by 400,000 (+1.0%) in the course of the year, while in the case of employees subject to social security contributions, the increase was higher, at 1.8%. The number of registered unemployed fell by barely 4.0% in 2014, and the unemployment rate fell from 6.7 to 6.2%.

**Incentives for later retirement, enabling transitions, combating poverty among the elderly, raising the minimum income ('Hartz IV' standard rates) / gender-specific risks affecting women on the labour market**
The issue cannot be simply about establishing incentives for later retirement, we also need transitions to be enabled which help those who do not reach the high retirement age.

Germany has created incentives to retire later in recent years. For example, the pension age has been increased stepwise to 67 and options for early retirement have been severely restricted and are only available with – sometimes substantial – reductions. At the same time, the pension level has been lowered. Older employees – despite long years of service – are often sinking into poverty in their later years. We therefore need flexible transition options which will enable older people with health limitations to join the labour market, and tackle problems with the transition from employment to retirement in accordance with employees' individual needs.

Placing standard rates which offer a **living wage and decent pay** in context
The establishment of the living wage (minimum income) is a key question above and beyond the avoidance of poverty. There is a close correlation between pay levels and in Germany also with the tax-free status of the minimum wage, from which all taxpayers benefit. The minimum wage is set too low from the point of view of the trade unions. On the one hand, the necessary subsistence of those on 'Hartz IV' and benefits is not ensured. But the standards are not poverty-proof and also favour the phenomenon of the working poor. This translates into 'make work pay'.

**Gender-specific risks** affecting women on the labour market
According to the EU-SILC in 2015, 16.7% of people in Germany were at risk of poverty (after social transfers). This places women at a higher risk of being affected by poverty than men.
Women are more likely than men to be working in low-pay sectors, and tend to bear the lion's share of the family burden to the detriment of their volume of work: 81 per cent of part-time workers are female.
One third of all women do not earn enough to cover their immediate needs. Half of all women do not earn enough to cover the immediate needs of themselves and their children. Two thirds of all women do not earn enough to make long-term arrangements for unemployment or a pension.
We therefore need equal opportunities in the workplace or better framework conditions for the work/life balance, as well as a choice of working times at all stages of life.

Accordingly, the DGB is demanding that the legal right to work part-time which is enshrined in the Part-Time

Work and Fixed-Term Employment Contracts Law ('Teilzeit- und Befristungsgesetz') should be extended to businesses employing fewer than 15 people, the law on a legal right to fixed part-time work and a return from part-time work should be supplemented, and employees should be given the opportunity to increase their working time as far as they need, up to full-time work.

Even though recent times have seen some improvements, Germany shows **weak investment development** both in a long-term comparison with other (EU) countries and in comparison to previous periods, and despite supply-side reforms, a sharp drop in company taxes and so on, the private investment rate in Germany has been in freefall since the beginning of the 21st century. Public investments are also performing extremely badly: since the millennium, annual government investments have often been even lower than write-offs, in other word the loss of value of the public infrastructure. Net investments have been negative, and the German State is draining off its substance. The lack of investments is also a significant reason for the country's continuing high current-account surpluses.
This would imply a high need for investment, not just in education and housing (also with regard to the current immigration of refugees fleeing war). More can also be done in terms of energy transition and energy-focused building refurbishment.

There is basically a need for the **State's financing basis to be strengthened**: admittedly, the tax take in Germany is nominally running at a record high level. In relation to economic performance, however, it is below the level in the 1990s. This means that the revenue from tax is not enough to drive down the State debt and to fund the urgently needed future investments properly. From the tax point of view, the major beneficiaries of this development have been the owners and heirs of large fortunes, top earners and big transnational businesses.

We need to curb the low-wage sector even further, and strengthen the commitment to collective bargaining agreements in order to promote higher mass incomes. Strengthening final private-sector demand in this way would also encourage private investments.
Public investments must be significantly expanded. The State even has some room for manoeuvre here if it keeps to the rules on debt. Planned public-private partnerships are the less desirable alternative.
The DGB is calling for a **Marshall Plan for Europe** – along the lines of the ETUC's 'New Path for Europe'. Such a plan would also have positive effects on German investments.

The German State also needs a **fairer tax system**. The tax scale for income tax needs to be made more progressive, whereby taxes on low and average incomes are eased and the top rate of tax increased and applicable only on significantly higher incomes than at present. Incomes from capital assets must again be taxed in personal income tax. The withholding tax should be scrapped.
The so-called spousal joint tax declaration ('Ehegattensplittung') has a counter-productive effect on women's labour market participation and leads to high tax shortfalls. Accordingly, there is a need for it to be gradually dismantled in favour of an improved infrastructure to care for children and young people.
The shifting of the VAT payment charge to businesses entitled to pre-tax deduction must be established as a general principle (the 'reverse charge') in order to combat VAT fraud effectively.
There is a need for higher taxation on large inheritances and the reintroduction of wealth tax as a tax on projected income.
The lowering of the corporation tax rate from 25 to 15 per cent should be made retroactive and the tax exemption on the disposal of shares to corporations needs to be lifted again.
Business tax should be developed into a local business tax which is no longer simply arbitrarily restricted to companies conducting business, but includes the growing number of freelancers. The assessment basis should be tied more closely to overall wealth creation.
The staff complement in the financial administrations needs finally to be matched to the finance ministries' own stated needs. The planned modernisation of the taxation process needs to result in the stabilisation of incomes. Staff being released must not be saved, but must be allocated to under-staffed areas.

*Re investments:* https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-Investbarometer/KfW-Investbarometer-Sep._2014.pdf *(see p. 58)*

*Re taxes*: http://www.boeckler.de/pdf/p_imk_report_108_2015.pdf
http://www.diw.de/documents/publikationen/73/diw_01.c.496882.de/15-7-1.pdf

The German government is going overboard with **budgetary consolidation**. It is targeting excesses in the federal budget, and thus going well beyond its obligation towards curbing German debt and the EU Stability and Growth Pact / Fiscal Pact. This is problematic, because this policy is to the detriment of urgently necessary public investments. In addition, the German private sector is also reporting a clearly positive financing balance, meaning that it cannot absorb the State's excesses. Furthermore, the federal budget faces the challenge that the public sector needs to be strengthened by staff and resources.

The federal government should at least use the room for manoeuvre given to it by the debt rules (which the DGB has consistently criticised for being too narrow), and bring about a major increase in public investments. State debt needs to be reduced by being 'grown out', instead of causing shrinking processes through servicing debts and cutting expenditure.

Further recommended measures would be:
The establishment of a legacy fund to eliminate the debts of federal States ('Länder') and municipalities; transition to financing of tax-funded social spending fixed under federal law from the municipalities to the central government; continuation of the solidarity surcharge beyond 2019 to support structurally weak regions; full consideration of the financial power of the municipalities when it comes to the Länder fiscal equalisation scheme (see also the topic of taxation).

http://www.dgb.de/themen/++co++37c294d0-7fb8-11e4-80d3-52540023ef1a
http://www.diw.de/documents/publikationen/73/diw_01.c.517389.de/15-43-4.pdf

## *HUNGARY: ESZT*

According to the description of Hungarian pension system of Direct and Indirect Gender Discrimination Old Age Pension Discrimination in 33 European Countries publication (166-173 pages) the **pension age became equal for men and women** (62 from 2013) as the result of earlier pension reforms. Increase of the pensionable age will be followed gradually to reach the uniform age of 65.
However there was a new low (from 2011) giving full benefit for women with 40 years of services. This age can be lower, than the actual general legal pensionable age.
From 2012 January1 the government introduced several new lows in the pension system. Prior to 2012 there were several possibilities for early retirement: the reduced early retirement pensions, the ill health retirement benefits, changed working ability cares, the miners' pensions and the service pensions (firemen, policemen, military servicemen) etc. From this time all these types of pensions and allowances cannot be granted.
In the same time the Act re-regulated the above mentioned earlier determined pensions. Depending on the date of birth, health condition and some other viewpoints the value of the earlier received pension had been reduced in many cases. The method was either the taxation of the pension or giving only social allowances instead of normal pension or withholding the previously granted pension.

The Hungarian Trade Unions claim from the government to give full benefit even for men with 40 years of services. Their arguments

- equal treatment men and women in matters of social security
- compensation of the above mentioned restrictions of pension system

Total number of old age pensioner: 2.024.149
- Women with 40 years of services: 128.847

Average pension/month: 118.831 HUF
- Women with 40 years of services: 117109 HUF

Data: 2015 September

Confederations which are representing the higher education sector are facing the problem of new calculation of service periods of pension.
In the pre-1998 era, periods not covered by social security contribution can also be credited in certain cases (e.g. period of university studies, mandatory military service), whereas from January 1, 1998 only periods worked in a relationship covered by social security law are credited if the contribution was paid or if the employer deducted it from the person's pay, but failed to transfer it to the public pension funds.
The period of university studies and PhD programs which sometimes takes 5-9 years is lost time from the point of view of the old-age pension.

Concerned confederations aim to achieve the returning to the earlier regulation.

Nowadays civic organizations (NGO) initiated some movement against the children's hunger. They elaborated a so called „national minimum program", which was supported by the Hungarian trade unions too.
According to the Eurostat (2014) the percentage of children at risk of poverty is 41,4% and behind Hungary there are only Rumania and Bulgaria in EU.
The number of the hungry children is 36-54 000 and 200 000 who in some periods have not get sufficient food.
The government aims to solve the problem by the development of the school feeding, but there are groups (under 3 years) and periods (holidays) which not covered.
This problem is related to the following Country Specific Recommendation :
„Increase the participation of disadvantaged groups in particular Roma in inclusive mainstream education, and improve the support offered to these groups through targeted teacher training; strengthen measures to

facilitate the transition between different stages of education and to the labour market, and improve the teaching of essential competence”

Reforms concerning social policy have not been the subject of discussion with social partners (including the trade unions), because the government closed down tripartite system in 2010. The new forum so called National Economic and Social Council is not suitable to make such kind of agreements which were undertaken in the previous system. In the past the expert committees of the Council for the Conciliation of Interests used to discuss about the bills. But according to the actual government such discussions and agreements are now superfluous.

## *HUNGARY: LIGA*

One of the hottest problem in Hungary is a low **employment** and activity rate. It has to be remarked that unemployment services have been shortened and is characterised by a weak transition.
According to the National Bureau of Statistics the cleaned data without community employment are disastrous

Net of **minimum wage** does not reach the subsistence level. A drastic increase is absolutely necessary to close such a gap.
Source: National Bureau of Statistics.

Hungary is characterised by an uncertain investment environment and weak confidence due to recent government regulation. Liga suggests the nationalisation of energy service providers, and other infrastructural companies.
Low level of investment, below 20%, which does not cover the depreciation costs.

## *HUNGARY: MASZSZ*

In Hungary the gender pay gap is increasing and it should be fought with specific measures in the hand of TUs.
Gender pay gap in Hungary is higher than the EU average and is increasing (2008: 17,5%; 2013: 18,4%). It is particularly high in the public sector and the highest in EU (2013: 22,4)
Sources: Eurostat

We agree with the Council recommendation (4) and we add that the significant extension of public work scheme since 2011 is not only a labour market question but also the way to preserve poverty and marginalisation and widening social gap.
MASZSZ suggests to continuously decrease the role and weight of employment in the form of public works and replace it by offering other alternatives to the unemployed in the labour market mainly by the increase of their employability.

*People at risk of poverty or social exclusion, % in population*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|
| Hungary | 28,2 | 29,6 | 29,9 | 31 | 32,4 | 33,5 | 31,1 |
| EU28 | 23,7 (EU27) | 23,2 (EU27) | 23,7 | 24,3 | 24,8 | 24,5 | 24,4 |

Source:
http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_50&language=en

Trade unions agree with the necessity affirmed in Council recommendation no.3 to continue to fight **tax evasion** but do not agree to include under taxation such miscellaneous and small scale activities which were not taxed before and which are the means to survive for the poorest strata like mushroom gathering. At the same time really significant tax evasions are neglected.

Trade unions agree also with the need "to reduce the high tax wedge for low income earners". Further, trade unions add that reducing tax wedge is needed also for average wage earners as Hungarian net average wages can be considered low and near to minimum standards of living.
Further, the high tax wedge not only has a negative effect on net earnings and has hit low wage-earners particularly, but it also puts downward pressure on labour demand. Nickell (2003) reported that a 10 percentage point rise in the tax wedge reduces the labour input of the working age population by somewhere between 1 and 3 per cent. (See: Nickell, S. (2003), "Employment and Taxes." CESifo Working Paper No. 1109).
Hungary has a very high and increasing tax wedge on labour costs, particularly in the case of low wage earners: in 2008 it was 46.7 per cent and in 2013 it was already 48 per cent and there is not an evidence that this rate would be decreased.

*Tax rate on low wage earners: Tax wedge on labour costs, %*

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Hungary | 46,7 | 46,2 | 43,8 | 45,2 | 47,9 | 49,0 |
| Czech Republic | 40,1 | 38,7 | 38,9 | 39,6 | 39,4 | 39,3 |
| Slovakia | 36,0 | 34,4 | 34,7 | 36,0 | 36,9 | 38,4 |
| European Union (27 countries) | 39,4 | 39,2 | 39,3 | 39,6 | 39,9 | : |
| Euro area (17 countries) | 41,8 | 41,6 | 41,8 | 42,3 | 42,7 | : |

Source: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_nt_taxwedge&lang=en

## *IRELAND: ICTU*

**Unemployment** has fallen from over 15% to 9.1% end of 2015. Falling slowly but in every quarter. There are serious problems with the quality of some jobs with some employers making increasing use of bogus self-employment. Legislation is awaited which will help to combat precarious employment by giving increased certainty of hours to part time workers. Large scale emigration, but it has slowed as employment picked up.
Annual increase in employment of 2.9% or 56,000 in the year to the third quarter of 2015, bringing total employment to 1,983,000. Grew by 1.5% in the year to Q3 2014. Rate down from over 15% to 9% or 203,000 persons.
Long term unemployment 54% of total or 5% Q3, 2015.

Sources:
http://www.cso.ie/en/releasesandpublications/er/qnhs/quarterlynationalhouseholdsurveyquarter32015/
http://www.cso.ie/en/newsandevents/pressreleases/2015pressreleases/pressreleasequarterlynationalhouseholdsurveyquarter32015/

Ireland needs a re-instating of **sectoral bargaining with *erga omnes* coverage** which was abolished by the supreme court in 2010. Recent amending laws have allowed for binding sectoral agreements to be concluded in security and contract cleaning. The construction employers have stated their willingness to support a similar agreement in construction. It is the hospitality sector, who benefit from a 3% reduction in VAT (despite state aid rules) who refuse to engage on this issue, despite widespread evidence of skill shortages and turnover levels of over 20%.

The government had proposed a plan for an **insurance-based universal health insurance**, then abandoned in Nov 2015 because it was assessed as too costly but without forwarding any other alternative.
Only a small increase in welfare payments is planned despite – as mentioned in previous CSR – Ireland is lacking in affordable childcare with a wage penalty of up to 100% applying to second earner returning to the labour market. Some progresses are recorded in the recent budget plan but overall progress is excruciatingly slow.
Fine Gael party is deeply conservative and if elected as sole party would dramatically cut taxes. As it is the current government plan to cut public expenditure from 38% of GDP in 2014 to just 28% in 2021 per Budget statement in 2016. (Note: GNP is better measure for Ireland than GDP ie about 17% lower than GDP, thus these %age figures rise). A coalition with Labour is possible. Other parties are less likely to cut taxes further.

http://www.tasc.ie/download/pdf/tasc_cherishing_all_equally_web.pdf

The new **investment** plan "Building on Recovery" proposes exchequer investment of €27bn over 2016-2021. This is too weak and will stifle the progress done so far, but with election, it may be revised upwards. Anyway Irish economy is over-dependent on foreign MNCs and the infrastructural plan remains very weak.

http://www.budget.gov.ie/Budgets/2016/2016.aspx

http://www.per.gov.ie/en/building-on-recovery-infrastructure-and-capital-investment-2016-2021-statement-of-the-minister-for-public-expenditure-and-reform-mr-brendan-howlin-t-d-on-29-september-2015/

Income tax and social charges have been cut in the budget plan. New **tax** breaks for corporates have been

introduced to replace "Dutch Irish Sandwich" with a 6.25% max rate of corporation tax. A substantial easing of consolidation in recent Budget for 2016 is recorded. Due to the General Election in next Spring a further easing of fiscal consolidation is expected. The government has promised to reduce public services /expenditure as a percentage of GDP over the next 6 years.
Growth is strong at 6 percent and debt is falling but Ireland will be under Troika surveillance for many years even though successful completion of the bail out.

# ITALY: CGIL – UIL

Italy must reduce North-South gap in terms of **employment**, **labour market** inclusion of young workers and creation of quality jobs.
The new system of external flexibility combined with the significant exemption from social contributions introduced by the so-called Stability Law for newly-hired people with open-ended contracts, is not proving to be the right way to increase employment and reduce the high unemployment rate.
The sharp reduction of labour costs for companies (the total and generalized exemption from social contributions, which will probably be confirmed in the next 2016 Stability Law, albeit at a reduced rate), with the addition of the "predictable" and "low" compensation in case of unfair dismissal, does not seem to be matched by a balanced "safety and security" system for workers.
Unfortunately, still today, the missing factor of yet another reform of the labour market is an effective and efficient system of ALM policies (including the reform of employment centres), capable of including and reintegrating into the labour market those who have not a job or have lost it.
Furthermore, the great opportunity that this reform was supposed to grasp, namely reducing and combating spurious forms and flexible types of employment, seems to have been missed. This is evidenced by the return to the old “co.co.co” activities and the ongoing extension of vouchers which, as a result of this reform, also witness an increase in the remuneration for workers, with the risk of potential forms of employment being "cannibalized".

In order for a real, long-term and stable recovery to take place in Italy the Government should prioritize actions aimed at:

- creating jobs in the sectors of common goods;
- realizing strategic public investments;
- supporting stable and new jobs, above all in Southern Italy.

In the first nine months of 2015, INPS (the national institute for social security) recorded 4.1 million of new employment contracts, of which only 1.3 million were open-ended (+ 34.4% compared to the same period of 2014). The increase of standard contracts was essentially due to the abovementioned incentive ('"exemption from social contributions"). At the same time, the number of new apprenticeship contracts decreases (- 18.4%). It was inevitable considering the "generalization" of the incentive given by the 2015 Stability Law.
The Italian general employment rate is below the European rate, in particular the female rate and general one in the Southern regions. There are about 4 million of precarious workers on a total of about 23.
Furthermore, the CIG (redundancy payment) has increased for 6 of the first 9 months in 2015 (only during 3 months it decreased). This clearly demonstrates that recovery still lags behind despite the strong incentives that companies have been receiving.

Italy needs to increase real incomes – at least at the same level as real productivity – by relaunching national collective bargaining, and to reduce the tax burden.
The Italian Government wants to take action on the representation rules and to establish a **minimum wage** at the expense of national/sectoral **collective bargaining**. It should avoid this and, on the contrary, it should:

- renew the private sector (nutritionists, construction workers, etc.) and public sector (not renewed since 2009) contracts and, between the national and decentralized (company or territorial) levels, increase wages as much as productivity, thus laying the foundations for a new "collective bargaining model", more inclusive and conducive to the growth of the country:
    1. relaunching national bargaining is essential to promote fair distribution among workers and competition among companies, particularly with a view to increasing productivity;
    2. renewing the decentralized bargaining is equally necessary to increase employment and

investments.

- follow up the 2014 Consolidated Act on representation;
- reduce the tax burden on wages to increase net wages and encourage the spreading of decentralized bargaining;
- disseminate practices of participation and industrial democracy for sharing investment and employment strategies at company and regional levels, including corporate welfare strategies with the possibility of extending them at local level also in relation to public services.
-

On the contrary, in this regard, the Government seeks to promote corporate welfare in a complementary, but exclusively, mutualistic form. On the latter point, the government has extended the incentives (tax relief for productivity bonuses and corporate welfare), but without adequately supporting the processing of productivity targets in a structured way.

About the **gender pay gap**: the wage gap in Italy is below the European average, thanks to the role played by collective bargaining, but great disparities remain in terms of career progression and adequate wage policies. The female employment rate remains among the lowest in Europe (46.8% according to the latest data) and shows that women's work is scarcely appreciated and hindered in terms of career. Women are over-represented in precarious jobs and in the lowest-ranking jobs. They enter and leave the labour market for maternity or care activities and therefore they accrue lower social security contributions and have fewer opportunities to have access to training and retraining.
There is no law on shared parenting and mandatory adequate parental leave. There are no support measures and services at national level (for the care of children, elderly people, etc.), which are the responsibility of the individual municipalities.
Second-tier bargaining is still scarcely widespread and can play an important role to encourage contractual welfare and work-life conciliation. Even if in an additional and complementary framework to the national contract, so as to avoid creating disparities on the territory.

ISTAT data shows that the yearly actual gross and net wages during the crisis have lost purchasing power and have grown less than productivity and the cost of living. This has led to a reduction in the incidence of the labour share of national income. The causes are essentially attributable to recession, job losses, the decline of investments, the block of bargaining (already little widespread) for public workers. Despite the prospects of low inflation, the Italian government's program on macroeconomic framework envisages a further decrease in real wages and labour share.

Considering that the spending for **social protection** in Italy is lower than the EU-15 average and that we refer to two government acts, namely the 2015 DEF and the proposed 2016 Stability Law:

**Poverty**: It is positive to have finally envisaged permanent funding for the fight against Poverty (which did not exist in Italy). It amounts to 600 million euro in 2016 and 1 billion as from 2017. At the same time, the government has announced the revision of the current income-support measures (allowances for disabled people, income-support for pensions to reach a minimum decent level, etc.). Nevertheless the overall assessment of the plan to combat poverty is unsatisfactory, based on what the Alliance against Poverty - a subject of advocacy involving 35 national organizations – has produced and defined through REIS (7 billion over a period of four years), with specific reference to absolute poverty, with a universal trait and with the involvement of the local welfare infrastructure for supplying services and encouraging active inclusion. It would be positive to shift/convert spending from cash transfers to services but the "new" resources must actually be additional to current spending: the fight against poverty cannot be funded by reducing spending on cash transfers (possibly for the disabled people such as the specific allowances for them).

**Health**: in the 2016-2019 period a set of measure are envisaged for the health sector designed to make 20 billion cuts, thus confirming the reduction of the GDP share for health spending envisaged by the DEF (from 7% to 6.5%), which relegates Italy to the lowest ranking positions in Europe in terms of investment in health social protection. This jeopardizes the model of universal NHS which, so far, has enabled Italy to rank high in the world both in terms of spending and in care-giving.

**Disabled and dependent people**: the fund designed for these people is financed with 400 million euro. It is a positive sign, but it is still too weak to provide coverage to over 4 million disabled and dependent people. In fact a National Plan is needed to this end, with integrated benefits combining social and health measures to be implemented progressively across the country, which is still characterized by differences and disparities, considering that only one region, namely Emilia Romagna, allocates to this Fund the same amount as the one allocated at national level.

**Entities for Individual Protection** and the so-called "Patronati" and CAF: even the 2006 Stability Law has envisaged a cut to the Fund for the so called "Patronati" and CAF. These entities provide valuable and professional services to the citizens – services that the Italian State cannot supply, thus significantly contributing to the Public Administration's modernization. Furthermore, as all opinion polls show, the so-called CAF and "Patronati" enjoy over 95% of appreciation by the users who avail of their services. There is a strong and real concern that these cuts will negatively affect the rights and essential services for citizens, starting from the weakest walks of society.

**Social Security**: no measures are envisaged for flexible access to retirement and social security measures are only partial. By renouncing to take actions in this regard the government keeps on penalizing both workers and young people who cannot enter the labour market. The planned introduction of part-time in the years before retirement is a good opportunity for workers, but it provides no flexibility to the system. Furthermore it could not be sufficiently attractive to make it an effective measure. The partial equalization of the no tax area for pensioners and employees is an important step, but the scope of this measure is limited due to the fact it will be implemented only as from 2017. The government's extension of the block of indexation, as introduced by the former Letta's government is disconcerting. This measure contradicts what stipulated by the Constitutional Court which declared unconstitutional the previous indexation block introduced by the so called Fornero Law. The government keeps on cutting social security spending to find money to add to its coffers, thus penalizing millions of pensioners. The 2016 Stability Law has launched the seventh mechanism designed to protect workers who lost their job and were not entitled to a pension anymore due to the increase in retirement age imposed by the 2011 pension reform. A necessary measure to solve the problem of thousands of workers, but a significant share of them affected by the injustices created by the so-called Fornero law continues to be excluded from this mechanism. The so-called "women option" will not be activated until 2018, but only a one-year extension to have access to this mechanism is envisaged. And subject to the need to reach the necessary requirements by December 31, 2015.

Italy needs an increase in the quantity and quality of fixed **investments**, as well as the sustainability of productions and support for a balanced growth.
The Italian government does not provide for an industrial policy based on public investment, neither support for R&D, nor resources to increase human capital. It provides only generalized tax incentives to enterprises and privatization, as well as a regressive reduction of the tax burden on housing.

We need to increase investment and innovation in the whole country system and, particularly, in the South, through:

- an increase in public investment and state-owned enterprises;
- the use of public fund "Cassa Depositi e Prestiti" for innovation and long-term investment, especially in tangible and intangible infrastructure and equipment;
- additional resources for public and private research and innovation, especially in the green economy.

In order to be more effective, we should introduce a new "**green taxation**" which can act as a disincentive for the products which pollute more.
We must also redistribute labour and production taxes in a progressive way, as well as structurally reduce **tax evasion**.

ISTAT data shows that in Italy the decline of GDP (real, at constant prices) for the 2007-2014 period is equal to 9 percentage points (matched by a fall in industrial production by 25%, of consumption by 8% and of gross fixed investment by approximately around to 30%).
Many studies, including the IMF's, identify in capital productivity and in the total factor productivity the two factors leading to the competitive delay of our country compared to the major industrial countries.
The Bank of Italy's data on Italian household budgets shows that the total net wealth is 9 times higher than the GDP. The data describes a situation in which over 46% of net wealth is concentrated in 10% of the richest families, while 50% of the poorest families hold less than 10% of the total wealth.
According to ISTAT data, yearly tax evasion amounts to over 180 billion euro.

Italy needs to relaunch the **economic growth** for making public accounts sustainable (and not the other way round). The "flexibility" of austerity is not enough to overcome the crisis and redress public accounts. Even the "slowdown" of **fiscal consolidation** that the Italian government wants to achieve with the 2016 Stability Law (from the 1.8% forecast in April 2015 to the current 2.4% of net debt/GDP ratio) does not contribute to a real expansionary policy (the deficit/GDP ratio in 2015 is 2.6%) and is not enough to boost greater growth of the potential GDP which, by definition, would make the budgetary targets more certain.
An expansionary fiscal policy is needed, which can bring the deficit above 3% of GDP (as in other European countries, such as France).

Considering the mistakes made by the government in the growth forecast, every autumn since the beginning of the crisis over 14 points of GDP have been lost (from 2008 to 2014). As a result, with a view to recovering the planned targets of public finance in relation to GDP, we have always made greater consolidation efforts, which means more cuts in public spending and unfair revenue policies.
Even in the current government's public finance programming framework, the estimates of macroeconomic impact are very modest (+ 0.1% on a 0.9% of GDP variation in 2016) and confirm a policy relying only on markets and exogenous variables of national economy, based on a search for "external" competitiveness "external" based on cost reduction, through the devaluation of work and through tax policies, as well as the reduction of state-owned companies (0.5 points of GDP worth of privatizations are expected in 2016 alone).

## *ITALY: CISL*

The **relief from social security contributions** introduced by the 2015 Stability Law, together with the measures to combat false self-employment included in the Jobs Act, are helping companies to see the first signs of recovery, with positive impacts both in replacing unstable work with stable work and a slight recovery in employment. However there has also been a veritable explosion in the use of ancillary work vouchers.

The **youth unemployment** rate remains very high and there has been an increase in the number of adult workers excluded or at risk of exclusion from the production cycle. Female employment has been less affected by the crisis but Italy started out with some of the lowest female employment rates in Europe. The situation in the South of Italy remains critical, where the crisis has accentuated differences between regions.

The decrees implementing the Jobs Act relating to social safety nets have made the system of protection much more inclusive, albeit with certain challenges, but protective measures must be incorporated in general taxation to cover the transitional phase lasting until July 2016. In addition, companies with fewer than 6 employees received no assistance. Above all, the transition to a new system of active policy measures is expected to be long and problematic as a result of the challenging initial conditions of the network of public employment services, the distribution of responsibilities between the central government and the regions, which is being amended through a draft constitutional law currently passing through Parliament, and because of the lack of financial resources.

- **Employment incentives.** The incentive for permanent recruitment should be extended to 2016, at the same level as in 2015, without reductions, at least for the areas of the South. In addition, some form of generational relay scheme should be established which provides incentives to older employees to work on a part-time basis at the end of their career and encourages companies to employ young people. One result of recent pension reforms has been to block the replacement of older employees by younger workers.
- **Employment services.** The government must make every effort to ensure the prompt implementation of employment service reforms, investing sufficient funds to improve public employment centres pending definitive clarification of the division of responsibilities at the institutional level. This is too great a challenge to be able to offer real employability safeguards to workers when facing the difficult period of looking for work.
- **Social safety nets**. So-called special social safety nets must receive adequate funding in 2016, since the new unemployment protection scheme, which will also apply to companies with between 6 and 15 employees, will not come into force before July 2016. Solutions must also be found for companies with fewer than 6 employees which have not been included in the protective measures.
- **Vouchers**. Measures must be introduced to combat the abuse of the system.
- **Protection of self-employment.** The Jobs Act took steps to combat false self-employment, but greater support is now required for genuine self-employment, with an expansion and strengthening of the safeguards in place for those registered for separate INPS administration, starting with the implementation of Dis-Coll, the experimental unemployment benefit for workers which is due to end in 2015.

There are a number of critical elements which prevent the elimination of the **gender pay gap** in our country: intermittent career paths, maternity, obligatory part-time work, lack of welfare services and the reconciliation of family and work.
The desired solution involves a series of elements: development of second-level agreements together with the questions involving equal opportunities which must inform all social and employment policies. Work-life balance and associated issues must be included in agreements in order to enable the establishment of gender culture at work, in the company's organisation and in career routes including the attainment of senior positions

within companies and organisations.

In Europe the average pay gap between men and women in employment is 16.4%. According to European data (Eurostat), in Italy male workers earn 7.3% more than female workers for each hour's work. The situation in Italy appears to be better than in other European countries. However, this positive finding is less impressive when considered in the light of other indicators on the presence of women in the labour market, as well as data on the difference in the number of hours worked by men and women. By crossing these last two sets of data, the gender pay gap expands to 44% (against an EU average of 41%), clearly undermining the positive result.

Need for systematic national governance to define objectives, priorities, essential levels and funding to be able to improve the efficiency and effectiveness of **welfare** (including public, supplementary and contractual welfare) and to develop it uniformly at the local level.
Development of the **participation of social representatives** at all levels as a key element of the reform processes based on the needs of individuals and families.
**Regulation of the third sector**, whose reform is still being discussed in Parliament, and the prompt definition of the criteria for accreditation and the allocation of services.
Measures to **support contractual welfare**, mutual-type arrangements and the reorganisation of working hours and methods for completing work, particularly in order to support workers with education, care and family assistance.
Definition of the national plan and a comprehensive tool to **combat poverty**, which is included in the Stability Law but which is insufficiently funded. In addition to financial support, the tool must specify suitable procedures for the social and employment reintegration of recipient families.
Definition of a national regulatory framework and an integrated national social-health plan for long-term care (LTC) which defines essential levels for self-sufficiency.
Refinancing of the Plan for Social and Educational Services for **Early Childhood**, not provided in the draft Stability Law, for which supply is still very uneven in the country in terms of quality and quantity.

Supportive evidences: increase in population quota for elderly and older elderly, low birth rate, expansion of families without children or single-person families, increase in poverty in recent years, in particular absolute poverty (severe material deprivation). Low levels of public investment in social policies in relation to GDP, excessive fragmentation of spending, increase in private spending on social and health policies, insufficient coverage of services compared with potential demand and unsatisfactory social-health integration.

Among the key factors hindering gender equality in all sectors, the main ones are: low levels of participation by women in the labour market; prevalence of non-standard contracts (female employment at 47%, 30% in the South); difficulty for women to access senior positions; lack of infrastructure and services to support parenting; downturn in the birth rate which has dropped to alarming levels in Italy. A further cause for concern is the level of violence against women and the consequences of this violence on the working life of victims. Poverty is another factor which needs to be addressed, in particular that of single-income families consisting of a single mother with children.
The Union can make an important contribution, principally through:
*decentralised pay bargaining* to give new impetus to the labour market and thereby the economy, but also to the professional growth of women, as well as *family friendly policies* with a positive impact on the *birth rate*. *Greater value must be placed on equal opportunity policies* and *gender mainstreaming* together with *policies to prevent and combat violence against women*, which is harmful to the individuals involved but also to the labour market and to society.

According to recent statistics (Istat), the rate of inactivity between the ages of 15 and 64 is 26.7% among men, while it is almost twice as high among women at 46.1%. This means that while there are 5 million inactive men in Italy, there are almost 10 million women who are not involved in any activities and who have also stopped looking for work. In addition, the proportion of women in management positions in Italy, at 28%, is below the

European average of 33% of female employees and well below the leading countries in this area such as Latvia (44%) or Poland (38%).
In Italy just 18% of children find a place in public nurseries, making it hard to combine work and family commitments, and according to Eurostat, half of Italian women do not return to work after having their first child. The shortage of services is also confirmed by a recent survey conducted by Cittadinanzattiva which noted that little over 12% of children below the age of 2 make use of the municipal service, one child in five is on a waiting list and the rest are sent to private crèches. The South is in last place where 51% of these facilities are private.

The CISL affirms the need to restore **more flexible methods for accessing pensions**.
CISL is disappointed by interventions in the welfare area, above all because of the lack of measures to correct the Fornero Law and owing to the failure to restore flexible means of accessing pensions.
The tax and social charge incentives under the draft Stability Law for 2016 relating to part-time work by older workers, in agreement with employers, meet the need to reduce full-time work up to three years from the date when pensions become payable. This is a positive step but it should be accompanied by other measures to introduce laws on the so-called generational relay scheme, thereby connecting the transition from full-time to part-time work with the hiring of a young person who will then be mentored by older workers.
CISL believes that greater adaptability in access to pensions is an indispensable element of reforms in order to safeguard the needs of working mothers who also carry out housework, workers who lose their job at an old age and those undertaking heavy and exhausting work. Restoring flexibility to the system would make it possible to facilitate job turnover in companies to benefit young people, freeing up new jobs and meeting the personal and family requirements of workers.
The substantive conditions for reforming pensions are in place and it would be possible to start with the draft laws undertaken by the Labour Committee of the Chamber of Deputies and the Senate which, in CISL's opinion, constitute an important basis for comparison and discussion, without prejudice to the adoption of two criteria which we consider indispensable: the sufficiency of the pensions paid and the fairness which restoring flexibility to the pension system must ensure.

**Investment policies**
CISL remarks the **conomic policy is unbalanced** in favour of supply rather than demand.
Consumer demand has been negatively affected by high unemployment, the freeze on public sector recruitment and limited pay rises owing to delays in the renewal of private sector contracts.
We are concerned by the weakness of public investments, which at constant prices in 2014 have been reduced by 32% compared with 2007. The significant reduction in public capital spending has resulted from the difficulty of reducing current expenditure, with serious repercussions on the process of accumulation, on wellbeing and on the security of individuals. No steps have been taken towards establishing a structural plan for the country's water assets, which are of vital importance to the country, a remarkable multiplier of investments and a source of great savings in the long term as they would reduce the frequency and scale of catastrophes and the associated costs.
In the context of incentives and tax benefits for companies there is a notable absence of specific measures for the South.
On the one hand the government's economic policy therefore appears insufficiently bold in finding resources to finance further tax cuts, and on the other it seems too imbalanced in favour of supply rather than demand.
The additional impact of the fiscal package for 2016 is just €11 billion, largely earmarked for measures to stimulate supply, given that the remaining €16 billion comes from the corrective package to neutralise increases in VAT and excise duty (eliminating them in 2016), which would have put downward pressure on consumer demand.
A different choice of measures adopted in the Stability Law could be more effective at achieving the twofold objective of establishing greater consolidation of growth during the three-year period to which the Economy and Finance Document refers and finding a more acceptable balance in terms of fairness, based on the Stability Law.

Two factors must be taken into consideration:

1. In the international ranking, Italy has incurred the steepest fall in investments (-7.1% of GDP, over €123 billion) and has the slowest expected recovery (in 2020 it will still present a shortfall of 5.9 equivalent percentage points of GDP, equal to over €94 billion, in order to return to 2007 levels).
2. In 2015 stronger consumer spending was seen in all sectors, led by non-food items and services which showed greater dynamism, but once the impact of the fiscal policy has been exhausted the growth in consumption is expected to decline. In 2016 per capita spending will still be 8.5% lower in 2007, before the financial crisis.

**Taxation**

CISL underlines the need for **reducing the tax burden incurred by employees and retirees and restore fair fiscal policy,** focusing on the reduction of individual income taxes compared with those levied on corporate income, which should be reduced more selectively.

Of the €27 billion provided by the 2016 Stability Law, €16 billion will be used to neutralise the safeguard clauses on VAT and excise duty, avoiding an increase which would have put a significant drag on the Italian economy. We appreciate this outcome, although we feel it is necessary to defuse the risk of future increases in VAT and excise in the coming years.

We welcome the **elimination of TASI** [tax on indivisible services], both for owners and users of properties for use as a principal residence, as well as the fact that this measure was combined with the suspension in the current year of the power of the Regions and Municipalities to increase IRPEF [personal income tax)] and other taxes.

The **re-establishment of the detaxation of production bonuses**, through collective corporate or regional bargaining, is a useful and positive measure, although the decision not to apply it to the public sector is a mistake. Finally, we also welcome the confirmation of tax relief for building renovation work and the Ecobonus, as well as the special measure to finance property purchases aimed in particular at young couples.

However, we fear this may be insufficient, and *we therefore believe it is important to reverse the priorities of fiscal policy, with a significant reduction in IRPEF during the three-year period covered by the public fiscal package and the Stability Law, starting with the reduction of taxes for retirees, employees above the €26,000 gross income threshold and for families who did not receive the €80 benefit.*

CISL is not opposed to a reduction in corporate income tax but we are convinced that a more selective and targeted reduction in corporate income taxes would make it possible to recover funds which could be employed to improve the fiscal equity of the package.

The first opportunity to take steps in this direction would be to bring forward the start of the process of harmonising the no tax area between pensioners and employees to 2016, rather than from 1 January 2017.

The 2016 Stability Law prioritises a cut in IRES [corporate income tax] from 2016 or 2017, depending on whether the European Commission approves the migrant clause. We are dismayed to note that there is no sign of a reduction in IRPEF in the update to the Economic and Finance Document (DEF), nor during the three-year period under the Stability Law.

**Spending review and tax expenditure**

The Government action is characterized by an **excess of linear cuts and lack of capacity for selective intervention.**

The savings indicated in the 2016 draft Stability Law resulting from the public spending review are very limited. On the one hand, the alignment of spending with standard requirements in all areas of public spending will be gradual and will bear fruit in the medium term, while on the other hand the public spending review is still too closely tied to the method of linear cuts.

Within the spending review, tax expenditure, namely the system of tax incentives and concessions, is of great importance.

An analysis of the system of incentives and tax reductions (tax expenditure) shows two incontrovertible facts: a) an extremely high level of credits, tax relief and tax breaks characterised by a very low frequency of final beneficiaries; b) an overlapping system of tax benefits which appears too fragmented, complex and unfair (in

terms of both vertical and horizontal equity) and which gives rise to various pressure and special interest groups who wish to secure specific advantages.
In our opinion it is possible to examine the system of tax expenditure to identify significant resources which could permit a fairer distribution of the tax burden, in order to favour a reduction in taxes on income from work and pensions and a tax system with more selective advantages to benefit companies which increase levels of employment, adopt socially responsible behaviour and invest in research and innovation in order to increase the specialisation of our production system. For these reasons, a review of the system of tax expenditure would not necessarily lead to restrictive effects. A targeted cut in tax expenditure affecting a limited number of companies and/or taxpayers in order to favour a general reduction in IRPEF would certainly have a positive impact on consumer demand.
It is also necessary to earmark suitable funds for the resumption of public sector recruitment, which has been frozen for six years, because the €300 million set aside is equivalent to a gross monthly increase well below the rate of inflation. This is in a context in which job turnover in public authorities will incur further restrictions (in the next quarter, spending on new hires cannot exceed 25% of the amount spent on the staff who left in the previous year).

## LATVIA: LBAS

Latvia is affected by a high tax burden on labour (income tax for workers) and non competitiveness of wages. Moreover wages are not responding to the cost of living. The situation is further worsened by the high inequality and high unofficial economy.

LBAS proposal for the budget 2016 within the discussion at the National Tripartite Cooperation Council:

- reduction of individual income tax by 1% and increase of the non taxable amount to improve situation of low- income earners
- increase of income tax on capital and dividends at least for 1-2 % to shift the tax burden from labour tax and low income earners
- increase of the national minimum wage to at least 380 EUR

Latvia has highest labour tax in the Baltic states (employee tax burden) which negatively impacts quality of its labour force. The amount of non-taxable income in 2015 for low income earners in Latvia – 75 EUR, Lithuania – 164 EUR, Estonia – 156 EUR. Net minimum wage in Latvia – 265,34 EUR, Lithuania – 273,60 EUR, Estonia – 300,99 EUR. With Latvian cost of living not being lower than in other Baltic states, Lithuanian worker receives 99,12 EUR more of net minimum wage per year than Latvian worker, Estonian worker – 427,80 EUR.

At the same time economic research made by the Economical prognosis centre (EPC Ltd) established that wages, welfare and price levels relative to the EU average show that Latvian wages do not meet the cost of living and cannot provide quality living conditions (Competitiveness of wages and social guarantees of the Baltic region; available in Latvian: http://www.lbas.lv/upload/stuff/201408/darba_samaksas_un_socialo_garantiju_konkuretspeja_baltijas_regiona.pdf

Furthermore according to Eurobarometer Latvia occupies first place regarding "envelope wages" and shadow economy is almost 23,5% of the GDP (2014).

At last in the Country specific recommendations to Latvia 2015 (Council Recommendation of 14 July 2015 on the 2015 National Reform Programme of Latvia and delivering a Council opinion on the 2015 Stability Programme of Latvia) social expenditure has little impact on poverty reduction and around 32,7% of Latvia's population were at risk of poverty or social exclusion and income inequality in 2014 which remains among the highest in the Union. The high tax wedge for low- income earners remains a disincentive for formal employment and reduces demand for low-skilled workers (point 12). The recommendation to Latvia included reduction of the high tax wedge for low-income earners by shifting the tax burden to other sources less detrimental to growth (point 3 of the recommendations).

**Low public spending on health care system, low stagnating wages for public sector employees**

LBAS proposals for the budget 2016 foresaw:

- An increase of wages in the education and healthcare system (by 10% at least)
- An increase of public spending for the health care system

According to the Country specific recommendations to Latvia 2015 Latvia has low public healthcare financing and high out-of-pocket payments inadequate focus on performance incentives and efficiency and lack of care coordination result in reduced access for a large proportion of the population to the healthcare system. The budgetary costs of the health sector reform amount to 0,2 % of GDP (points 8 and 12).

The public spending for health care amounts to 3% only in 2014 which makes it among the lowest in the EU.

The recommendation to Latvia 2015 included taking action to improve the accessibility, cost-effectiveness and quality of the healthcare system and link hospital financing to performance mechanisms (point 3 of the recommendations).

## LUXEMBOURG: OGBL – LCGB

Main trade union demands**: Tackle unemployment by strengthening job security and unemployment benefits**.

Strengthen **job security** by revising a set of legislative texts:

- Revise legislation on unjust economic dismissal.
- Revise legislation on employment retention plans.
- Revise legislation on social plans.
- Revise legislation on bankruptcy.

**Older employees:** Plan specific measures to safeguard and protect working conditions and the employment of older employees in businesses:

- Implement an action plan for older employees.
- New statutory requirements supporting part-time retirement combined with part-time employment for those aged 57 years and over.
- Opposition to the abolishment of the solidarity scheme for early retirement without compensation, and strengthening of the requirements regarding gradual early retirement and early retirement from shift work.

**Young people:** Implement measures to tackle rising youth unemployment and unstable employment (fixed-term contracts, unpaid internships, temporary contracts).
This is not a case of simply reducing the number of people who are unemployed in the short term, but rather of tackling unstable employment among young people, especially at the beginning of their working life. There must be increased investment in training and social support, in addition to tackling any deterioration of the legal conditions of employment or further extension of fixed-term contracts. Permanent contracts should remain the norm for young people.

Trade union opposition to the draft regulation regarding appropriate **employment criteria**: Under this draft regulation, people seeking work would find themselves forced to accept almost any job for almost any salary. This draft regulation is unacceptable and would result only in further instability for workers.

Main trade union demands on **collective bargaining** are:

- Pursue a policy that encourages increased bargaining for collective labour agreements.
- Increase the social minimum wage.
- Wage indexation: trade union opposition to any deterioration of the automated salary indexation system, including its abolishment or the establishment of an upper limit.

Regarding the topic of the **social protection**, the trade union is in favour of maintaining the level of benefits, which are constantly decreasing: since 2006, there have been reductions to family support, the back-to-school allowance, parental leave allowance, educational allowance, birth grants, maternity pay and home education allowance, due to their indexation. Actions in specific fields are then required:

**Improve work-life balance:** Implementation of measures promoting better work-life balance:

- Gradual reduction in time spent working, without loss of salary.
- Introduction of a sixth week of statutory leave.
- Introduction of widespread social leave and the extension of employees' leave rights for ongoing training, family or cultural reasons.
- Introduction of legal rights to <u>voluntarily undertake part-time, fixed-term work</u> (to educate children, for example), with the right to return to full-time work at the end of the period (without affecting the

statutory protection measures in place for part-time work).
- Reform of parental leave to offer employees more freedom to organize their private lives, and reassessment of parental leave allowances.

**Nursing-care insurance:**
- Maintenance of the solidarity system for nursing-care insurance, including indiscriminate care for all dependents (and maintenance of the system for individualised care plans).
- Trade union opposition to dependents having to make any additional contributions to their care.
- Rejection of any reform to nursing-care insurance aiming to save money by reducing benefits, and refusal of any flat-rate financial system for benefits or the introduction of a grading system for dependents.
- Opposition to budgetary measures that risk reducing the quality of benefits or that have disadvantages for beneficiaries.

**Anti-poverty measures:** There is an ever-increasing risk of poverty in Luxembourg. To tackle this increase, the main trade union demands are:
- The **guaranteed minimum wage** must be indexed and strengthened.
- Rejection of the governmental draft bill on **family allowances**: there is a plan to dismantle family allowances. This draft regulation would have a negative impact, particularly on single-parent families and families with several children. Trade union request to increase family allowances and to implement a mechanism to regularly increase family allowance amounts in line with rising prices and salaries. Trade union warning against some planned provisions that directly target cross-border workers.

**Part-time work and instability:** Involuntary part-time work is on the rise, and primarily affects women. Specific measures must be taken to tackle this trend

**Tax fairness** is in rapid decline in Luxembourg. The country has witnessed a huge redistribution of the tax burden since the 1990s. This has been to the detriment of low- and medium-income households. On the other hand, businesses and those with a very high income have benefitted greatly from this tax policy. Due to this increased tax burden and the austerity policy, the situation has worsened since 2009.

Trade union supports a fiscal reform for **fiscal and social justice**: balance the taxation of labour and of capital.
- Lighten the tax burden on low and medium incomes while subjecting income from assets and capital, which are largely under-taxed, to higher taxation.
- Extend progressive tax by introducing additional tax brackets.
- Adapt the tax structure to changes in the cost of living by introducing a mechanism that regularly adjusts the tax rate to the cost of living.
- Make people receiving the social minimum wage exempt from being directly taxed.

Modify some provisions regarding tax bracket 1A, which is currently creating some paradoxical taxation situations

The Government's "package for the future": this package contains 258 savings measures to rebalance **public finances** eventually.

Trade unions assess it as a misguided policy and request to change course. The economy and public finances do not justify the pursuit of an austerity and savings policy in Luxembourg. Public finances in Luxembourg are healthy and current State expenditure does not in any way endanger the future of Luxembourg. This attests to the package of savings measures being unnecessary.

SYNDICAT EUROPEÆN TRADE UNION CONFEDERATION

## MALTA: GWU

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| While measures has been put in place in public procurement to tackle **precarious employment**, however the problem still exists in the private sector. For example private carers engaged in government contracts are paid more than their counter parts engaged within private contracts.<br><br>Several measures are to be taken in order to increase **employment** rate: free childcare, increase in maternity leave, Youth Guarantee. Unemployment with a 5.4% rate is at its lowest levels in the last years. A substantial increase in **female participation** in the labour market is recorded.<br>Sources: OPM 124/2013; OPM Circular No. 12/2013; NSO Labour Force Survey Q2/2015 |
| Several measures have been taken to curb abuses in social assistance and benefits. Such measures were aimed also at reducing **poverty** whereby **social benefits** are provided to those who are truly in need of them. In this regard minimum pensions were increased once again. Carers of pensioners are subsidised by government to the amount of minimum wage as part of their wages.<br>Source: National Budget 2016 |
| National Budget 2016 contemplates various measures to keep the economy going strong. Consumption is on the increase whereby consolidating job opportunities coupled with less taxation for low-income groups. Malta Enterprise is giving priorities to new sectors – e.g. digital gaming; investment in public health via public-private partnerships; policy start-ups through Life Sciences Park.<br>Source: National Budget 2016 |
| Deficit estimated to go under 1.6% of GDP. Also, National Debt is under control and decreasing year after year as against GDP.<br>Source: National Budget 2016 |

## NETHERLANDS - FNV

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| The government has to restrict the **unemployment** (600.000 people), in particular of population aged 45 years and older (which are the most part of long-term unemployed) by putting in place specific measures.<br>Source: CBS(13/11/15): 145.000 long- term unemployed people aged 45+ |
| Concerning the **Life-Long Learning** we have to improve admission to public funded post-initial education (customised projects, recognition of prior learning and working on learning outcomes). The right to education for employed persons and job seekers needs to be enforced by individual training budgets as well as paying special attention for flexible workers, the low-skilled and senior citizens.<br>Data: Social and Cultural Planning Board |
| The Netherlands should effectively tackle the companies' **tax evasion** allowed by eliminating the special tax arrangements and treaties. This means that better tax laws on national and European level are needed as well as a minimum corporate tax rate of 25% and a common tax base on European level (CCCTB).<br>Data from different sources: Eurostat; CBS; FNV; LuxLeaks |

# POLAND – FZZ

Over the past years, the Polish economy has benefited from low labour costs. However, the path towards an innovation-driven economy presents challenges for improving quality of human capital. The most important challenges are a **low labour market participation** by certain groups, persistent labour market **segmentation** and low geographic and occupational **mobility**. Poland also faces a number of challenges in **education**, especially regarding insufficient labour market relevance, its quality and life-long learning. At the same time, ensuring social cohesion is also an important challenge.
Moreover, labour market participation of older workers remains low, although a gradual increase in the employment rate in the age group 55-64 is visible.

Unions are for:

- Liquidation of the atypical forms of employment and putting on top the standard labour contracts
- Systematic increasing of the minimum wage according to the agreement of social partners
- Mentoring of young employees and fighting youth unemployment
- Mentoring and guidance services improvements
- Fighting the unemployment also by the age management
- Labour market reform, which will be more open for the labour market needs
- Stimulation of labour migration. Today very low from the cultural reasons and because of the low salaries and high housing prices

Data:

- 1,5mln of employees are self-employed
- 1.3mln of employees have civil contracts for work, which put them in to the worse working conditions
- The unemployment rate is systematically going down, but still is higher than expected. Especially youth unemployment rate is high 27.3% and the share of NEETs increased till 12.2% (2013-2014)

Poland is currently affected by a lack of **collective agreements** due to the fact of lack the employers representative organizations in several branches – the challenge is to put in place the new law on the employers' organizations representativeness.
Increasing of the **minimum wage**, at least, till 50% of the average is necessary as well as raising up of the **salaries** for women and increasing their **participation** in the labour market. Women, who lost their job around age of 54 years have almost zero chances to get a new job.
47% young works till the age of 30 has the temporary contracts.

Data:
15% of employees earn minimum wage in Poland
Only 9% mangers are women

More social care for kids and older seniors will help to reconcile the work and family life

Concernining the pension reform:
Unions are for:

- A pension reform, which will guarantee more financial contribution to the system. Polish unions support lowering of the retirement age, keeping the security period before the retirement age;
- Maintaining the special pension system for farmers;
- Fighting the poverty (6mln Poles live below the poverty line).

Concerning the industrial policy to support growth, Unions are for:

- Reindustrialization
- Further support of export

Regarding the tax policy, Unions are for:

- Increasing of the free tax rate
- More tax gradation
- Lowering of the VAT tax to 22% (today 23%)

## POLAND – OPZZ

**Segmentation of the labour market**: division between the “superior” and the “inferior” labour market. Instability of employment. Pathological ratio of fixed-term employment contracts. In-work poverty. Colossal scale of employment through temporary work agencies. Growing proportion of employment under civil law contracts. Forced self-employment. The use of interns as unpaid labour force. Income stratification. Illegal employment. Wage increase lagging behind productivity growth. Lack of compliance with the provisions of labour laws.

In its recommendations for Poland, the Council advocated taking action to limit the excessive use of fixed-term contracts and civil law contracts in the labour market. According to All-Poland Alliance of Trade Unions (Ogólnopolskie Porozumienie Związków Zawodowych, OPZZ), problems within the Polish labour market are much greater, and it is therefore of great importance to identify the main barriers to the creation of new jobs and gradually eliminate them. Labour Fund reserves should be increasingly made use of in order to ensure that more jobseekers are involved in activation schemes, as well as to develop and implement a system for the coordination of vocational training with the needs of the labour market. The State Labour Inspection’s mandate to carry out impromptu checks should be reinstated - Poland is the only country in Europe where the Labour Inspectorate is required to inform in advance the enterprise with respect to which it is to carry out an inspection. The demands formulated by OPZZ and pertaining to the increase of powers of this institution and the severity of penalties for violation of employee rights, outlined in the opinion issued with respect to the National Reform Programme in the previous year, remain valid. Civil law contracts should become employment contracts wherever gainful employment bears the characteristics of the employment relationship.

OPZZ does not agree with the opinion according to which the provisions of the existing labour law are rigid and labour costs are high. OPZZ’s position in this regard is confirmed by international comparisons between Poland and other countries. Poland’s regulations provide for instance for a wide range of contract types that can be concluded with an employee in accordance with the Labour Code, depending on the employer’s flexibility needs, the total cost of employment, wage rates per hour and rising labour productivity. In order to eliminate the excessive use of junk contracts, OPZZ calls *inter alia* for the establishment of an hourly rate of remuneration, independent of the form of employment, amounting to approx. PLN 15, and for the establishment of a government policy promoting the creation of quality jobs, based on employment contracts and with a remuneration no lower than the minimum wage. To this end, the government can - in addition to the above-mentioned strengthening of the institutional and legal capacity of the State Labour Inspectorate - use the public procurement system, where in the process of selecting contractors, social clauses should be applied and priority should be given to those employers who conclude employment contracts with their workers, provide them with fair remuneration and guarantee safe and hygienic working conditions. The adoption of such an attitude by the government in the process of spending public funds should set standards for the private market and, consequently, pressurize employers into reducing the use of junk contracts. OPZZ has contributed to changes in the public procurement law and the introduction of provisions governing the use of social clauses. Currently, OPZZ strives to monitor the application of provisions and the implementation of EU directives on public procurement.

- A clear segmentation of the labour market can still be observed in Poland. The use of civil law contracts in the labour market has adversely affected the quality of employment, especially among young people. The percentage of workers employed under fixed term contracts is the highest in the EU, the percentage of those who are provided with permanent employment after a period of temporary employment is low (20 per cent), and the difference between the average salary of employees with a contract for an indefinite period and those workers with a fixed term contract is the highest in the EU (36.8 per cent in 2010.).
- As many as 66.8 per cent of workers employed on the basis of a fixed-term contract cannot find a stable job.

- According to the Central Statistical Office's (CSO) data for 2013, the number of individuals engaged in non-agricultural business activity who, at the end of 2013, did not employ workers on the basis of an employment contract (the so-called "self-employed") was estimated at 1.1 million. In the same year, contracts of mandate (*umowa zlecenie*) and contracts of specific work (*umowa o dzieło*) were concluded with 1.4 million people who neither worked under an employment relationship nor were they entitled to a retirement pension.
- An analysis of the Labour Code allows us to conclude that it contains a range of flexible solutions and types of contracts that meet the needs of entrepreneurs. One of the measures defining the degree of flexibility of the legal protection of employment is the EPL index (Employment Protection Index) developed by the OECD. The value of the index in 2013 indicates that Poland has relatively flexible regulations pertaining to fixed-term contracts: the average degree of protection against dismissal of those employed on the basis of a fixed term contract in OECD countries is twice as high as the protection workers are provided with in Poland.
- In 2012, Deloitte presented the results of the study entitled "International Dismissal Survey", conducted in 25 European countries. It proves that Polish employers bear much lower costs related to employee dismissal than entrepreneurs in other countries. According to the study, the costs of terminating an employment relationship borne by the employers in the so-called "old" EU Member States are more than twice when compared to the costs incurred by entrepreneurs in Central and Eastern Europe.

**In-work poverty**

OPZZ considers as main problems: low wages; gender pay gap; difficulties in reconciling professional and social roles.

- At present, the level of wages does not allow the majority of Poles to have a good quality of life: 13 per cent of the workforce receives the minimum wage and more than 60 per cent of the workforce earns less than the average wage in the national economy. The minimum wage is insufficient to allow workers to support themselves and their families. Consequently, in-work poverty is a widespread phenomenon in Poland and having gainful employment does not guarantee protection against poverty. Therefore, OPZZ requests the growth of wages at a greater pace, including the minimum wage, which should ultimately reach the level of 50 per cent of the average wage. Wage growth is necessary and justified not only because of the increasing productivity of workers, the cost of living and scale of poverty in the country, including in-work poverty, but also due to the need to avoid the so-called slow-growth trap in Poland, which has been emphasised by the European Commission. As long as wages remain low, entrepreneurs will not be motivated to invest in advanced production and management technologies, making the transition from an economy whose main competitive advantage consists in low labour costs to an innovative economy all the more difficult. In its assessment of national reports, OPZZ states that in order to achieve all the objectives of the Europe 2020 Strategy, it is necessary to improve the living conditions of workers by increasing their salaries, with particular emphasis on national targets with regard to sustainable public finances, combatting poverty, climate policy and innovation in the economy.
- In its opinion pertaining to National Reform Programmes and other documents related to the implementation of the Europe 2020 Strategy, OPZZ calls for the implementation of policies that facilitate the reconciliation of work and the performance of family and social roles, which is of utmost importance for the situation of women on the labour market and for their professional activity. We demand equal pay for equal work. Greater funding is needed to improve the functioning of nurseries, kindergartens and the education system; child benefits should be increased.

Supportive evidences:

- The share of employment costs in GDP has been decreasing: according to the European Commission's data, their share in the Polish GDP was 46 per cent, compared with the EU average of 58 per cent. According to Eurostat, the cost of labour in Poland, calculated in euros on a per hour basis is lower than the EU average; in this regard, Poland ranks 23rd among European Union Member States. In 2013, an hour of work in Poland cost EUR 7.6, compared to the EU average of EUR 23.7.

- Wages grew at a slower pace than labour productivity: in 2001-2012, labour productivity increased by 55.3 per cent, while wages only by half as much (29.6 per cent).
- The gap between labour productivity growth and real wage growth in 2002-2012 stood at 20 per cent.
- Poland is among top EU Member States in terms of wage disparities and the scale of the phenomenon of the so-called in-work poverty is alarming.
- Eurostat indicates that non-wage labour costs in Poland represent 18.7 per cent of the remuneration, compared to the EU average of 24.2 per cent (in the European Union, the share of non-wage labour costs ranges from 6.9 per cent in Malta to 33.1 per cent in France). It follows that the problem of disparities that exist between wage growth and productivity developments, observed by the Commission in other Member States, does not concern Poland.
- There is ample room for wage growth. It is confirmed by data on the savings accumulated in the bank accounts of enterprises (approx. PLN 233 million) and on their profits (the revenue of non-financial firms grew in 2014 by 2.1 per cent and their net profit amounted to PLN 90.2 billion). The situation in the Polish labour market cannot therefore be attributed to legal barriers or high costs of labour, but stems from the widespread lack of respect for the value of work and the need for workers to be remunerated fairly, combined with businesses' desire to attain extraordinary profits while hindering the establishment and operation of trade unions.

EU Council Recommendation pertaining to the initiation of the process of **adjusting the pension systems** of farmers and miners to pension systems designed for other groups of workers

In its Recommendations, the Council failed to take into account the unique nature of work in the mining industry and the specific conditions in which the work is carried out, affecting the health of miners and their ability to engage in professional activity.

According to OPZZ, it is important to conduct a fair review of the pension system and to ultimately propose a number of solutions to be discussed with social partners. It must be emphasised that the latest reform of the pension system in Poland has led to a significant reduction of pensions. With regard to the Commission's recommendation encouraging Poland to continue the process of reforming the pension system, OPZZ is in favour of increasing the lowest retirement and disability pensions, taking into account not only age, but also the number of years in employment when determining a worker's entitlement to a retirement pension, as well as maintaining a separate pension system for those working in special conditions and performing work of a unique nature (miners).

Supportive evidences:

The Annual reports of the State Mining Authority on safety, mine rescue and public safety in connection with mining and geological work, as well as data of the Central Institute for Labour Protection point to risk of health hazards to mining workers, due *inter alia* to exposure to dust and noise, as well as musculoskeletal system disorders. The above statistics and data on life expectancy in good health should be taken into account in the context of the miners' pension system.

Government policy with respect to economic growth is affected by:

- Insufficient public investments and state spending on incentives for private entities to invest their own funds, also for pro-innovation purposes.
- Socially unjust tax system; the necessity of counteracting tax evasion.
- The need for policies aimed at increasing consumer demand.

Moreover, the EU climate policy presents challenges and threats for the Polish economy and society.

During consultations pertaining to draft National Reform Programmes, OPZZ presented an evaluation of government policies and proposed solutions in the above-mentioned areas.

- OPZZ believes that government measures aimed at boosting domestic demand, conducive *inter alia* to an increase in the disposable income of households, are insufficient. The government did not take into account e.g. the proposals put forth by trade unions with regard to wage growth in the national economy, the minimum wage in the public sector, or retirement and disability pensions (we presented our stance to the government in May 2015). The government's policy hampering wage growth, combined with the tax policy and the situation on the labour market have had a negative impact on demand, and thus on the country's economic growth, resulting in economic migration, low fertility rates and poverty - including in-work poverty - and difficulties in acquiring property.

- We advocate increasing public investment – also in terms of housing policy and the use of EU funds so as to stimulate the transition towards an innovation-based economy. EU funds and state funds should be invested not only into the creation of permanent infrastructure or production technology, but primarily in human and social capital, through expenditure on knowledge and skill acquisition. Therefore, given the lack of specific provisions in the National Reform Programme for 2015-2016 pertaining to supporting cooperation between science and business, we expected that the document be supplemented with concrete measures. The level of expenditure on research and development is also insufficient and we believe that it must be increased; cooperation between science, business and education should be facilitated and promoted, and the working conditions of academics need improving.
- In terms of the tax system, the National Reform Programmes provide for no measures that could improve social cohesion, which is the objective of the Europe 2020 Strategy. Increased rates of VAT affect to the greatest extent those with the lowest income, for whom household expenses represent the greatest proportion of their budget - more than other households in Europe. OPZZ calls for the reestablishment of VAT rates of 22 per cent and 7 per cent, while taking additional measures to protect the tax system against fraud, as the value of losses to the state budget has been increasing. OPZZ emphasizes that in order to reduce income stratification in Poland, regulations governing personal income tax should be amended. The government has not changed the income tax threshold, tax brackets and tax rates since 2009, which has resulted in an increased fiscal burden for Polish citizens; OPZZ strongly opposes this situation. The OECD points out that proper redistribution of income through the tax system is an effective method of reducing social inequalities. With this in mind, guided by the need to create an equitable tax system and taking into account the social aspect we call, *inter alia*, for the introduction – in addition to the existing rates – of a lower tax rate on the lowest incomes, along with and a higher tax rate for top earners.
- OPZZ is of the opinion that the tax policy of the state towards those with the highest incomes and businesses, including multinational companies, should allow generating higher tax revenues and be focused on the efficient prevention of tax evasion. In addition, OPZZ calls for an increase of the personal income tax threshold – currently, one of the lowest among countries in which this category is applied, and for an increase in payroll expenses that are tax-deductible. We also advocate the introduction of a tax on financial transactions.
- In terms of the energy targets set out in the Europe 2020 Strategy and the relevant climate objectives, it is crucial to develop a coherent national energy policy based on the country's energy sources, taking into account the situation regarding the energy market and - equally important – social aspects of challenges related to the strengthening of the capacity and competitiveness of the energy sector, as well as pro-environmental investments. Poland's energy security is based on the country's mineral resources, which should continue to be regarded as a specific guarantee of energy security. This key assumption of the energy policy should be taken into account by the government in order to protect jobs in industry and other sectors of the economy, and thus safeguard the country's economic growth in the coming years. This requires investment in energy infrastructure, a general understanding and solidarity between the Member States and introducing high standards of sustainable development, taking into account both the needs of the environment and employment protection. OPZZ expects the Polish government to take action on the international forum in order to protect our mining and energy sector, and to encourage as many countries as possible to enter into an agreement requiring climate action.

Supportive evidences:

- Changes can be introduced within the tax system in order to relieve the burden on the lowest-income social groups. Generally, the tax burden in Poland remains low: the average share of tax burden in GDP in 2010-2013 was 6.4 per cent lower as compared with the EU average: in 2013, it stood at 31.8 per cent in Poland and at 39 per cent in the European Union.
- Effective personal income tax burden increased from 8.0 per cent in 2007 to 8.24 per cent in 2013, while in the case of the corporate income tax, it decreased from 17.7 per cent in 2007 to 17.0 per cent in 2013.
- VAT arrears for the first half of this year amounted to PLN 35 billion, 73 per cent of which was accumulated in previous years. Another problem is the so-called VAT gap, evaluated at 26.7 per cent in 2013, as compared to the EU VAT gap of 15.2 per cent.
- According to the International Monetary Fund, tax collection efficiency in Poland has deteriorated significantly and no signs of improvement have recently been observed. Despite an increase in VAT rates in 2011, net proceeds from VAT have fallen significantly since 2007.

- In 2000-2011, there was an upward trend in the share of expenditure on apartment or house maintenance and energy, which accounted for about 20-21 per cent of total expenditure of households.
- According to Eurostat data, spending on research and development (R&D) in Poland amounted to 0.87 per cent of GDP in 2013; only 28 per cent of Polish companies can be considered innovative, compared to the EU average of 52 per cent.
- Nearly 45 per cent of power generation plants are over 30-years old and approx. 77 per cent have been in operation for more than 20 years; 89 per cent of the country's gas transmission infrastructure is older than 15 years.
- The growth rate of coal mining in 2012 and 2000 (in millions of tonnes) indicates that the amount of coal extracted in Poland has been reduced, while many countries in the world drastically increased their coal production (China, India, Indonesia).
- Between 1998 and 2012, Poland reduced it $CO_2$ emissions by nearly 33 per cent, while the average for EU countries was 14 per cent. Although Poland is not the largest emitter of carbon dioxide in the world and has decreased its emissions in recent years (while other countries increased theirs), it will be burdened with higher costs should climate commitments be fulfilled.

Council's recommendation on **state budget**: Following an adjustment of excessive deficit - budgetary adjustment of 0.5 per cent of GDP both in 2015 and in 2016, allowing the country to achieve a result closer to the medium-term budgetary objective. Broadening of the tax base, in particular by restricting the use of an extensive system of reduced VAT rates.
OPZZ considers as essential the balance between the country's investment needs and social expenditure with the amount of tax revenue. Maintaining economic growth at a level sufficient to enhance the economic wellbeing of citizens and reaching a level of country development comparable to developed countries.

OPZZ opposes incurring excessive debt by the state, given that the costs of balancing public finances are born by citizens. In recent years, the public finance management policy has not been aimed at increasing the welfare of citizens, it failed to take into account the existing needs and was inconsistent (systems of social benefits and the fiscal system), which has led to financial imbalances and proven ineffective in many policy areas. At the same time, during the economic downturn brought about by the global financial crisis, OPZZ negatively assessed the policy of freezing, and cuts to, social benefits, wages in the public sector and harmful changes in the tax system, as these policies resulted in inhibited demand. We have also considered disadvantageous cuts in public investments.
The transition from an economy whose competitive advantage is based on low labour costs to an innovation-based economy requires appropriate investment and a social policy aimed at balancing opportunities and strengthening social potential. Conducive to this is a rational and cogent policy of the acquisition and redistribution of budget funds for socially useful purposes, a fair tax system and measures minimizing the scale

of tax fraud, ensuring appropriate state revenue from contributions. We recommend that the government take prudent action with regard to any changes to the VAT system, bearing in mind that reduced VAT rates often apply to basic commodities and their increase would adversely affect the disposable income of the population; we advocate measures aimed at combatting tax fraud.

OPZZ suggests that the government pursue policies aimed at boosting domestic demand in order to increase the disposable income of citizens, which will translate into an increase of budget revenues and economic growth. OPZZ has presented to the government proposals related to changes concerning the social security system and the amount of social benefits, changes to the tax system and, above all, the labour market, together with a proposal to tax all income generated through work. OPZZ substantiates its demands by claiming that decent employment conditions are crucial for increasing the number of economically active citizens, their wages and tax revenues, and will consequently result in sound long-term public finances. High-quality employment translates into the reduced costs of social transfers, spending on health care, retirement and disability pensions; this, in turn, it results in balanced public finances and greater investment into development measures.

In the area of public finance management and socio-economic policies, OPZZ demands that the government develop genuine social dialogue allowing the conclusion of agreements between parties to the social dialogue, as well as effective (and not only formal) public consultation.

Supportive evidences:

- State budgets in the period between 2009 and 2015, confirming the freezing of thresholds and tax rates, an increase in VAT rates, the income tax threshold, remuneration in the state-budget sector, insufficient indexation of benefits in relation to actual needs or lack thereof;
- According to the draft budget for 2016, the government anticipates a 6.1 per cent increase of state revenue generated by VAT in relation to the projected performance in 2015. The ratio of these revenues to GDP in 2016 is expected to reach the level of 6.8 per cent and to increase by 0.1 per cent compared to 2015. Currently projected VAT receipts are approx. PLN 14 billion lower than projected in the 2015 budget, which proves that OPZZ's assessments pertaining to government forecasts and the impact of increased VAT rates on budgetary income were correct.
- The draft state budget for 2016 does not provide for any increase in the lowest retirement and disability pensions; the ratio of minimum to average benefits is constantly decreasing; the net amount of minimum pension is nearly equal to the minimum subsistence level.

## POLAND - SOLIDARNOSC

**High unemployment levels** - in particular among young people – persist together with long-term unemployment;

The employment rate, i.e. the percentage of employed persons (employees, self-employed and family members providing assistance free of charge) among those aged 15 and older, is a key indicator of a country's labour market situation. At slightly above 50%, Poland's employment rate ranks among the lowest in Europe: it indicates that only half of Poles aged 15 and older work, while the remaining half are economically inactive (i.e. non-working pensioners, students) or unemployed.

Nearly one in seven workers claims to be under stress due to their fear about losing their job. This tendency, i.e. the propensity to employment-related stress, is slightly higher among women than among men.

The manner of in which the unemployed are profiled is subject to general and widespread criticism, as it perpetuates certain social patterns and stereotypes. "Solidarity" pointed to this aspect in the process of drawing up amendments to the Act. According to Panoptykon, the reform of employment agencies, along with profiling solutions, were supposed to contribute to the individualisation of support granted to the unemployed. Meanwhile, the procedure itself is based on standardising and pigeonholing individuals into specific categories without taking into account their diverse life situations. We expect a fair assessment of the functioning of the adopted solutions in order to make necessary changes and improve the efficiency of public employment services. According to NSZZ "Solidarity", the process of profiling currently applied should be modernised.

Amendments to the law on employment promotion have failed to introduce any significant changes to the activation of the unemployed. The quality and durability of employment should be as high as possible, and therefore the measurement of effectiveness should not only concern employment as such, but also its nature (e.g. employment contracts concluded for an indefinite period) and the length of employment (e.g. a minimum of 12 months).

In 2013, one in five employees had a fixed-term contract. This form of employment clearly seems to affect people aged 15-24 years (nearly 60% of this group) to a greater extent than other workers. The complaint filed by "Solidarity" and successfully examined by the European Commission incited the government to draw up amendments to these provisions of the Labour Code that pertain to fixed-term contracts. The act shall come into force in February 2016.

The increasing number of civil law contracts has resulted in a segmentation of the labour market. One reason for the dissemination of this type of employment, especially in situations where a contract of employment should be concluded, is the fact that neither salaries paid to those employed under contracts of mandate (*umowa zlecenie*), nor remuneration received by members of supervisory boards have been subject to social security contributions. Therefore, "Solidarity" called for changes in the Act and prepared appropriate draft amendments. At present, remuneration paid to members of supervisory boards is subject to social security contributions; since January 2016, this obligation shall be extended to contracts of mandate. It is important to raise the general public and decision-makers' awareness of the consequences that the prevalence of junk contracts will have for the pension system and socio-demographic changes (birth rate).

See annexes

The stature of **collective agreements** in Poland continues to diminish, particularly in terms of sector negotiations. For several years, it has become noticeable that employers have been withdrawing from collective bargaining at the enterprise level, as evidenced by the annual reports published by the Central Labour Inspectorate. Employers have exerted downward pressure on provisions ensuring employee protection in the existing collective agreements.

The weakening of the collective bargaining system prevents striking a fair balance between the wages and salaries of workers and the profits generated by enterprises. According to the OECD, the cumulative value of the gap between the growth of labour productivity and real wage growth stood at 20% (OECD Economic Surveys Poland, March 2014). Slow wage growth has been compounded by the instability of jobs (due to the growing number of fixed-term contracts) and the substitution of employment contracts with civil law contracts. According to the results of a survey conducted by the Polish Public Opinion Research Centre (CBOS) in November 2015, wages in both groups compared to the remuneration of workers employed for an indefinite period were approx. 30% lower.

The negative consequences of stagnant wage growth have been indirectly referred to in Poland Country Report published by the Commission in February 2015. Authors aptly describe the mechanism of the low labour cost trap. The Commission emphasised that a development strategy based on competitive labour costs prevents Poland from moving up the value chain. It also points out a significant decline in real labour costs, which has been observed for several years. Another aspect is a long-term decrease in household savings, attributable to the fact that any additional savings – generated through the halting of labour cost growth – are reaped by the business sector which does not consider it necessary to increase investment because of the labour-intensive nature of production and services that predominates in Poland.
Authors of Country-Specific Recommendations (CSR) for 2016 failed to outline the reasons for the situation presented in the report. It should be clearly indicated that in order to transition from the present low-cost and labour-intensive economy, based mainly on its comparative advantages in low-skill areas, public authorities must support wage negotiations at all appropriate levels, which will allow wages to increase naturally, in keeping with productivity growth.

**Gender pay gap**
The unequal treatment of men and women in the labour market is reflected *inter alia* in wages. Despite having a higher level of education, Polish women continue to earn less than their male colleagues.
The majority of women are employed in the sectors of health care, welfare, education, hospitality and catering, where wages are generally lower.
Significant **wage differences between men and women** working in comparable positions are also due to differences in the scope of responsibilities assigned to them and a greater share of men employed in management positions. The requirement of confidentiality of remuneration prevents collective bargaining at the enterprise level aimed at equalizing wages between men and women employed in the same position.

The stereotyping of gender roles negatively affects women's competitiveness in the labour market. Promoting equal treatment in politics, business and social life shall have a positive impact and ensure that women are not only perceived, but also treated as equal. A greater presence of women in politics and business will also ensure a better understanding of their needs, improve the quality of law and proposed solutions, as the viewpoint of both sexes will be more fully represented.
Employers are aware that female employees of childbearing age may need to have a break in employment due to pregnancy, and therefore prefer hiring men, who - for the same reason - are also more likely to be promoted. Employers perceive men as versatile employees, while women as high-risk workers.
Respect of the right to collective bargaining in the public and private sector should be promoted and enforced, as it is an indispensable tool aimed at normalizing labour relations; wage discrimination should be fought against and equality ought to be promoted.
The obligation of confidentiality of earnings should be abolished and collective bargaining with respect to wages at national, sector and company levels needs strengthening: studies show that wage differences are smaller in countries where companies are bound by collective agreements.

See attachment

**Welfare system**

The results of a household budget survey show an improvement in the financial situation of an average household in 2014 as compared to 2013. At the same time, no significant changes in the scale of economic poverty were observed and it remained an important social problem. Extreme and relative poverty rates remained at the same level (7.4% in the case of extreme poverty and 16.2% in terms of relative poverty), which evidenced that this negative phenomenon had been consolidated. Similarly, the percentage of the population living below the official poverty line has remained unchanged as compared to the previous year (12.2%). This means that in 2014, 2.8 million people lived in extreme poverty and 6.2 million below the relative poverty level. The number of people living below the threshold of social intervention is estimated at 4.6 million people (according to the data presented by the Central Statistical Office (CSO) in “Ubòstwo ekonomiczne w Polsce w 2014” (Economic poverty in Poland in 2014). Nevertheless, in 2015 recommendations for Poland, the issue of improving the support system for the most vulnerable groups is not addressed. At greatest risk of poverty are families with children, in particular large families and those with disabled dependents.

NSZZ "Solidarity" expects to implement permanent support solutions for economically vulnerable groups of citizens. The system is deeply underfunded and suffers from inefficient organization. New challenges arise, for example care for dependent persons. At present, it is provided primarily by other family members - mostly women of working age - which for obvious reasons has an adverse effect on their employment opportunities. In order to change the situation, the social welfare system needs to be adjusted; attempts at introducing an appropriate reform have been blocked twice by the Ministry of Finance in recent years.

**Other gender-related issues**

Significant differences in the manner in which men and women are treated on the Polish labour market are the result of numerous factors, such as a lower rate of economic activity and of employment among women, higher unemployment among them, inequality of pay, limited presence of women in senior positions and in management boards.

We have recently observed, also in Poland, an evolution towards a knowledge-based economy. Work itself has also been evolving, and the traditional sectors of the economy have given way to services and modern technologies. These changes require considerable commitment and efforts due to the need to constantly update one’s professional skills; for women with small children this may prove a major challenge due their family obligations and problems with access to **appropriate childcare**.

The structure and level of employment have significantly influenced economic transformations, mainly the emergence and development of the private sector, accompanied by the decreased employment in the public sector, traditionally dominated by women.

The majority of women are employed in the sectors of health care, welfare, education, hospitality and catering, where wages are generally lower (source: CSO). Although some of these jobs require high qualifications (e.g. nursing), these sectors continue to be associated with low social prestige and provide fewer promotion opportunities. Women in these sectors are employed in non-executive positions.

Differences are also important if we take into account employment status, which indicates the capacity in which women are employed. The vast majority are non-executive employees; they are less likely to be promoted to managerial positions. The vast majority of part-time workers are female.

It is important to emphasize the unequal treatment of employees and self-employed workers in terms of parental rights (e.g. women entrepreneurs are not entitled to a parental leave).

One of the reasons for the disadvantageous position of women in the labour market is the unequal sharing of household chores.

Several factors contribute to the feminization of poverty, including professional career breaks, gender-based pay gap, pension gap, unequal career opportunities available to men and women, high frequency of non-standard employment contracts among women (imposed part-time work, temporary employment, indefinite working time) and the poverty of single-mother households;

The stereotyping of gender roles negatively affects women's competitiveness on the labour market. Promoting equal treatment in politics, business and social life shall have a positive impact and ensure that women are not only perceived, but also treated as equal to men. A greater presence of women in politics and business will also ensure a better understanding of their needs, improve the quality of law and proposed solutions, as the viewpoint of both sexes will be more fully represented.

Employers are aware that female employees of childbearing age may need to have a break in employment due to pregnancy, and therefore prefer hiring men, who for the same reason are also more likely to be promoted. Employers perceive men as versatile employees, while women as high-risk workers.

Some women claim that returning to work after a maternity leave is difficult. This problem seems to affect particularly women with lower education levels, returning to work after a long absence. It is due in part to the loss of professional qualifications and to limited access to lifelong education. Being unemployed for a long period often results in a complete withdrawal from the labour market.

In the institutional sphere, differences in the way men and women are treated are the result of the previously mentioned poorly developed system of nurseries and kindergartens.

The necessary changes in this respect are to be stimulated through measures aimed at promoting an increased involvement of men in household chores and responsibilities, such as an extended paternal leave, available exclusively to fathers and lost unless used.

Another issue of utmost importance is the necessity of introducing changes to the system of financing care for the elderly, including long-term care. In Poland, female family members are burdened with this task in the great majority of cases.

Poverty levels can be lowered through strategies aimed at fighting poverty and discrimination, founded on gender mainstreaming and targeted at women in disadvantageous situations. They should be supported by actions aimed at combatting poverty among women and improving working conditions in low-paid sectors, in which women are overrepresented.

See annex

The current challenge for the Polish **tax system** concerns the lack of a proper a progressive taxation system. During the process of consultation of draft legislation relating to the tax system, "Solidarity" has indicated the need to ensure a greater progressivity of the tax system, in particular with regard to income tax, where the rate of 18% applies to 97.3% of taxpayers (2014 data published by the Ministry of Finance). "Solidarity" also supports plans to increase the income tax threshold in Poland, as the currently applicable amount – PLN 3091 - is undeniably too low, and has been subject to criticism expressed by the Constitutional Court. At the same time, we are aware that a sudden increase could adversely affect the national budget and the revenue of the National Health Fund.

We propose the introduction of lower tax rates for low-income earners, for example up to the amount of the minimum wage and an additional, higher tax bracket for top earners. We are also in favour of introducing a regressive tax-free amount: the income tax threshold would be inversely proportional to income. Both solutions would reduce - in the short term – the costs due to the reform.

Supportive evidences:

*Increasingly often, tax experts claim that the Polish tax system is unfair. As indicated above, over 97% of taxpayers pay 18-per cent personal income tax. In practice, this means that the personal income tax is flat-rate tax. In addition, there is a significant loophole, often taken advantage of by those who have entered a higher tax bracket, which allows one to swap employment for sole entrepreneurship, where the tax rate stands at 19%. According to "Solidarity", the tax system must be rid of loopholes and more progressive.*

Although **economic growth** in Poland is relatively high, Poles remain poorer than the citizens of the majority of

European countries. Poland is a country that competes globally on the basis of low labour costs. In addition, the economy is focused on exports, which result in low productivity of workers and translates into low wages and, consequently, a slow growth of the domestic market. We fear that without the introduction of substantial changes, Poland risks falling into the trap of slow growth (many economists claim that it is already the case). We need a strong stimulus in the form **of innovation and wage increase.**

Our proposals are confirmed by Eurostat data:

1) The value of production per hour in Poland amounted to EUR 10.6 in 2013. Only Latvia, Romania and Bulgaria have a lower rate.
2) GDP per capita in Poland amounts to EUR 10,700. Only four other EU countries rank below Poland in this respect.
3) Expenditure on R&D in Poland in 2014 amounted to 0.94% of GDP, as compared to 2.84% in Germany.
4) The share of wages in Polish GDP in 2014 amounted to 37.4%. Only Romania and Greece rank lower in this respect.

The above are only a few examples of many indicators that reflect the situation in Poland. Unfortunately, the European Commission seems not to be aware of this problem and focuses solely on GDP growth, the level of deficit and public debt.

Government's measures aimed at **consolidating public finances**

In the face of the financial crisis, the Polish government sought additional budget revenue and introduced higher VAT rates of 23% and 8%. What was originally planned as a temporary solution, remained unchanged for several years and the reintroduction of 22% and 7% VAT rates keeps being postponed. The cost of higher VAT rates is borne by the consumers, regardless of their income, and therefore any increase or decrease of these rates has a direct impact on the financial capacity of households.

In addition, the Council states in its recommendations that the Polish tax system - encompassing several VAT rates - is complicated. In this context, the Council proposes the introduction of a single VAT rate. This proposal was approved by the government in the early stages of the debate, when a rate of 15-16% was suggested. Even though the debate was abandoned during the election campaign, it seems that the Council's proposal remains valid (it has been put forth twice). With this in mind, we note that the introduction of a single VAT rate would hit hardest lowest-income households, as the lower VAT rates of 8% and 5% apply *inter alia* to food, which represents a large proportion of expenditure of the least affluent households.

We hope for the easing of the fiscal policy, which already seems to have begun.

According to the report of Ceneo (an analytical and research centre) of 26 February 2015, higher VAT rates result in reducing the available income of household by PLN 4.4 billion per year. At the same time, "the poorest households are most adversely affected by VAT, as it represents 16.3% of the average spending of the poorest 10% of the population, and it decreases as the income goes up. Among the richest 10% of the population, expenditure due to VAT represents on average to 6.8% of their income".

## *PORTUGAL – CGTP-IN*

Due to policies of previous government, **employment** fell by 354 thousand workers between 2010 and 2015 (average of the first three quarters) and the employment rate fell from 70.3% in 2010 to 67.6% in 2014.
In the first three quarters of 2015 there were over 59,5 thousand of unemployed than in 2010, and the **unemployment** rate was 12.5% compared to 10.8% that year. Long-term unemployment rose from 54% in 2010 to 64% in the first three quarters of this year. In this period there was a strong increase in discouragement, underemployment and migration, and their weight in the labour force increased.

There was a setback in protecting unemployed people. Less than half of the unemployed receive unemployment benefits, and this is especially dramatic among young people (only 10% under 25 years). The average value of benefits payed decreased from 499 euros in 2011 to 451 euros in the first half of 2015.

The **precariousness** of employment increased in the 3rd Quarter of 2015, reaching more than 832 000 workers, (22% of employees, but among young people reaches scandalous proportions: 70% up to 25 years and 34% of 25 to 34 years). About 1 million and 200 thousand workers have a net salary of less than 600 euros, which corresponds to 1/3 of the total employees.

It is necessary to change the economic and social policy of the country. Some of the measures proposed in the agreements between the PS, PCP, BE and PEV for the formation of a PS government need to be implemented quickly, to make the economy grow, notably by increasing the purchasing power of workers and pensioners and of domestic demand, and combat job insecurity.

As far as the Country Specific Recommendation (CSR), it is necessary to address the problem of young people but also to take measures aimed at the remaining unemployed, who are the majority and are increasingly falling into long-term unemployment: not only measures to support employment but also vocational training both for the unemployed and employed.

The content of various employment measures have to be changed and improved. It is not acceptable that public funds pay for non-permanent jobs, nor that the public employment service accepts precarious job offers without checking whether they are real temporary jobs, or accept low wages that do not respect the principle of equal pay for equal work or of equal value. Other measures such as internships and insertion contracts must also be inspected by the IEFP and the Authority for Working Conditions (Labour Inspection) as there are many situations of replacement jobs in the private sector and in public administration by unemployed persons. Public employment services must have sufficient human resources to fulfil the tasks for which they have responsibility.

As for the activation of benefit recipients, given the lack of jobs both in quantity as in quality, it is worrying that there are threatens to cut benefits if the unemployed does not accept the proposed measures, even if they are of poor quality and a threat to their rights (for instance Insertion Contracts, precarious jobs or low wages). The CGTP-IN advocates the end of 10% reduction of unemployment benefits after 6 months of enrolment and the increase of unemployment benefits coverage, in particular the award of unemployment assistance to all unemployed without unemployment benefits.

*Table 1: Labour market indicators*

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015* |
|---|---|---|---|---|---|---|
| Employment (1000) | 4 898,4 | 4 740,1 | 4 546,9 | 4 429,4 | 4499,5 | 4544,4 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Unemployment (1000) | 591,2 | 688,2 | 835,7 | 855,2 | 726 | 650,7 |
| Unemployment rate (%) | 10,8 | 12,7 | 15,5 | 16,2 | 13,9 | 12,5 |
| Discouragement * (% active population) | 1,3 | 3,1 | 4,3 | 5,2 | 5,2 | 5,1 |
| Underemployment (% active population) | 1,8 | 3,9 | 4,7 | 4,9 | 4,7 | 4,6 |
| Insertion contracts and traineeships ** (% active population) | Nd | 0,5 | 0,6 | 0,8 | 1,4 | 1,3 |
| Long term unemployment (% total unemployment) | 54,1 | 53,2 | 54,2 | 62,1 | 65,5 | 64,3 |
| Emigration (% active population) | Na | 1,9 | 2,3 | 2,4 | 2,6 | Na |

*Sources: INE, except Insertion contracts and traineeships (IEFP - Public Employment Service). 2015: mean of 1st, 2nd, 3rd quarters. 2011: break of INE's data. Discouragement = inactive people which is available but not seeking jobs.*

Concerning **collective bargaining**, the CSR pursues the troika measures aiming to fully dismantle our system of collective negotiation. The CSR states that: “This includes effective use of existing provisions for firms to derogate from sectoral collective agreements under specific circumstances”. We stress that European Authorities have no right to interfere with collective bargaining and wage setting mechanisms. This breaches the Treaties and EU fundamental labour rights. On the contrary, European Authorities must promote social dialogue.

*Table 2: Indicators about collective bargaining (private sector)*

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015* |
|---|---|---|---|---|---|---|
| Collective agreements (total), including: | 230 | 170 | 85 | 97 | 161 | 119 |
| Branch agreements | 166 | 115 | 46 | 45 | 72 | |
| Company agreements | 64 | 55 | 40 | 49 | 80 | |
| Extension of collective agreements | 116 | 17 | 12 | 9 | 13 | 22 |
| Workers covered (1000) | 1295 | 1203 | 306 | 186 | 247 | 349 |
| Salaried workers (1000) | 3766 | 3719 | 3543 | 3457 | 3611 | |

*Source: DGERT; INE for salaried workers which includes Public Administration (656 thousand workers in 31.12.14);*
** 2015: January- September*

The CSR states the "alignment of wages and productivity" ignoring inflation. The fact is that from 2010 on the increases in wages are below productivity. This is different in 2014 (the same is expected for 2015) concerning productivity. The fall in productivity indicates the creation of bad/precarious employment. The alignment of wages with productivity (that is, slashing wages) will not solve, rather aggravates, our problems: among other consequences, there will be more workers ready to emigrate.

*Table 3: Wages and productivity*

| | GDP | Productivity | Wages |
|---|---|---|---|
| 2010 | 1,9 | 3,0 | 1,5 |
| 2011 | -1,8 | 1,4 | -3,8 |
| 2012 | -4 | 2,2 | -7,7 |
| 2013 | -1,6 | 1,3 | 1,0 |
| 2014 | 0,9 | -1,1 | 0,4 |

*Source: INE, National Accounts*

The CSR reiterates as before critics on **minimum wage**. It seems implicit that European Commission wants to keep the freeze of our minimum wage, as during the troika period.
In the meantime, the Socialist Party made agreements with the left parties with the aim to form and support a Socialist Party government. There is a commitment concerning the development of the minimum wage in order to reach € 600 in 2019.

The following table shows the expected evolution in the case of the perspective of a socialist government materialises. We compare this with economic forecasted European Union indicators - but these one were made assuming the continuation of the former policies. We believe that the increase in disposable income will support economic growth. Therefore, we expect a stronger economic growth.

*Table 4: Minimum wage developments*

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Minimum wage (€) | 505 | 505 | 530 | 557 | 580 | 600 |
| Variation (%) | | 0,0 | 5,0 | 5,1 | 4,1 | 3,4 |
| GDP (%) | | 1,7 | 1,7 | 1,8 | | |
| GDP deflator (%) | | 1,3 | 1,4 | 1,5 | | |
| Employment (%) | | 1,1 | 0,8 | 0,7 | | |

*Source: Government programme of Socialist Party (draft) for the minimum wage;*
*European Commission (Autumn 2015 forecast) for other indicators*

Concerning the need for a pension reform Commission affirmed: “there has been limited progress in developing new comprehensive measures as part of the ongoing pension reform”.
We know this is related with a permanent cut on pensions as previewed in the Stability Programme submitted by the government (April 2015). This means that the European Authorities are replacing the troika through the Country Specific Recommendations.

CSR include an "adequate coverage of minimum income". Actually there is a strong decrease in the coverage after 2010 due to troika measures from 528 thousands of beneficiaries in 2010 to 321thousands in 2014. European Commission, as a troika member, has therefore heavy responsibilities in this evolution.

The policies of the previous government implemented since 2011 following the Troika program, resulted in three years of recession, in a real fall of 6% in GDP between 2010 and 2014, and in a growth of less than 1% in 2015.
**Economic growth** is key to solve our more urgent problems. Nevertheless, for CSR the focus is the correction of

the excessive deficit (2.7% of GDP in 2015; 0,6% in 2018). This is counterproductive taking into account the level of the total debt – not just public one – and the social problems we face.

This is why we consider that we need to put an end on the austerity policies. We highlight that the Socialist Party put forward a Government Programme with measures agreed with left parties (PCP, BE and PEV) that increase the domestic demand (in the fields of wages, pensions, social benefits, income taxes and others) thus helping to support economic growth. We underline that this economic strategy is coherent with the Commission Autumn Forecasts in which growth relies on domestic demand.

*Table 6: Annual percentage change*

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| GDP | 1,7 | 1,7 | 1,8 |
| Contribution to GDP growth: domestic demand | 2,6 | 1,8 | 2,1 |
| inventories | -0,3 | 0,3 | 0,3 |
| net exports | -0,5 | -0,1 | -0,3 |

*Source: EC, Autumn 2015 Forecast*

There are however some great constraints. The first is the evolution of **investment**: there is some recuperation in 2015 but after years of strong fall. High public debt, together with government liberal options, had sharp negative consequences in terms of public investment. We recall that the payment of interests represents near 5% of GDD (see Table 5), much higher than in the euro area (2.4% in 2015). CSR ignores this issue.

The second one is private investment. CSR put a clear focus on the high firm's debt and recognises that the ratio of non-performing corporate loans remains high and it's a burden on banks´ balance sheets. It's more than a burden: it's a threat for the Portuguese economy – a threat due to the austerity policy implemented in our country. Indeed, the ratio of non-performing corporate loans is very high (above 21% in the second quarter of 2015) and the level of firm's indebtedness is decreasing slowly. If this problem is not addressed there is the risk of absorption of private corporate debts by the public sector as has been occurred.

*Table 7: Investment, non-performing loans and indebtedness*

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2T15 |
|---|---|---|---|---|---|---|
| Gross fixed capital formation (% change) | -0,5 | -12,1 | -17,8 | -5,8 | 2,3 | 5,0 (2015)* |
| Non-performing corporate loans (% of total) | 5,9 | 9,9 | 13,8 | 16,1 | 19,0 | 21,1 |
| | | | | | | |
| Indebtedness – entreprises (% GDP)** | 153,2 | 155,7 | 165,6 | 159,8 | 152,6 | 148,8 |
| Indebtedness – private sector (% GDP)** | 246,8 | 248,8 | 260,4 | 250,9 | 237,7 | 231,4 |

*Sources and notes: INE and Banco de Portugal*
*2015 = second quarter; * average January to September*
*** = 31 December, except 2015; private sector = enterprises + particulars*

For the CSR it is necessary: "Take measures to reduce the corporate debt overhang, to address the corporate non-performing loans ratio in banks and to reduce the debt bias for corporates under tax provisions"; and "improve the efficiency of debt restructuring tools for viable companies by introducing incentives for banks and debtors to engage in restructuring processes at an early stage".

In our view, economic growth is the unique way to solve this problem. But the fiscal policy required by the European Authorities is a heavy constraint, a constraint on which they close the eyes.

There is a strong pressure for reducing the deficit in order to reach 2.7% of GDP in 2015: "a timely and durable correction of the excessive deficit by 2015 is not yet ensured, but within reach"; "the fiscal effort is below what is recommended by the Council"; etc. The conclusion is: "there appears to be a risk of significant deviation from the required adjustment towards the medium term objective in 2016 and further structural measures will be needed". In the CGTP´s view, this is a threat of still more austerity ("structural measures").

After, there are several measures including the need to pension reform: "there has been limited progress in developing new comprehensive measures as part of the ongoing pension reform". We know this is related with a permanent cut on pensions as previewed in the Stability Programme submitted by the government (April 2015). This means that the European Authorities are replacing the troika through the Country Specific Recommendations.

As we see in the table, Portugal is in a very difficult situation in terms of public finances even if our economy is now growing:

- The government headline deficit was affected in 2014 by the capitalisation of the Novo Banco (the deficit jumped to 7,2%); we add that European Central Bank's stress tests indicates the need to make another capitalisation of the Novo Banco (1,4 € billion, which accounts for 0,8% of GDP);

- The austerity policy led to a strong increase in our public debt (130,6% in September) with consequences in terms of economic and social expenses: investment public has declined and the expenditure of State interest payments related with public debt exceeds the expenditure with the National Health Service.

*Table 5: Public finances indicators (% GDP)*

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Government deficit | -11,2 | -7,4 | -5,7 | -4,8 | -7,2 | -2,7 |
| Public debt | 96,2 | 111,4 | 126,2 | 129,0 | 130,2 | 123,7 |
| Interests | 2,9 | 4,3 | 4,9 | 4,8 | 4,9 | 5,0 |
| Public investment | 5,3 | 3,5 | 2,5 | 2,2 | 2,0 | 2,5 |
| NHS (transfer from the State budget) | 4,8 | 4,7 | 4,6 | 4,6 | 4,5 | 4,4 |

*Sources: INE and, concerning NHS, State Budget;*
*NHS = National Health Service; 2015 = previsions*

This is an unbearable situation. We need a **growth-oriented policy** which requires the increasing of the internal demand (see issue 4). This is even more important in times of deteriorating external demand prospects.
We can´t accept the logic of obtaining high primary surplus with the aim of reducing the burden of public debt, because this means, under the European dominant thinking, to weaken our social system. This is the logic behind the CSR, namely the ones concerning pensions. In our view the sustainability of the social security requires a change of policies aiming at increasing wages and employment (level and employment rate).

In this issue we make three additional remarks. First, we think that the increase in the internal demand, in the case that an alternative economic policy materialises, will ease "fiscal consolidation".
Second, the present situation is unfair: some countries, including countries with stronger economies than

Portugal, have more time than others to correct the excessive deficits. Beware: the CGTP does not claim against those countries but against the austerities policies.
Third, we add also that it is totally unacceptable that the European Commission (Moscovici and Dombrovskis´ regrettable statements) continues to require the presentation of the Portugal draft budgetary plan for 2016, ignoring the present political situation.

## *PORTUGAL – UGT-P*

The Portuguese **labour market** has to face several challenges.

- A Reduction of the high level of unemployment - particularly of long-term unemployed and youth unemployment – is necessary.
  Portugal needs macro-economies policies oriented to economic growth and job creation as well as focused ALMP.
- Portugal needs to promote job quality in order to meet the challenges of globalisation. Well-skilled workers are essential; therefore quality education, lifelong learning, skills and training are priorities.
- Reversing the compression of individual and collective rights which have been reduced by the MoU and Government policies. In particular we need a new impulse to social dialogue at all levels, open to re-discuss and reach balanced compromises regarding labour law and collective bargaining (working time, wages and payments, dismissal law, short-term contracts, respect of the autonomy of social partners and results of collective bargaining)
- Promoting inclusive labour market practices and legislation. In particular we need to:
  - Reduce legal precariousness (motives), fight abusive precariousness (vg. false independents and the general use of short-term contracts as trial periods – new legal mechanisms) and reinforce social protection of some groups of workers out of the normal scope of the labour relation.
  - Improve the fiscal incentives for long-term contracts
  - Labour inspection reinforcement
  - Promote a proximity policy of PES and measures focused on their effectiveness (better management, no human and material resources depletion, cooperation – not privatisation – with the private sector)
  - Guarantee apprenticeship/internship/training options for young people entering the labour market
  - Ensure quality standards, appropriate working conditions and protection for apprentices and young people involved in work-based learning
- Identification and activation of the NEETs. To this end it should be built up a network among several organisations of the private and social sector and governmental institutions to signalize and reorient the NEET's.
- Ensure a fair mobility of workers through the following actions:
  - Social protection rights (unemployment benefit, pensions and sick leave) should be portable
  - Education qualifications should be recognized all over Europe
  - Promote active labour policies to retain high qualified and educated people (avoiding brain drain)

Portugal needs measures aiming at re-boosting a strong **collective bargaining** as well as at promoting the autonomy of social partners. The government should then recognize the need for a robust increase in real wages.

This goals can be achieved by revoking criteria for publishing the administrative extensions of Collective agreements and reinforcing the State support by defining deadlines for the publications of these extensions.

Without extensions there are no sector agreements, and so there is no springboard for Enterprise Agreements articulations.
The autonomy of the social partners should be defended and promoted by eliminating mandatory legislation that crippled it.
The government should then stop Public enterprises privatization and allow collective bargaining to work in this sector as well as publish mainland Public Administration Collective Agreements as in the Autonomous Regions, and facilitate the process of publication.

In Portugal an increase in the **Minimum Wage** and a reduction of taxes on wages is needed in order to allow an improvement of purchasing power. Likewise an Increase of wages is necessary between 2,5% and 3,5%.

Collective bargaining is also a tool which can help achieve better working conditions as well as to reduce gender inequalities and discriminations. Moreover in order to reduce the **gender pay gap,** the transparency on wages should be increased to allow tracking the differences. In particular, it would be helpful to impose an obligation of to publish wages and salaries on companies or within the branches of industry. This could facilitate to check the pay gap to collective agreements and can lead the governments to take decisions on equal pay.
Even policy to promote career developments are likewise necessary.
Finally, salary differences based on gender may be promoted as a permanent issue on the agenda of social dialogue.

Since 2008 the collective agreements publish by year decreased substantially (especially sector agreements), see UGT-P Annual Reports. Much legislation was enforced by the government which affected the autonomy of the social partners for example: the Council of Ministers Resolution (90/2012) on the collective agreements extension mechanism. In 2014 the Council of Ministers reduced the pressure, although not enough (43/2014).
The decrease of overtime pay and compensation rest, termination of the bonus vacation days (law 23/2012).
Few public enterprises collective agreements have been publish, negotiations are nonexistent.

Minimum wage frozen. The 2006 tripartite agreement to increase progressively the Minimum wage to 500€ by 2011 was not fulfilled (http://www.ces.pt/download/203/FixEvolRMMG2006.pdf). Only in 2014 the Minimum wage came above the 500€ threshold
(http://www.ces.pt/download/1687/2014_Acordo_Atualizacao_RMG.pdf)
For more info see Eurostat Data and the Portuguese MoU

In the field of **social protection** Portugal needs to preserve the public and universal welfare, refusing a vision of a welfare state of minimums and a charitable approach; to reintroduce normality in the social benefits system as well as to ensure accessible and quality public services and services of general interest.

With regards to the **Welfare state**, the long term stability of the contributory scheme has to be reinforced, through a participated social and political debate
Moreover, Portugal needs to put in place several measures concerning the social benefits. In particular:

- It should be assured that social benefits are in fact adequate to the pre-established goals and not determined by mere budgetary reasons. Changes determined by the MoU (cuts in the access or/and amounts of social benefits, namely minimum income, unemployment benefits, pensions) need to be corrected.
- A fixed age of retirement should be reintroduced
- The policy of reducing and freezing pensions should be reversed, in the framework of a broader income policy
- The articulation between the activation of beneficiaries and some social benefits should be reinforced but without losing sight that must not be transformed in an absolute sine qua non condition to keep access (at least) to a minimum income (especially when public services are unable to fully perform their role)

- Adequate access to social protections should be guaranteeing also to youngsters in training and/or internships
- Quality and accessibility public services should be improved
- The closing of many proximity services (courts, health services, schools) as well as the privatisation of many services (vg. Transports, energy, water supplies) should be re-evaluated
- The respect for mandatory social clauses should be guaranteed in public procurement contracts

Unilateral decisions by the government regarding benefits cuts, no increase and cuts in retirement pensions, suspension of the possibility of anticipation of retirements, introduction of a flexible and uncertain statutory retirement age, additional constraints in the access to benefits (vg. Means test)
Poverty increase from 17.9% in 2009 to 25.9% in 2013 (income revenues anchored in 2009). Poverty affects especially children (under 18yo) – 31.4%.
Beneficiaries of minimum income dropped from 525.900 to 320.700 (2010-2014).
Beneficiaries of child allowance dropped from 1,85M to 1.28M (2010-2014).

Measures to increase the **private and public investment** level are needed. In particular, the government should promote a public investment plan (concerning energy, innovation, training and qualification) and support a sustainable and inclusive recovery along with the implementation of an investment plan for jobs which is a necessary pre-condition for improving the situation of young people in the labour market.

Portugal needs also a more jobs-and-growth-friendly **taxation** system as well as to increase households' revenue.
In short a reduction of labour taxation (tax reduction, reinforce the progressivity and equity in the system) and the promotion of a more balanced taxation system (vg. capital taxation vs personal income revenue) are necessary. In addition the government should draw particular attention on the strong reduction of informal economy and tax evasion.

Sources:
Investment dropped 35% between 2009-2014
Capital taxation was significantly reduced (25% to 21% in just 2 years) while taxation on personal income was increased (less progressivity, increase of taxes and application of supplementary taxes to wages above the minimum wage)

Portugal needs to stop a **fiscal consolidation** model solely based on cuts hitting wages, pensions and the welfare state and so reversing a large number of measures with a recessive economic impact and severe social impacts. In other words UGT-P demands for putting an end to the austerity measures and promote a growth-and-employment-friendly fiscal consolidation.

## SPAIN – CC.OO.

The fight against **large-scale unemployment** must be the priority for economic policy. The persistence of a high level of precarious work in the Spanish labour market is one of its most characteristic features, exacerbated by five years of austerity policies and structural reforms. This is reflected in indicators such as the level of temporary employment, which was 26.15 per cent for the third quarter of 2015, and part-time employment, which stood at 16.25 per cent. This phenomenon is most pronounced among women and certain groups, such as young people and those with fewer skills, which serves to deepen occupational and social segmentation.
The causes of precarious employment lie not on the supply side of the labour force but on the demand side, and specifically in the combination of various interrelated factors: structural imbalances in the model of production; successive legislative reforms that have progressively increased the flexibility of labour institutions; business policies largely based on competition through reducing costs and prices, complemented and reinforced by the widespread use of legal loopholes for temporary contracts and internal flexibility.

CCOO proposes a fiscal policy that will have a significant effect on growth and job creation in the short term. This will, however, be compatible with a change in the model of production in the medium term through increased investment and productivity. The refurbishment or improvement of housing, the development of a broad and extensive social housing rental market, the maintenance of infrastructure, the development of the care sector for elderly and dependent Spanish and EU citizens are all labour-intensive activities that can be promoted as part of efforts to deliver a model of growth with higher added value. This means an end to arbitrary tax reductions and freezes on public spending, and requires initiatives and programmes that impact demand in the short term and have a sustained effect over time.
CCOO proposes a new and additional plan of action for unemployment. This will increase protection for and improve the *employability* of the most vulnerable unemployed (long-term unemployed, over 45s, those with fewer qualifications) by developing, monitoring and evaluating clearly defined professional pathways that target careers with a professional outcome. To achieve this, there must be improvements in the targeting and coordination capacity of the Spanish Public Employment Service (*Servicio Público Estatal de Empleo* – SEPE), the link between the demand for jobs, professional development options, the hiring of stable careers counsellors, the reinforcement of coordination and cooperation among the various public employment services and the restructuring of incentives for the hiring of workers.
The labour reform of 2012 has also facilitated the dismissal of workers on temporary contracts. As such, we make the following proposals: preventing profitable companies from justifying dismissals by a drop in sales, and ensuring that grounds for dismissal have sufficient substance and scope; abolishing the new hiring regulations created by the labour reforms; recovering the emphasis on permanent contracts and increasing penalties for temporary contracts created via legal loopholes and repeat contracts; reinforcing guarantees to ensure compliance with employee rights of contractors and subcontractors; adequately redefining part-time and placement contacts; and promoting negotiated adjustment within companies in the event of a decline in activity as an alternative to redundancies, reverting the ability of the company to act unilaterally with respect to the terms of employment, which has been favoured by recent labour reforms. This requires a long-term strategy for the creation of quality jobs, which must be combined with urgent measures to restore the standard employment relationship and the balance of forces between capital and labour. International regulatory standards on the principles of quality employment and job stability must therefore be strictly respected.

In addition to high unemployment, precarious work is another challenge facing the Spanish labour market. Industrial relations are being deregulated under the guise of creating more jobs. The consequences are threefold: increased inequality among workers, accidents in the workplace and in-work poverty; obstacles to professional development and productivity improvements; and encouraging subcontracting, which decreases the means available to workers to defend their rights. This excess stability has not increased capacity to adapt to changes, but has instead resulted in volatile businesses, an increasingly segmented labour market, and the extension of precarious work to permanent contracts.
Instead of creating employment, increased precariousness in the labour market systematically reduces the quality of jobs and paves the way toward social exclusion and the continuity of a poor-quality economic model. As such, improving the quality of employment must be a priority objective linked to driving a fair transition to a more sustainable model of production

**Restoring and improving the purchasing power of wages**
The economic crisis has seen a progressive reduction in real pay and wages agreed via collective bargaining, above all as a result of the labour reform of 2012. This reform resulted in profound changes to the legal framework for collective bargaining, giving companies various instruments that favour the devaluation of wages and the reduction of workforce costs.
In 2014, CCOO and UGT tabled a complaint to ILO under Article 24 of the International Labour Organization (ILO) Constitution due to the failure of the Spanish Government to comply with International Convention 131 on minimum wage fixing. The ILO Governing Body deemed the complaint admissible and established a tripartite committee to examine it.

The minimum wage (*Salario Mínimo Interprofesional*, SMI) for 2016 should be set at €800 per month to comply with the objective established in the European Social Charter. Any value below this must include a legislative commitment for a progressive and sufficient increase during the next term, guaranteeing a clause for annual increases as a result of any losses in purchasing power or the improvement of the general average wage. The fight against poverty must begin by significantly increasing the minimum wage.
It must not be possible for the base salaries established in sectoral collective bargaining agreements to be diminished by collective bargaining agreements of a narrower scope. As such, Article 84.2 of the Workers' Statute must be reformed to revert the priority of application for collective bargaining in this and other areas.
Agreements not to apply agreements must be recorded, their legality verified and they must be published in the Official Gazette. This is to ensure that a lack of legal scrutiny and public knowledge do not prevent the detection of failures to comply with established legal requirements, and that they are not used as instruments for unjustified wage reductions and unfair competition. As such, the current regulation of Article 82.3 of the Workers' Statute must be modified.

With respect to the devaluation of wages, the objectives of the III Employment and Collective Bargaining Agreement 2015–2017 (*III Acuerdo para el Empleo y la Negociación Colectiva* – AENC) must bind the signatory organisations and be supported by public institutions, particularly the Spanish Government.

Restoring the purchasing power of public sector workers, with full and immediate reimbursement of extra pay, gradual compensation for the loss of purchasing power during the period of wage freezes and the 5 per cent cut, and a commitment to apply the III AENC pay criteria for public authorities. Reviewing the criteria and procedures applied in the public sector when awarding additional payments and the variable portion of salaries to prevent discrimination.

The value of the minimum wage in Spain does not guarantee minimum conditions of subsistence for workers and their families. In both 2013 and 2014, the minimum wage remained frozen at €9,034 gross per year. In 2015, the minimum 0.5 per cent increase on the 2014 figure has not changed this situation in the slightest.
The Spanish minimum wage is far below the target set in the European Social Charter (60 per cent of the average wage) and far below the average of the biggest countries in the European Union.

SYNDICAT EUROPEAN TRADE UNION CONFEDERATION

**Strengthening collective bargaining**

The labour reforms undertaken between 2012 and 2014 have had a serious impact on collective bargaining: the failure to apply collective bargaining agreements, the priority of companies over the sector in their application and the loss of extended validity essentially aim to weaken the power of unions and individualise industrial relations.

A new regulatory framework for collective bargaining is required to recover and guarantee the collective power of workers through their representatives – the unions – in the face of the power of companies to act unilaterally.

It is also necessary to recover and restore the scopes of real collective bargaining in the realm of public authorities and companies.

Spain needs to:

- guarantee the real capacity of the most representative unions and business organisations at the state or autonomous community level, in order to establish clauses on the structure of collective bargaining through inter-occupational agreements, conventions or sectoral collective agreements. Where necessary, this will establish rules for resolving disputes related to concurrency and complementarity for agreements in different scopes, including those of companies.
- Provide a real and effective guarantee of the binding nature of collective agreements. The failure to apply certain conditions of a collective bargaining agreement must be set out in the agreement itself or via inter-occupational agreements on this subject.

The inter-occupational convention or agreement must establish the conditions that may not be applied on account of major effects on internal flexibility, in addition to the justifying causes, the period of suspension and restoration, the requirement in line with the representation of workers, the documentation to be submitted, the content of the agreement, and the intervention, where necessary, of autonomous dispute resolution systems.

Company agreements must complement all sectoral agreements, adapting matters such as the cut in working hours, and roles and wages to their scope.

Collective bargaining agreements are the basic instrument recognised by the constitution for regulating industrial relations. This means that agreements cannot expire unless they are replaced by another or by an arbitral award that is freely agreed in the agreement itself or through the autonomous resolution systems.

To improve the management of collective bargaining agreements and dispute resolution for sectors and companies, the functions of the Joint Commissions must be strengthened and extended. These Commissions must be given the means and procedures to guarantee that their resolutions are effective.

As the most effective response for resolving employment disputes, autonomous instruments require strengthening and maximum support from the authorities. An institutional and financial framework is conducive to this purpose. Their bilateral nature, free from any government intervention, should be strictly guaranteed, in spite of the fact that they are publicly funded.

The National Consultation Commission for Collective Bargaining Agreements must recover its competencies to guarantee real information on collective bargaining. This excludes other competencies that should reside exclusively with the parties involved, such as the suspension of collective bargaining agreements.

Similarly, there should be an integrated information system for negotiators, which would include information related to the scope of the corresponding collective bargaining negotiations held by the various public authorities (treasury, social security, public employment service, etc.). This would facilitate common knowledge of the real situation of the corresponding negotiation.

The binding force of collective bargaining agreements should be strengthened and guaranteed in the public sector and across all of its authorities, regardless of their type or nature.

Business groups (including transnational companies) should form a realm in which the collective rights of union representation can be exercised, as well as the full effectiveness of the rights to information, consultation and participation.

The use of multi-service companies that seek to change the terms of employment and pay, weaken collective bargaining and even change the rules of competition must be curtailed.

Since the Royal Decree Law 3/2012 entered into force, the number of company agreements has tripled (the majority in SMEs and micro-businesses), there have been over 6,000 opt-outs from collective bargaining agreements, and major sectoral agreements have declined as a result of the termination of the period of extended validity. There has also been an increase in the number of multi-service companies using the new regulatory framework to weaken collective bargaining and undermine terms of employment. This damage could have been even worse without the legal interpretation of the labour courts regarding the constitutionality of the reform of Chapter III of the Workers' Statute.

**Gender pay gap**

Between 2008 and 2013, the gender pay gap increased from €5,292 to €6,160, rising from 28 to 32 percentage points, suggesting that the economic crisis is exacerbating inequality between men and women. To close this gap, it is necessary to intervene in the conditions for the participation of women in the labour market (part-time, temporary contracts, sectoral and occupational segregation, etc.).

Spain needs to:

- Reduce the gender pay gap, prioritising permanent full-time contracts for women or the conversion to permanent full-time contracts for women on part-time contracts, and establishing additional increases to compensate for the inequalities produced as a result of discriminatory practices.
- Increase inspections and tighten penalties for failure to comply with the requirement to adopt measures to ensure equality or the negotiation and implementation of the equality plan. These measures also cover discriminatory business practices for recruitment, professional grading, promotion, pay, the termination of contracts, violation of maternity rights and sexual or gender-based harassment.
- Implement professional grading systems that take into account the equivalence of qualifications and roles, ensure equal pay and provide pathways for access to training.
- Establish selection, grading, promotion and training systems based on technical, objective and gender-neutral criteria.
- Eliminate sexist naming conventions in the professional classification of categories, roles, tasks, etc.

The gender pay gap is a reflection of the inequality and discrimination in the workplace that continues to affect the majority of women. The main form of pay inequality faced by women is part-time work, a form of working that is clearly dominated by females (80 per cent are women), with a strong focus on jobs for women and of limited relevance to men.

Around half the annual gender pay gap can be explained by unequal working hours for women (part-time working is undesired and imposed by the threat of unemployment). The other factor that is highly relevant to the gender pay gap is additional payments, which represent a smaller percentage of pay compared to the core salary, but nonetheless constitute half of the gender pay gap. The economic crisis has not stopped the incorporation of women into the labour market. In fact, their participation has increased, although this progress has not been accompanied by an improvement in working conditions or a reduction in the gender pay gap

Spain's **social protection system** is facing different challenges:

- Guaranteeing sufficient income for the long-term unemployed who do not have access to public benefits, either having used them up or not having contributed for long enough.
- Establishing an integrated social inclusion plan that provides a comprehensive approach to poverty, abandoning a segmented approach to the problem (child poverty, energy poverty, etc.).
- Guaranteeing the short- and long-term sustainability of the public pensions system, preserving the level of protection that is currently offered (between 70 and 80 per cent of final salary) using the pay-as-you-go model.

CCOO proposes the following solutions:

- Implementation of a minimum state income backed by the CCOO and UGT unions via a public legislative initiative (backed by 500,000 signatures), for which the parliament will initiate proceedings after the general elections on 20 December 2015.
- Launch of an inclusion plan to promote the coordinated action of social services and public employment services. This would support the establishment of programmes to guarantee sufficient income and connect them with effective training, requalification and workplace insertion programmes.
- Re-establishment of the social dialogue process (involving the Government, trade unions and businesses), which forms part of Spain's Toledo Agreement, for the monitoring and evaluation of the pensions system, in addition to reform initiatives based on prior dialogue and broad social and political consensus
- The sustainability of social security systems (pensions, welfare state, etc.) based on guaranteed social rights, requires economic policies that promote models of production based on the quality and added value of goods and services with the potential to create quality jobs with adequate salaries. In turn, these make such systems of social security and welfare sustainable via progressive and sufficient fiscal policies.

In terms of the economic crisis, the rate of coverage of unemployment benefits has fallen by over 26 percentage points: from 80.9 per cent in 2010 to 54.5 per cent in 2015.
The number of households in which no members receive any form of waged income (salary, unemployment benefit, pensions, etc.) has doubled during the crisis and currently stands at over 721,000.
The risk of poverty has increased during the crisis (22.2 per cent) and is especially high in single-parent households with responsibility for children (42 per cent). The risk of poverty has been displaced to households affected by unemployment.
According to the Spanish National Institute of Statistics (Instituto Nacional de Estadística – INE), there are 2.1 million people searching for work who do not receive public benefits and who live in households with a per-capita income below 75 per cent of the minimum wage.
Spain continues to have one of the highest rates of unemployment in Europe (over 21 per cent). Of the total number of unemployed people, approximately 60 per cent are long-term unemployed (looking for work for over one year).
Since 2010, the public unemployment system has covered more people via income-based benefits (subsistence payments) than via contribution-based payments (payments related to wages while active).
If the rate of unemployment in Spain fell to the European Union average, the social security system would be in surplus, as it had been without interruptions since 1996.

Spain needs several actions concerning the industrial policy:

- Expanding and improving its industrial base as well as **increasing the weight of higher value-added industries** and activities.
Without quality businesses operating in high-value-added and high-demand sectors, it is not possible to generate sufficient quality employment and support the welfare state. As such, the public authorities must share the responsibility of creating a quality industrial base and developing this based on the challenges and requirements facing Spain (e.g. drought and desertification, scarcity of energy and raw materials, ageing population) via initiatives such as smart public purchasing policies. One good example of this is high-speed rail.
The country's strategy must also focus on information and communication technology, biotechnology, sustainable transport and digitalisation.
Spanish industry has fallen from 18.7 per cent of GDP in 2000 to 16.1 per cent of GDP in 2013, moving further away from the 2020 target of 20 per cent. Industrial employment has fallen from 18.4 per cent to 12.5 per cent during this period. This is due to the process of deindustrialisation that has been taking place in Spain for a number of decades and the failure of successive governments, which have been unable or unwilling to implement a serious industrial policy to halt this decline, to act.

- **Reorienting investment** in new infrastructure and construction toward the maintenance and improvement of existing assets
An uncoordinated investment policy causes unequal growth and deficient organisation of resources. The priority must be to optimise the use and management of existing resources, notwithstanding the need to improve rail infrastructure for the transport of goods. We propose refocusing investment on maintenance, comprehensive improvement and developing a quality industrial base.
There is a need for an integrated project that covers the different types of infrastructure (roads, ports, airports, railways), making it possible to optimise investment and promote quality sustainable transport, which is a driver of economic growth.
Spain has made significant public investment in infrastructure and transport equipment. From its traditional position of being behind in this area, it now has one of the most extensive and modern networks, with a clear surplus, mammoth projects and redundant infrastructure, in addition to alarming deficits and delays (transport of goods by rail) and insufficient investment in the maintenance of existing infrastructure (roads).

It is necessari to make progress toward the **self-supply, sustainability and efficiency of the energy model**, while ensuring that no one is excluded from access to energy.
Spain should boost a public debate with all involved stakeholders to work toward a low-carbon economy by promoting energy savings and eco-innovation in production and transport. Carry out an in-depth reform of the energy sector to restore the priority of public interest over big business, guaranteeing the universal supply of gas and electricity to all homes (through genuine social support to end energy poverty), set energy prices based on real costs, develop a long-term competitive supply market for industries with high energy consumption and promote renewable energies (mainly solar and biomass), distributed generation and self-consumption.
The Spanish energy system is characterised by the dominance of oil and gas, which makes the country highly dependent on imports (71.2 per cent). It also has a significant negative impact on the balance of payments and emissions, which must be significantly reduced to meet climate change commitments. The electricity market suffers from a number of structural problems that have not been tackled by the electricity reform during this Government, which has almost solely focused on reducing the tariff deficit.

Spain should Increase **public investment in R&D&I**, incentivise private investment and promote cooperation between the two. Furthermore, the public sector needs to establish a state research agency, implement goal alignment, streamline infrastructure, modernise management and improve career options for researchers. Public research must take place at institutions linked to the Government and universities, and must focus on priority issues (health, energy, etc.). Innovation based on high-value-added projects and venture capital linked to universities, company incubators, etc. must be encouraged.
In 2013, total spending on R&D&I fell to 1.3 per cent of GDP. This figure saw Spain move further away from the European Union average and rendered the Government's modest target of reaching 2 per cent by 2020 unworkable. This fall is all the more striking given that the private sector has reduced its contribution, exacerbating the chronic imbalance between public and private funding.

Spain should promote business growth and exports by strengthening the industrial base to favour the consolidation of larger productive units and economies of scale.
In particular, it should discourage the splitting up of business projects to avoid tax or administrative requirements that aim to promote transparency and reduce evasion of taxes and social security payments. Incentivise mergers and associations of SMEs to take on larger-scale projects and form business clusters to respond to the country's needs and deficiencies.
Support the international expansion and opening of new markets by developing shared public services, coordination between chambers of commerce and autonomous institutes, and collaboration with sectoral business and trade union organisations.
The average size of companies in Spain is smaller than in the major EU countries, with a larger number of SMEs in Spain. This makes it impossible to take advantage of economies of scale derived from the size of companies

and results in a low level of innovation and international expansion, making financing difficult and more expensive. This is compounded by tax and employment measures and public subsidies that discourage growth beyond certain thresholds, such as entrepreneur contracts with a one-year trial period, designed for companies with less than 50 workers. Spanish exports are characterised by their concentration in a small number of sectors and a lack of geographic diversity, with an emphasis on the European Union and Latin America. They are also characterised by the limited value-added activities although, in contrast to non-exporters, companies have qualified jobs and higher productivity, capital intensity and technological innovation.

Spain should move toward **a sufficient, fair and efficient tax system**

The key goal should be to bring public revenue as a proportion of GDP into line with the Eurozone average by increasing the contribution made by the highest wages, expanding the tax base and reducing fraud and tax evasion to bring in additional revenue of €93 billion. This would solve the current deficit problems and permit a different economic and social policy to be applied.

a) Personal income tax must cease to be a tax on wage performance and become a genuine tax on the income of all citizens. The increase in revenue must be delivered by increasing tax bases and acting on tax breaks, reductions in the tax base and deductions from tax payments that reduce collection. However, it is particularly important to act on income from sources other than wages and pensions (i.e. on fraud and tax evasion). To do so, we propose increasing income tax on investments, reviewing medium- and long-term savings incentives, eliminating flat-rate schemes and reviewing and limiting the extensive list of benefits and deductions that reduce the collection of personal income tax.

b) Corporation tax is the main factor behind the fall in tax revenue, falling from 23 per cent of tax collected in 2006 to only 9 per cent in 2012. One figure is particularly indicative of this problem: in 2011, the effective rate on profits declared by large Spanish companies with consolidated accounts was 3.5 per cent; almost ten times less than the nominal rate of 30 per cent for these companies. We propose limiting compensation for losses, reducing deductions to the minimum level possible, correcting the effects of consolidation on large groups, removing any individuals paying this tax and removing schemes such as SICAV in order to recover revenue lost from the collection of corporation tax.

c) To improve the sufficiency and fairness of the system, it is necessary to recover taxes levied on those with the highest level of wealth. We propose restoring, improving and strengthening the tax on net wealth (*impuesto sobre el patrimonio* – IP) and inheritance and gift tax (*impuesto sobre sucesiones y donaciones* – ISD).

d) We would also like to see more regressive VAT and the use of taxes to help reduce the price of basic goods and services, with less tax levied on products with greater use among those with fewer resources. In specific terms, we propose that food products form part of the group subject to the lowest rate of 4 per cent and moving electricity, gas and heating to the 10 per cent band.

e) We propose the development of new tax concepts that fit the industrial base, particularly the increasing importance of financial activities. This involves making progress in two areas: environmental taxes and taxes on the financial industry (including the financial transaction tax, a specific tax on financial activities).

f) Tax fraud and the shadow economy have a serious effect on both the sufficiency and fairness of the system: billions of euros are lost to fraud each year, largely concentrated on VAT and corporation tax. To combat this, it is necessary to provide extra resources for monitoring and inspection, focusing these on the sources of fraud and providing maximum support for inspection. Similarly, it is also necessary to simplify corporation tax, eliminating exemptions and deductions, toughening penalties, modifying the structure of tax liabilities and reforming the concept of tax fraud.

Spain has a problem not with excess public spending but rather with a lack of revenue. The country's public spending is 5.4 points of GDP below the Eurozone average. The current public deficit of around 5 per cent of GDP and the deficits in the country's welfare state (pensions and unemployment and incapacity benefits, health and education) require a significant increase in public spending, which is an explicit aim of the CCOO proposal. The main aims of the reform are increasing the sufficiency and fairness of the system by increasing tax revenue and sharing the tax burden in a more equitable way. Based on 2014 figures, public revenue in Spain is equivalent to 37.8 per cent of GDP, compared to an average of 46.6 per cent across the European Union. The quantitative goal of tax reform should be to bring revenue in line with the EU average. Spain's GDP is €1.06 trillion, meaning that it needs to collect an additional €93 billion each year. This increase in effective collection must come from expanding tax bases. This means acting on the vast range of deductions, exemptions and benefits that result in an unacceptable reduction of our tax system's capacity to collect revenue and effectively fight tax fraud and the shadow economy.

**Public spending** in Spain must be improved and brought into line with levels across Europe while improving efficiency and the country's use of limited resources.

Public spending should be restored of over €50 billion during the next Government, to return to the pre-crisis level. This budget must be efficiently managed, with medium- and long-term strategic plans to coordinate and share responsibilities among administrations. Transparency, evaluations and supervision will be used to improve the quality of public services, social security and the country's physical and technological capital.

Public spending, excluding interest payments on debt, fell by €50 billion between 2009 and 2013. This figure represents cuts in real terms of 23 per cent for health, 24 per cent for education, 35 per cent for the environment and 75 per cent for housing. Furthermore, payments to public sector workers and above all investment have suffered the greatest cuts, affecting the quality of public services and social security and reducing Spain's competitiveness. The change in the economic cycle and the increase in revenue must make it possible to recover the resources that have been lost. It is not an issue of spending more, but spending better: prioritising expenditure, rationalising investment and ensuring that it is used for social and economic objectives that are genuinely needed. Meanwhile, using cost–benefit analyses and supervisory bodies ensures that public spending is efficiently managed for the benefit of all, and not in the interest of pressure groups.

## SPAIN – UGT

There has been significant deterioration in working conditions for **young people** who are in employment. The last two labour reforms have not created jobs; instead, they have exacerbated the temporary nature and precariousness of employment and resulted in increasingly low wages. It is fundamentally important that young people are guaranteed a job and respectable pay. The labour reform should be repealed to favour the creation of quality employment, as it has created an unfair framework for industrial relations, making lay-offs less costly and damaging the system for collective bargaining.

Temporary contracts discriminate against young people in terms of union membership, since the temporary nature and precariousness of employment for the majority of young people mean they do not have the option of becoming staff representatives or committee members for their company. Many young people are also forced to accept poor terms of employment as a result of the pressure to renew contracts. On some occasions, this means that they carry out poorly paid work beneath their grade.

The poor conditions of employment currently faced by young people, coupled with measures implemented by the Government, have made the jobs available to young people worse. This means that effective measures are required to fight unemployment and precarious work.

Young people must be offered employment and new jobs created, in addition to changing the model of production and creating more employment in R&D&I.

UGT Youth proposes urgent measures to end the employment problems facing young people:

- Proposal of a youth unemployment emergency plan to reduce the rate of unemployment and promote the creation of R&D&I jobs, as well as green jobs with potential in the near future.
- This plan should include measures to target young people who are excluded due to a lack of training and experience, in addition to those at risk of social exclusion.
- Improve the Youth Guarantee with proper monitoring and pathways for young people through the Spanish Public Employment Service (*Servicio Público de Empleo Estatal* – SEPE) to ensure that the guarantee is effective.
- End pay gap between young people and their colleagues.
- Adapt roles to the qualifications of individual employees and improve the education system, linking it to the production system.
- Ensure equal opportunities in the labour market, demanding the implementation of measures to facilitate empowerment and quality jobs to bring Spain into line with the rest of Europe.
- Increase the minimum wage (*Salario Mínimo Interprofesional* – SMI) since this does not currently reflect the cost of living in Spain.
- Reinforce the resources of public employment services to increase employability and facilitate the insertion of unemployed young people in the labour market.

In short, access to employment must never come via precarious work.

Supportive data:

**Instability of employment**

The rate of unemployment among young people in the 16–29 age group is 35.87%, 2.74 percentage points lower than a year ago. This nonetheless represents a significant increase with respect to the rate of unemployment five years ago (19.51%). Hence, in spite of the slight recovery in employment figures, we remain concerned that young people continue to face a significant level of unemployment, with the population of unemployed young people making up over 40%.

**More temporary contracts**

During the third quarter of the year, the increase in temporary contracts during the summer season resulted in 182,200 new jobs across all age groups in the Spanish economy. However, this improvement is overshadowed by the fall in permanent contracts (18,900 jobs across all age groups).

In specific terms, as of the third quarter of 2015, the percentage of temporary contracts for young people had risen by 9.5% in five years to 56.67%. Furthermore, the figure is notably higher among the 16–19 age group (92.76%). This means that young people under the age of 20 can only aspire to temporary employment. Similarly, half of those in the 25–29 age group have a temporary contract.

The high rate of temporary contracts means that many workers are left without a job, especially those with the lowest qualifications; a fact that underlines the importance of training. At present, however, there are many young people who, despite having received training and being ready for work, do not find their desired job and are not even able to find long-term employment.

## SWEDEN – LO, TCO, SACO

Swedish trade unions support the social partners’ right to **independent collective bargaining** and oppose any recommendations on wage levels.
During 2016 there will be collective bargaining rounds for almost all of the Swedish labour market sectors. Negotiations are done independently. LO, TCO and Saco are convinced that the social partners are responsible for the **pricing of labour**, but also for assessment of how much wages could increase. The price of labour is not to be a political decision. Therefore the Swedish trade unions find it utterly important that there are no recommendations about wage setting mechanisms.

According to statistics the **gender pay gap** in Sweden of 13,4 percent. Taking into account factors such as age, education, sector, occupation and working hours, there is still a pay gap of 5,8 percent. Worst figures are among salaried employees, professionals, in the private sector where the gender pay gap is around 9 percent, unjustified. TCO therefore welcomes the reinforcement of yearly wage audits, or wage mappings. This is a very important tool to, not only find, but also correct unjustified wage difference between men and women.

In the Swedish **labour market** the lack of information about opportunities for **newly arrived migrants** is one of the most important problem. Saco supports several of the government budget initiatives, e.g. increased resources to the National Board of Health and Welfare to speed up the process for validation of professional qualifications for doctors, nurses and others. Saco also appreciates that higher education institutions will work to examine immigrants' actual competence.
The Government also announces an investment in additional training for individuals with a foreign academic education. Saco is happy about this, but it is also necessary to improve information about these courses, so that those arriving to Sweden are made aware of these courses upon arrival to Sweden and not several years later.
The large number of refugees and other migrants need for integration in quality jobs. There is need for a solidarity-based sharing of responsibility among all EU member states regarding refugees. People from third countries must be entitled to decent working conditions and protection from exploitation.

The high level of **youth unemployment** is a failure for the Swedish educational system. Saco welcomes the more ambitious Swedish EU2020 objective about education. However, it warns against increasing the number of students educated at universities at the expense of the quality of education. We lack a real commitment in the budget to improve the quality of the country's universities and colleges.
The more ambitious educational goal also requires efforts to increase the number of qualified teachers. Saco does not find that the proposed efforts are sufficient to cover the shortages, especially not among science teachers. Saco has proposed a specific financial contribution for scientists who are willing to retrain to become teachers.

Moreover, some young people lack upper secondary school level of education and the education provided lacks linkage to the labour market. LO finds that low wages is not the solution for young unemployed people, but access to relevant upper secondary school with connection to the labour market. Lowering of social contributions regarding young workers has not given rise to lower youth unemployment.

TCO welcomes that the Government's policy to reduce **unemployment** has a strong focus on education. Education is the main key to get a jo but also to change job. However, it is important to not only direct the policies to the young people and long term unemployed, but also people in work, in order to increase the **productivity** in the labour market and opportunities to **life-long learning**. It is also positive with the increased focus on investment in housing and infrastructure, although TCO thinks it needs to speed up. The huge problems with housing in large cities like Stockholm, Gothenburg, Malmö, Lund and Uppsala has a great impact on the labour market especially when it comes to labour mobility.

TCO believes that it´s wise that the reduced employer payroll for employing young is abolished. It has been a very costly reform and haven´t contributed to any jobs for young people. Young people are a heterogeneous group with different experiences and opportunities to get a job. Different youth have different difficulties in the labour market. Therefore, we need many different tools - education, training, subsidized employment and counselling. TCO has been critical of many of the measures implemented in recent years, for young people. TCO believes in more targeted measures for young who face unemployment, and would particularly highlight the need for investment in education and training. There is a general problem that the education as a measure for entering the labour market, is a lower priority, and that resources for this has, for many years, has suffered from cutbacks. But it is particularly important for young people to get the opportunity to complete upper secondary competence, also later on, to be well equipped for the labour market.

Saco supports the proposed third month of fathers' **parental leave**.

TCO firmly believes that a well-functioning **unemployment insurance** is one of the keys for people to take risks and test new jobs. We therefore welcome the proposal of increased level (ceiling) of the unemployment benefits.
The increased ceiling in the unemployment insurance fund will improve the transition into the labour market and increase income security even for those who earn little more. But there are still other measures to take for a better functioning unemployment insurance; to ease the entry requirements so that more unemployed receive compensation and that people with short-term employment, self-employed and those who combine employment and their own business easier to get unemployment benefits.

Unfortunately, the **gender equality bonus**, a bonus that awarded to parents who share equal, disappear from 2017. TCO regrets that the government takes away a tool that has the potential to contribute to a more equal use of parental leave.

Saco opposes the increased rate of marginal **tax**. Work should be taxed less than today, and Saco proposes a major overhaul of the Swedish taxation system.
In the area of taxation, TCO regrets that more people have higher marginal tax rates which may reduce the desire to continue their education or take on more responsibility at work.

There is a lack of housing and households have a large private debt. Sweden would need to increase public **investment in infrastructure** to promote new construction and better economic conditions for municipalities with more new construction projects.

Saco thinks that the present **budget** surplus policy should be replaced by a budgetary balance policy.

## UNITED KINGDOM - TUC

**Youth employment** remains almost 4 percentage points below the early 2008 level, whilst all other age groups have gained net increases. Youth unemployment was rising even before the recession; the UK economy risks letting a generation of young people fall behind.

Employee jobs have increased by three per cent since the recession, (and full-time employee jobs two per cent), compared to 16 per cent in self-employment and 44 per cent in part-time self-employment.

Precariousness is increased, in particular:
The number of workers on **zero-hours contracts** increased by 19 per cent from April to June 2014 and April to June 2015, from 624,000 to 744,000. Average weekly earnings for zero-hours workers are just £188, compared to £479 for permanent workers. 39 per cent of zero-hours workers earn less than £111 a week.
There are around 1.5 million contracts that do not guarantee a minimum number of hours (NGHCs). The latest estimate of total NGHCs, where work was done in a given reference period, has grown by 91,000 since January 2014.
Involuntary temporary work remains 60 per cent higher than 2008 and involuntary part-time work 80 per cent higher than 2008.
While the level of underemployment has fallen over the year, this is still almost 900,000 higher than before the recession.

The **labour market** recovery has not been shared out evenly across the regions. For example by early 2012 (the point when the labour market recovery became established), London was still ahead with a net growth in employment of 5.3 per cent. Since 2012 433,000 net jobs have been created in London compared to 311,000 when combining the North East, North West and Yorkshire and Humber.

The TUC is discussing with the government with the aim to:

1. Establish an industrial strategy that supports more better-paid jobs by improving skills and investing in modern infrastructure
2. Follow OECD advice: use the opportunity provided by historically low interest rates to borrow and invest in infrastructure, public sector services, and homes.
3. Establish targeted employment support programmes, such as a job guarantee for any young person out of work for at least six months. Establish bodies in each industrial sector so that government, unions and employers could work together to identify skills gaps, promote decent workplace standards and fair pay.

Sources:
ONS LFS, October 2015: http://bit.ly/1LqmH4g
ONS, February 2015: http://bit.ly/1kKwQnu

Over the 12 months to April 2015 the full-time median **gender pay gap** had fallen by just 0.2 percentage points to 9.4 percent. At this pace, it could take 50 years for pay parity between men and women to be established.
At the top of the labour market, the gap in salaries between men and women earning at the 90th percentile level has hit 45.9 per cent. At the 95th percentile, the gap has reached 54.9 per cent.

While there has been a revival in **earnings** (helped considerably by low inflation), there is still a long way to go before real earnings even return to pre-crisis levels let alone to the steady year-by-year increase that is normally associated with economic growth. The private sector is experiencing annual **pay** rises of 3 per cent,

but public sector increases are capped at 1 per cent. 7.5 per cent of employees experienced zero per cent nominal pay growth in 2014-15.
Between April 2008 and April 2010, the proportion of jobs that **paid less** than the living wage in London was stable at around 13 per cent, but it had risen to 19 per cent by April 2014. For the rest of the UK, where only three years of estimates are available, the proportion of employee jobs paid less than the living wage rose from 21 per cent in April 2012 to 23 per cent in April 2014.

6 million workers in the UK still earn less than the Living Wage.
Government has announced a new 'living wage premium' that will be added to the **national minimum wage** (NMW), but this will only apply to workers aged over 25.

The TUC is lobbying the government to establish an industrial strategy that supports more better-paid jobs by improving skills and investing in modern infrastructure. The TUC has given evidence to the Low Pay Commission (the government's official advisory body on pay issues) setting out the case for better enforcement of the NMW, naming and shaming of employers who fail to pay the statutory rate.

Sources:
ONS ASHE November 2015
ONS ASHE November 2014
ONS LFS, http://bit.ly/1LqmH4g and ONS ASHE November 2015
ONS ASHE November 2014

The government has announced it will make £12bn savings by cutting **welfare** spending. Tax credits are set to take s significant hit from this spending consolidation, and will hit the UK's poorest regions hardest.
91% of working tax credit households in the UK will be worse off as a result of the government's cuts. In Northern Ireland, where average income per head is the lowest in the UK, the average loss to working tax credit claimants will be £1,480 – the highest of any UK nation and region. By contrast, the average loss for a losing household in London will be £1,110. This is despite the fact that London has the highest average income per head in the UK. Working tax credit households in every UK region and nation will suffer larger average losses than London despite having lower incomes. In total the TUC estimates that over £4.5bn will be lost from working recipients of tax credits across the UK as a result of the cuts.

The TUC has called on the government to invest in low-income areas, rather than take tax credits away.

Sources:
www.tuc.org.uk/economic-issues/tax-credit-cuts-will-hit-poorest-uk-regions-hardest-tuc-research-reveals

Since its election in May 2015, the government has not yet announced an industrial policy.

On 25 November it will announce its Comprehensive **Spending Review**, which is set to cut £ bns from non-protected departments including Business, Innovation and Skills and the Department for Energy and Climate Change. The latter will lose 200 of its 1600 employees.

The government has announced 11 **green policy** reversals including withdrawal of its subsidies for solar and on-shore wind energy developments in the UK. The reversals are likely to lead to job losses in manufacturing industries, and show signs of reducing green investor confidence.
It has also announced that coal power generation will generate zero per cent of the UK's energy mix by 2027. It currently provides 29 per cent of the UK's energy. The UK's energy intensive industries face 2 key issues:
Energy costs, which are 50% high than major EU economies; and research and development: in order to fulfil

the recommendations of the low carbon industrial roadmaps authored by the Coalition government, significant funding is required – not least in up to two Carbon Capture and Storage facilities.

Underlying UK economic **growth** remains weaker in 2015 than in 2014. According to the 'preliminary estimate', growth in the third quarter of this year was 0.5 per cent, down from 0.7 per cent in the second quarter. As is widely recognised, growth is reliant on the service sector, with manufacturing still in recession. Demand is led by the consumer, with credit expanding at its fastest pace since the economic crisis. Monthly CPI inflation remains negative.

The TUC is working with unions, industrial employers and associations to lobby the government to increase the value and scope of its energy compensation packages for energy intensive industries.
The TUC is working with local government, unions and employers on the Carbon Capture and Storage project based in Yorkshire to ensure that (a) industrial clustering and (b) a just transition for workers takes place should the project receive government investment.

The TUC is lobbying the government to establish an industrial strategy that supports more better-paid jobs by improving skills and investing in modern infrastructure.

Sources:
www.independent.co.uk/news/uk/politics/department-of-energy-and-climate-change-to-lose-200-jobs-a6734736.html
www.tuc.org.uk/industrial-issues/manufacturing/energy/social-issues/damaging-low-carbon-investment-tuc-response
www.ft.com/cms/s/0/53b7439a-8e0b-11e5-8be4-3506bf20cc2b.html#axzz3s2o6RPYi
http://touchstoneblog.org.uk/2015/11/greenprint-for-a-low-carbon-industrial-strategy/
ONS GDP preliminary estimate, October 2015

At the half-way point of the **financial** year (April to September 2015), the government has borrowed £36.4bn – 18.9 per cent improvement on the previous year. This is not greatly out of line with expected outcomes for the year as a whole, with the OBR forecasting borrowing of £69.5bn in 2015/16, a reduction of 22 per cent compared with last year's £89.2bn.

In their newly issued Forecast evaluation report the OBR adjusted the original June 2010 profile for public sector net borrowing onto a consistent basis to reflect changes in the way the public sector finances are measured over the past five years. As a share of GDP these show borrowing in 2015/16 is now expected to be 3.8 per cent of GDP, more than four times (4.6) higher than the June 2010 prediction of 0.8 per cent (on the consistent basis).

The Comprehensive Spending Review will be announced on 25 November, which is set to identify government **savings** that would eliminate the deficit by 2019/20.

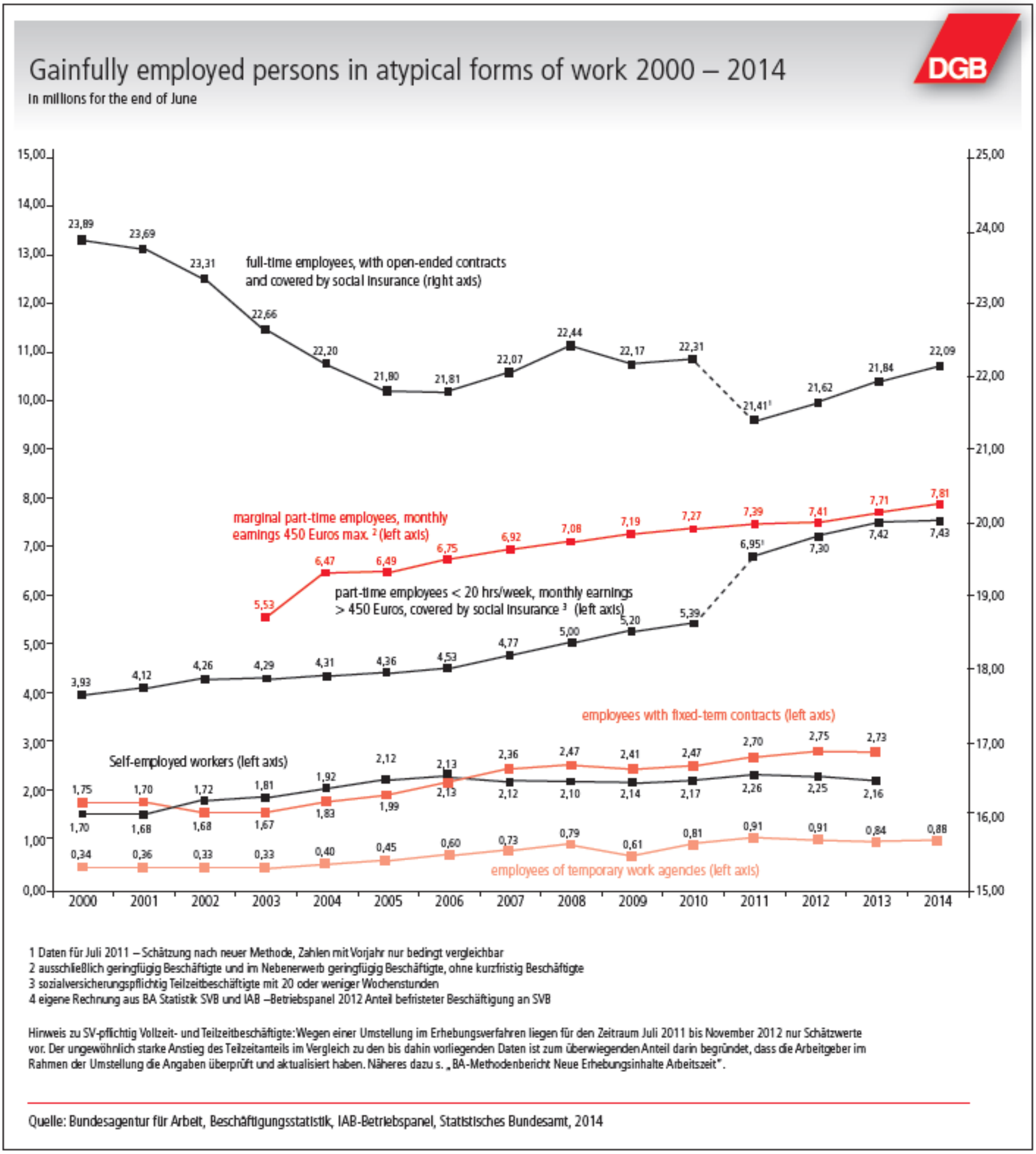
The TUC has called on the government to tackle the deficit through a demand-stimulus approach, delivering secure opportunities for working families. Investment in industry, manufacturing and public infrastructure is key to delivering sustainable, equitable growth. The TUC is campaigning for properly funded public services, from childcare to adult social care and new social housing, to meet people's needs.

Sources:
ONS Public Sector Finances, October 2015
http://bit.ly/218m5vX

# ANNEXES

Please find hereunder the annexes containing the evidences which ETUC member organisations of Germany and Poland have made reference to in their inputs.

**ANNEX 1 – DGB (Germany)**



# Wynagrodzenia kobiet i mężczyzn w 2014 roku

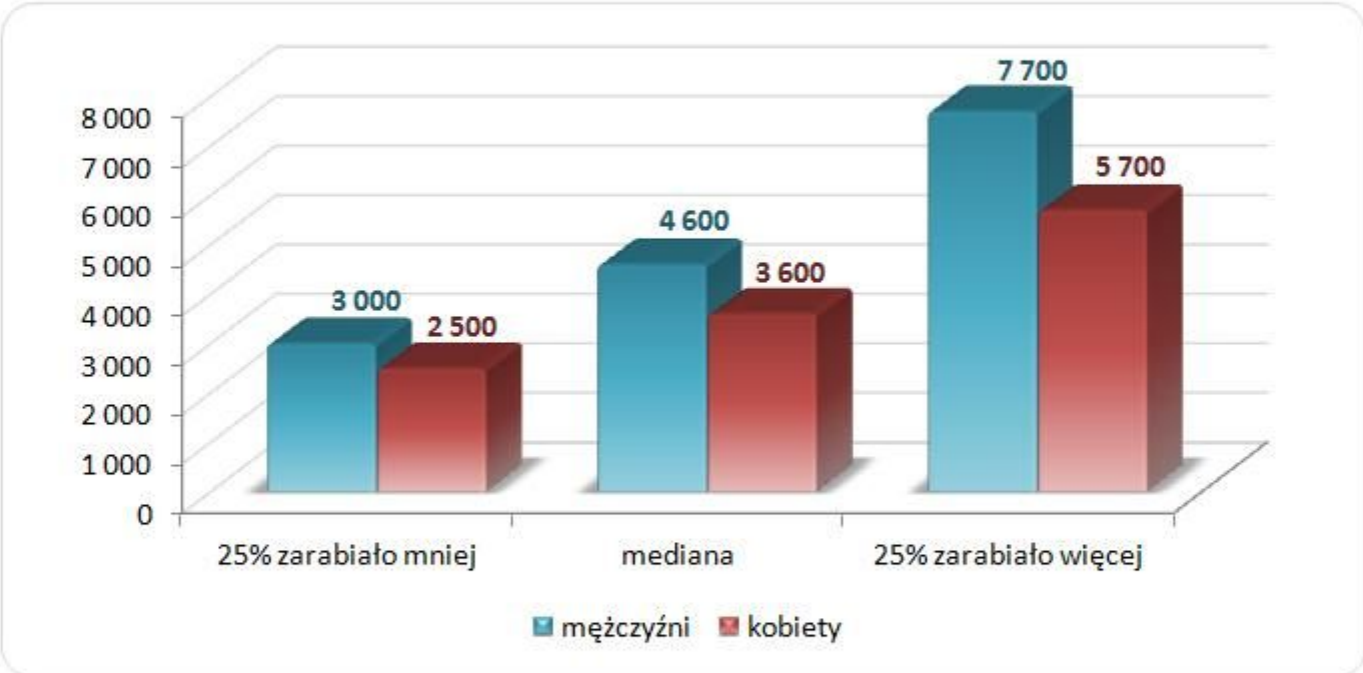
**Informacje o badaniu:** 125 624 uczestników, 62,3% osób ma nie więcej niż 35 lat, 67% mieszka w miastach powyżej 100 000 mieszkańców, 72,2% ma wykształcenie wyższe, 69,4% zajmuje stanowiska specjalistyczne lub kierownicze, 45,1% pracuje w wielkich lub dużych przedsiębiorstwach.

**Partnerzy badania:** interia.pl, regiopraca.pl, wp.pl, gazeta.pl

### Dane ogólne

W ubiegłym roku mężczyźni przeciętnie zarabiali 4 600 PLN, a kobiety 3 600 PLN — wynika z Ogólnopolskiego Badania Wynagrodzeń przeprowadzonego przez Sedlak & Sedlak. Co czwarty zatrudniony zarabiał 7 700 PLN i więcej, a co czwarta zatrudniona 5 700 PLN i więcej. Więcej danych dotyczących wynagrodzeń kobiet i mężczyzn na różnych stanowiskach znajdą Państwo w aplikacji Moja Płaca .

Wykres 1. Wynagrodzenia kobiet i mężczyzn w 2014 roku (brutto w PLN)




Źródło: Ogólnopolskie Badanie Wynagrodzeń (OBW) przeprowadzone przez Sedlak & Sedlak w 2014 roku

**Odbierz indywidualny raport o zarobkach. Sprawdź, ile zarabiają inni na podobnych stanowiskach.**

### Wynagrodzenie na różnych szczeblach

Mężczyźni na stanowiskach dyrektorów otrzymywali miesięcznie wynagrodzenie 13 800 PLN brutto, czyli o prawie 4 tys. PLN więcej niż kobiety. Mniejsza różnica występowała na szczeblu kierowniczym, na którym mężczyźni zarabiali 6 600 PLN, a kobiety 5 700 PLN. Natomiast panie zatrudnione jako specjaliści były wynagradzane kwotą 3 800 PLN, a panowie 4 600 PLN. Pracownicy szeregowi zarabiali 2 800 PLN, a pracownice 2 500 PLN.

| szczebel zatrudnienia | płeć | wielkość próby | 25% zarabiało poniżej | mediana | 25% zarabiało powyżej |
|---|---|---|---|---|---|
| dyrektor | mężczyźni | 4 351 | 8 500 | **13 800** | 22 000 |
| | kobiety | 1 939 | 6 000 | **10 000** | 17 600 |
| kierownik | mężczyźni | 13 675 | 4 500 | **6 600** | 10 020 |
| | kobiety | 8 154 | 3 900 | **5 700** | 8 800 |
| specjalista | mężczyźni | 31 498 | 3 257 | **4 600** | 7 000 |
| | kobiety | 23 790 | 2 800 | **3 800** | 5 475 |
| pracownik szeregowy | mężczyźni | 14 895 | 2 150 | **2 800** | 3 800 |
| | kobiety | 12 739 | 2 000 | **2 500** | 3 300 |

Źródło: Ogólnopolskie Badanie Wynagrodzeń (OBW) przeprowadzone przez Sedlak & Sedlak w 2014 roku

## Wynagrodzenie w branżach

Panowie zatrudnieni w branży IT zarabiali przeciętnie 6 200 PLN, a panie 5 200 PLN. Kobiety pracujące w usługach dla biznesu zarabiały mniej od mężczyzn o 1 300 PLN. Pracownicy z branży handlowej zarabiali 4 150 PLN, natomiast pracownice 3 400 PLN. Mała różnica w wynagrodzeniach kobiet i mężczyzn wystąpiła w usługach dla ludności – 208 PLN brutto. Dokładne dane dotyczące wynagrodzeń na stanowiskach w poszczególnych branżach można znaleźć w aplikacji Moja Płaca.

Tabela 2. Wynagrodzenia kobiet i mężczyzn w wybranych branżach w 2014 roku (brutto w PLN)

| branże | płeć | wielkość próby | 25% zarabiało poniżej | mediana | 25% zarabiało powyżej |
|---|---|---|---|---|---|
| IT | mężczyźni | 8 983 | 4 000 | **6 200** | 9 600 |
| | kobiety | 2 633 | 3 600 | **5 200** | 8 000 |
| usługi dla biznesu | mężczyźni | 2 791 | 3 485 | **5 300** | 9 000 |
| | kobiety | 3 879 | 2 800 | **4 000** | 6 150 |
| handel | mężczyźni | 6 508 | 2 700 | **4 150** | 7 175 |
| | kobiety | 6 058 | 2 219 | **3 400** | 5 500 |
| usługi dla ludności | mężczyźni | 3 401 | 2 275 | **3 200** | 5 000 |

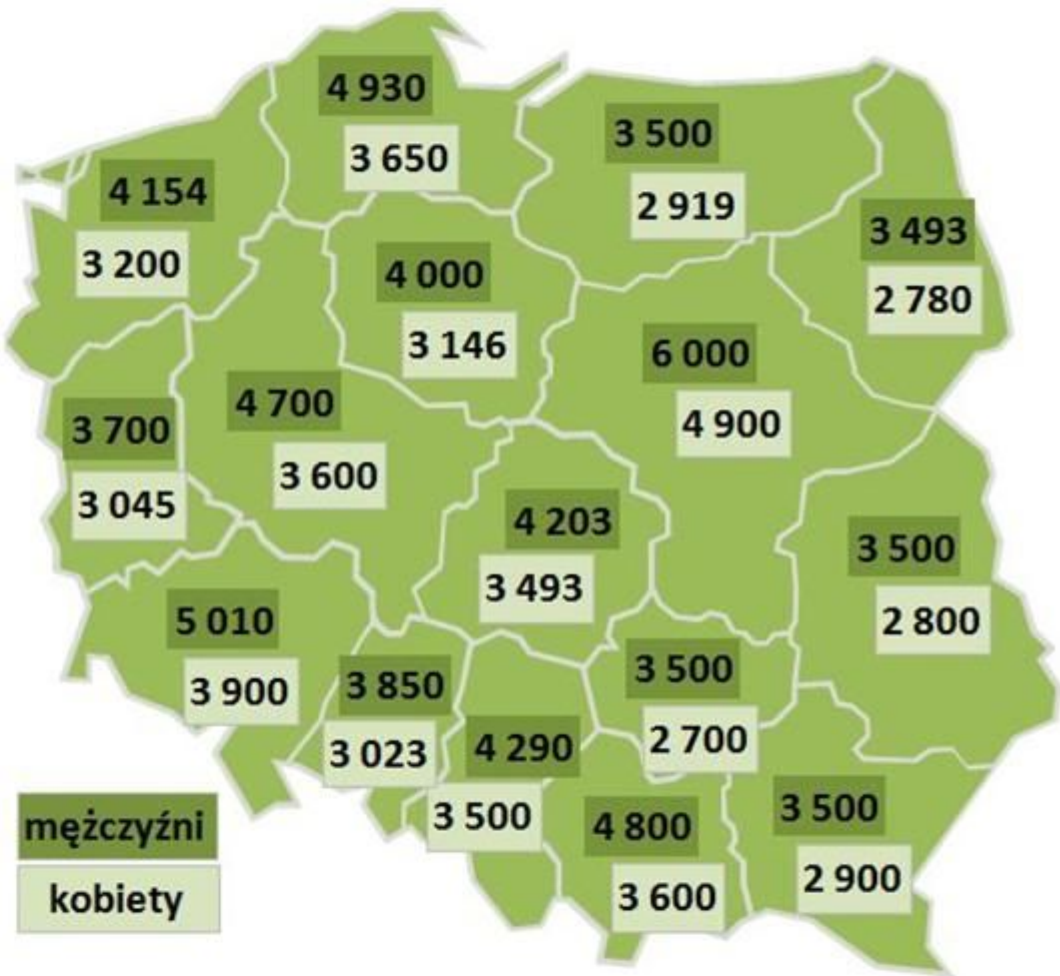
| | | | | |
|---|---|---|---|---|
| kobiety | 3 587 | 2 100 | **2 992** | 4 370 |

Źródło: Ogólnopolskie Badanie Wynagrodzeń (OBW) przeprowadzone przez Sedlak & Sedlak w 2014 roku

**Zarobki w województwach**

Najmniejsze różnice w wynagrodzeniach kobiet i mężczyzn wystąpiły w województwie warmińsko-mazurskim – 581 PLN oraz podkarpackim – 600 PLN. Małe różnice wystąpiły też w lubuskim (655 PLN), lubelskim (700 PLN), łódzki (710 PLN) i podlaskim (713 PLN). Natomiast największe różnice w zarobkach odnotowano w województwie pomorskim – 1 280 PLN i małopolskim – 1 200 PLN. Duża rozpiętość wystąpiła tez w dolnośląskim, mazowieckim oraz wielkopolskim - o około 1 100 PLN brutto.

Schemat 1. Wynagrodzenia kobiet i mężczyzn w województwach
w 2014 roku (brutto w PLN)




Źródło: Ogólnopolskie Badanie Wynagrodzeń (OBW) przeprowadzone przez Sedlak & Sedlak w 2014 roku

**Wynagrodzenia osób z różnym wykształceniem**

Zarówno kobiety jak i mężczyźni posiadający wykształcenie wyższe, byli lepiej wynagradzani. Mężczyźni zarabiali więcej od kobiet o 28% i otrzymywali przeciętnie 5 500 PLN, a panie 4 000 PLN. Wśród osób z wykształceniem średnim ta różnica była mniejsza i wynosiła 17%. Najmniejsza różnica była wśród osób z wykształceniem podstawowym. Pracownicy z takim wykształceniem byli przeciętnie wynagradzani kwotą 2 500 PLN, a pracownice – 2 200 PLN.

Tabela 3. Wynagrodzenia kobiet i mężczyzn z różnym wykształceniem w 2014 roku (brutto w PLN)

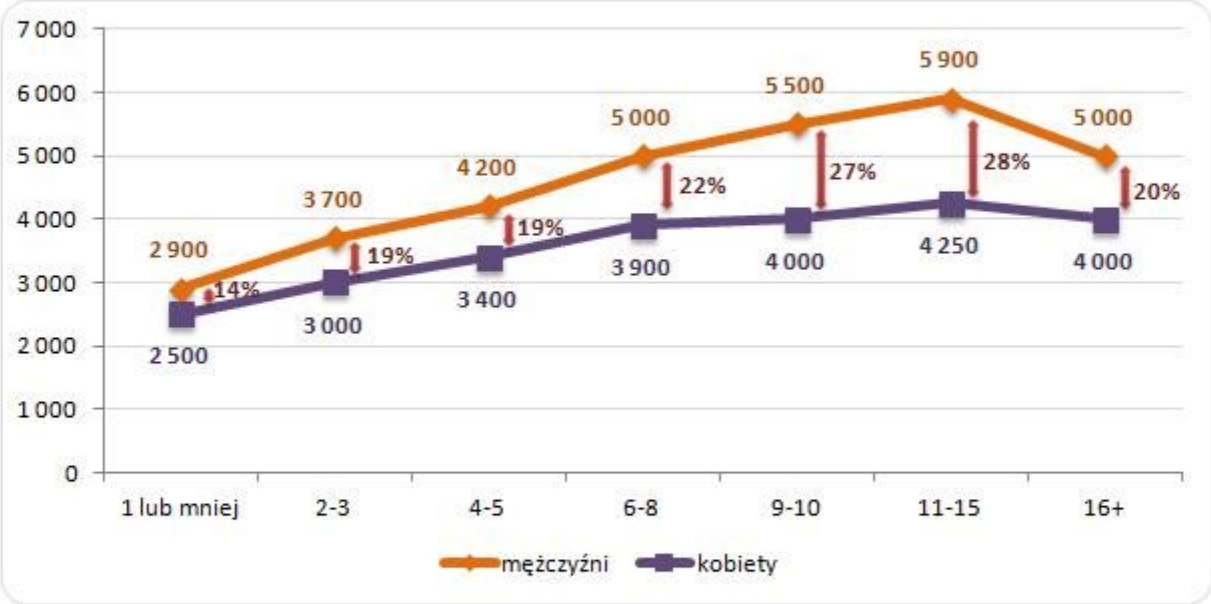
| wykształcenie | płeć | wielkość próby | 25% zarabiało poniżej | mediana | 25% zarabiało powyżej |
|---|---|---|---|---|---|
| wyższe | mężczyźni | 43 865 | 3 516 | **5 500** | 8 960 |
| | kobiety | 36 278 | 2 775 | **4 000** | 6 100 |
| średnie | mężczyźni | 20 075 | 2 418 | **3 350** | 5 000 |
| | kobiety | 10 139 | 2 056 | **2 790** | 4 000 |
| podstawowe i gimnazjalne | mężczyźni | 479 | 1 900 | **2 500** | 4 100 |
| | kobiety | 205 | 1 733 | **2 200** | 3 700 |

Źródło: Ogólnopolskie Badanie Wynagrodzeń (OBW) przeprowadzone przez Sedlak & Sedlak w 2014 roku

**Staż pracy**

W pierwszym roku pracy, różnice między wynagrodzeniami kobiet i mężczyzn nie były aż tak wielkie (wyniosły 14%). W kolejnych latach ta różnica powiększa się (od 19% w przypadku pracowników ze stażem od 2 do 3 lat, aż do 28% dla stażu pracy 11 – 15 lat). Natomiast dla pań i panów z doświadczeniem zawodowym powyżej 16 lat, różnica spadła do 20%.

Wykres 2. Mediana wynagrodzeń kobiet i mężczyzn
w poszczególnych przedziałach stażowych w 2014 roku (brutto w PLN)




Źródło: Ogólnopolskie Badanie Wynagrodzeń (OBW) przeprowadzone przez Sedlak & Sedlak w 2014 roku

***Mateusz Rachucki***
***wynagrodzenia.pl***
Wyjaśnienie terminów użytych w artykule:

wynagrodzenie całkowite - miesięczne wynagrodzenie brutto przysługujące pracownikowi z uwzględnieniem wszystkich ruchomych dodatków pieniężnych, takich jak: premie, nagrody i inne.

mediana - wartość dzieląca wszystkie dane na pół. Poniżej i powyżej mediany znajduje się dokładnie po 50% danych. Innymi słowy, jeżeli mediana wynosi 2 000 PLN, to znaczy, że wynagrodzenie na danym stanowisku jest w połowie zakładów niższe, a w połowie wyższe od 2 000 PLN. Mediana jest miarą statystyczną, która lepiej niż średnia oddaje tendencję centralną wyników, ponieważ średnia może być zaburzona przez wyniki skrajne.

górny kwartyl - wartość, powyżej której mieści się 25% danych. Innymi słowy, jeżeli górny kwartyl wynosi 4 500 PLN, to 75% osób zatrudnionych na danym stanowisku zarabia poniżej, a 25% powyżej 4 500 PLN

dolny kwartyl- wartość, poniżej której mieści się 25% danych. Innymi słowy, jeżeli dolny kwartyl wynosi 2 000 PLN, to 25% osób zatrudnionych na danym stanowisku zarabia poniżej, a 75% powyżej 2 000 PLN.

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